JIFM JOURNAL OF INSURANCE AND FINANCIAL MANAGEMENT

A Veil of Lemons in Financial Markets

Ojwang' George Omondi [a,*]

[a] *Doctoral student, school of Business, University of Nairobi*

ARTICLE INFO

Article History

Submitted	17 Oct 2017
Accepted	01 Nov 2017
Available online	17 Nov 2017

JEL Classification

A14
G02

Keywords

Fraud
Ponzi Schemes
Scams
Trust
Victimization

ABSTRACT

Financial markets attract speculative players from banking and insurance industry with the ultimate goal of swindling the gullible public of their hard-earned investment proceeds. Too big to fail banking players such as Goldman Sachs and Deutsche Bank have been involved in mega financial impropriety in collusion with accounting firms such as Ernst and Young and Deloitte and Touché. Such symbiotic scams have ensured steady income streams to the players at the detriment of their investor principals. Uproar from such mega scams have witnessed the financial markets admitting the existence of a few outliers who should not be construed as a reflection of industry norm. Financial scams are perpetuated by institutions riding on the back of conducive legislation such as did happen when the Gramm-Leach Bliley Act of 1999 in America countered the Glass-Steagall Act of 1933. Passive investment has been a rallying call to potential investors keen on trusting their investment to professional managers capable of surmounting complex financial market transactions. Investment vehicles such as leveraged and inverse exchange traded funds and mutual funds have pretty captured the soul of financial assets with sophisticated entities riding on the veil of secrecy akin to numbered accounts run by private bankers.

Journal of Insurance and Financial Management

*Corresponding Author:
georgeojwang@gmail.com

1. Introduction

Financial impropriety goes by many connotations such as *Financial scams, cons,* and *swindles.* By whichever name, such deceptive acts are intended to persuade as many potential clients as possible to drop their cautiousness for the unknown and voluntarily trust a new entity as fully competent to manage their finances passively and professionally. Financial scams envisage more lies preconceived in line with *mens rea* thereby according them a rightful place in criminality (Shapiro 1984).

1.1 General Characteristics

Commission of financial scams occur in two ways; directly by persuading the culprit to invest their finances with the scam initiator's principal organization, or by inducing the potential victim to reveal crucial financial information such as passwords, credit card numbers and security codes which is then used to access the victim's financial assets. The procedure of such commission is usually very systematic (Langenderfer, 2001) with victims' details including phone numbers and e-mail addresses providing the first port of call. In most cases, fraudsters shop for earlier victims who are willing to turn around earlier losses to profits (Policastro 2014; Shover et al. 2004). Unfortunately, they end up in massive repeat losses. The advent of online banking has provided fodder for rapid perpetuation of fraudulent activities as victims share their new-found 'investment opportunities' through social marketing (Baker 2003; Nash et al. 2013).

To keep the scam rolling, the fraudsters pay out good investment returns to initial victims as a way of gaining trust allowing the victims to spread word to their social networks of their catch. At times brand names could be subjected to identity theft whereby scammers pass out as representatives of such brand names with a view to gaining trust from potential victims. Due to the complexity of transactions within capital markets, scammers would appeal to unsophisticated investors with a view to entrusting their financial information with them which sets the scam in motion (Perri 2012; Button et al. 2014). Such a move captures the urgency with which huge amounts of information need to be processed and the self-preservation aspect of gain versus losses inherent in all living objects exploited. A single introspection on the part of potential investors could reveal glaring information asymmetries which the scammers rely on to gain the victim's trust and roll the ball to its ultimate end of fleecing their client (Pressman 1998).

