iAcuity

Use Case

Investigating Ponzi Schemes- A network of fraud

Introduction

Ponzi scheme organizers solicit new investors by promising to invest funds in opportunities claiming to generate high returns with little to no risk. In many Ponzi schemes, the fraudsters focus on attracting new money to make promised payments to earlier-stage investors, and make use for personal expenses, instead of engaging in any legitimate investment activities. Ponzi scheme is bound to fall as, with little or no legitimate earnings, the schemes require a consistent flow of money from new investors to continue. They tend to collapse when it becomes difficult to recruit new investors or when a large number of investors ask to cash out.

As cumbersome as their phishing structure sounds, the task of investigating a ponzi scheme or chit-fund scam is equally complex and time-consuming. Investigators find it challenging to navigate through this complicated web of carefully woven fraud tactics; as they often rely on a complex network of deceitful transactions built through a continuous movement of funds from old investors to pay off new investors.

iAcuity Fund Trail eases this process by providing automated analytics tools for forensic audit that eliminates hassle of manual efforts or inaccurate results.

Wading through a web of false claims and crashed hopes

India's biggest Ponzi scheme uncovered so far involved more than $3bn in losses when the Saradha Group, a consortium of about 200 companies including factories, newspapers and television channels, was shut down in 2013.

During the same year SEBI was granted greater powers to crackdown on illegal money-pooling schemes and other frauds. To curb the growing menace of frauds, the then government ordered Serious Fraud Investigation Office (SFIO) probes against almost 76 companies till December 2013 – the highest count in preceding three years. Besides, an inter-ministerial group was also set up with the mandate to frame regulations for clamping down on ponzi schemes.

However, India's regulatory regime hasn't been its strongpoint. Experts say that the regulatory groups aren't usually manned well. Their investigative or surveillance mechanisms are poor, and thus, they are not able to deliver.

And therefore, in step-in, independent investigation agencies and auditors who aim to take charge of fraud detection. However, most often than not, they are faced with a challenging task of taking on an extensive number of people involved with multiple transactions and tackling data presented in varied formats. Also, they are found to be heavily reliant on manual efforts to make sense of fund flows and utilization. It is difficult to even ascertain if new investors' funds are being used to pay out old investors in such scams.

The three big challenges in front of investigators are:

- Complex set of data in various formats
- Extensive number of people involved with multiple transactions
- Over reliance on manual efforts to make sense of fund flows and utilization

How Fund Trail Works: Solving The Challenge

Fund Trail allows investigators to tackle large volumes of data in varied formats, leverage artificial intelligence, statistical analysis, pattern detection and powerful visualizations. This makes it easier for forensic auditors to see the big picture and find anomalies, which otherwise get overlooked or take months to be worked upon. Our advanced solution automatically flags suspicious behaviour and removes noise.

In no time, Fund Trail traces end utilization of funds and identifies trends in income and expenses; in turn, validating the cheated party's investments and returns.

Fund Trail is, thus, a resource optimized and cost-effective solution for forensic auditors to carry out investigation. Investigators have to simply upload bank statements and ledger data to get the desired results. Once data is ingested, iAcuity's analytics engine automatically validates data through reconciliation of running balance, extracts and resolves entities, categorizes transactions, identifies fund flow patterns, and prepares the following reports.

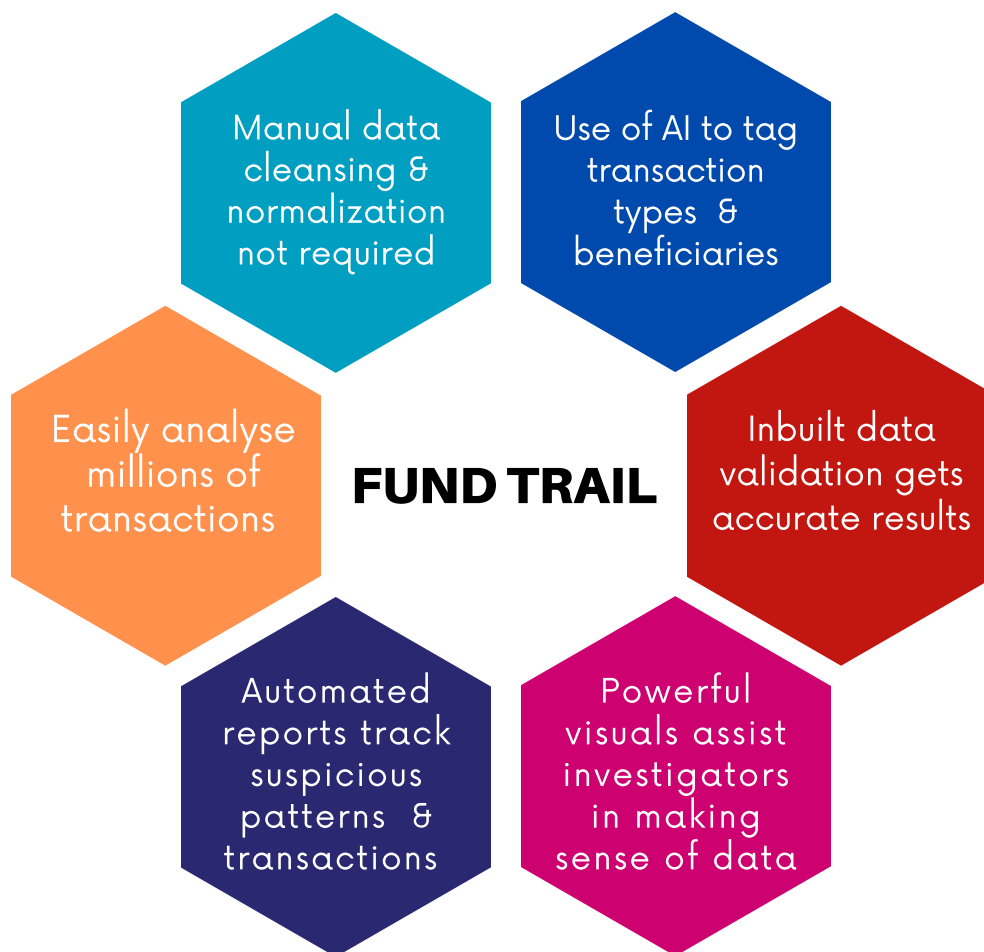| Report	Analysis
Net Flow Report	Highlights all transactions between aggrieved investors and other entities along with a visual representation in link analysis to help investigators identify how funds were used. Investigators can flag suspicious entities that do not fit within the norm of business for further investigation.
FIFO Report	A detailed analysis of fund utilization using First-In-First-Out logic, this report presents investigators with the end utilization of each deposit into an account. With these details, investigator can identify the end utilization of fraudulent scheme investments. Once the investigator has identified the end beneficiary of utilization of these investments, they can further investigate the nature of the relationship and evaluate if it qualifies as diversion or sanctioned utilization.
High Value RTGS/NEFT Transactions Report	Lists all transactions and entities who have received large sums of money across multiple transactions from aggrieved investors. Provides insights into entities potentially involved in fraudulent activities and siphoning of funds.
High Value Cash Transactions Report	Lists all transactions and entities who have received large sums of money from several transactions by multiple investors in the scheme.
Non-Bank Party Fund Flow Report	Lists those transactions and entities that have received or sent large sums of accounted money across multiple transactions through various investments. This behaviour is abnormal for business and highlights entities for further investigation.

Benefits of Using Fund Trail

FUND TRAIL

- Manual data cleansing & normalization not required
- Use of AI to tag transaction types & beneficiaries
- Easily analyse millions of transactions
- Inbuilt data validation gets accurate results
- Automated reports track suspicious patterns & transactions
- Powerful visuals assist investigators in making sense of data

Fund Trail reduces investigation time from months to days by sorting through millions of transactions and providing view of fund flow w.r.t. pyramid investments. Thus, investigatiors are able to analyse the utilisation of funds, identify potential fraudulent transactions and determine the best recourse for the aggrieved investors.

Fund Trail Performance Highlights

✔ **Over 2M transactions analyzed in 4 hours**

✔ **Reconciled 500K transactions in 1 hour**

✔ **Reduced analytics time by 95%**

✔ **Analysed utilization of ₹ 8000 cr**

✔ **500 bank statements loaded in minutes**

✔ **Traced flow of funds amongst 600 entities**

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About Us
iAcuity Fintech empowers Law Enforcement Agencies,
Forensic Auditors and Financial Institutions to identify
financial crime. We have built the world's first hyper-
automated, AI analytics engine to facilitate both
investigation and prevention of financial crime

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