1.2 The Illegality of Financial Scams

Just as in all areas of law, financial scammers think ahead of law makers and statutes who only play catch up game when the scammers have bolted with their rewards. Litigating against financial scams draws from sociology, psychology and criminology. This shows how intricate the web of scammers is woven. Scam identity related crimes dig deeper into internet related financial transactions amassing a matrix of professionals such as security engineers, economists, computer scientists, psychologists and lawyers to decipher cyber-crime (Cheney 2003; Anderson 2006; Chryssikos et al. 2008; Moore et al. 2009). Similarly, Pontell (2007) agrees that, *many of the behaviors now termed 'identity theft' are age-old scams, swindles, and confidence games perpetrated on a massive scale using computers and new electronic technology*. The ease by which financial scams are perpetuated dispels classical economic thinking of efficient markets with rational players keen on pre-determined investment horizons. Behavioral finance comes in with irrational exuberances as key motivators of the steady flow of gullible victims to these scams. In conformity with Pressman (1998), Button et al. (2014); Stajano (2011) and Frankel (2012), transactions within capital markets rely more on noise making than trading on information, *financial scams arise not because of asymmetric information, but because of the psychological disposition of human beings and the fact that human decision making involves employing some heuristics or focal points in the face of uncertainty regarding future events*.

1.3 The Role of Trust and Authority in the Victimization Process

Financial scams are perpetuated through existence of trust more so from the victim's side. Scammers ensure they build a conducive environment portraying them as trustworthy persons capable of generating investment returns into the foreseeable future. To do this, scammers use a variety of methods including words and behaviors, group trust, respect for authority and actions.

Frankel (2012) reveals that scammers peddle convincing stories wrapped in the right legal and professional words with the aim of assuaging potential victims of their professionalism while in fact all their words are empty rhetoric. Similarly, Lewis (2012) postulates that scammers' behaviors are choreographed to depict generosity, successful business entities and acumen with a view to modeling their victims 'perception. Likewise, Comet (2011); Perri (2012) concur that scammers rely so much on group trust to build a steady flow of potential victims through social marketing involving sophisticated and unsophisticated investors as a way of building blind religious like following and trust (Comet 2011; Perri 2012). Scammers rely on authoritative entities such as reputable banks, politicians and religious institutions to peddle their lies and gain a following. Such banks do turn a blind eye on their clients' financial safety under the rider of customer beware to insinuate that clients need to conduct due diligence before entering into any financial dealing with any third party. Blois (2013), confirms that gullible investors are swayed by those who have made it big financially to an extent that they are accorded massive religious trust as was the case with Bernard Madoff's Ponzi scheme. In terms of actions, scammers make prompt initial payments, visit clients regularly with timely updates of their investments with a view to eradicate any form of skepticism from their victim clients,

1.4 Psychological Dispositions and the Victimization Process

Human biases and heuristics go a long way in explaining the gullibility of both sophisticated and unsophisticated investors. Capturing these inherent weaknesses in human beings' decision making in the face of uncertainty propel scammers massively in their illegal trade (Langefelder 2001; Schaper 2012; Stajano 2011; Pressman 1998; Perri 2012). The tendency to plunge deeper into financial black holes from negative experiences emanate from man's inherent weakness to try to right a past wrong through almost similar avenues has been used effectively by scammers to fleece serial victims. We easily misread people's true intentions and as social animals we tend to converge our value systems erroneously with people of a similar religious affiliation, ethnic background or race. In Kenya for instance, the Kikuyu community is synonymous with financial treachery, cancerous affinity to wealth, tribal superiority and status preservation. To one of their own, it is relatively easy to invest massive resources through a kikuyu affiliated organization erroneously in the belief that their financial status quo reigns supreme among fellow kyuks. Such state of affairs is fanned by a system of governance in Kenya since independence which favors them by placing the community higher up the food chain akin to carnivorous animals within the animal kingdom.

1.5 Investment Scams

Financial scams come in various shades the first of which is hereby referred to as investment scams which persuade potential investors to deposit their finances with particular organizational vehicles such as real estates, insurance policies and fund managers. These inducements could be in the form of shareholdings and debenture stakes in briefcase entities within a vicious cycle of never ending gullibility backed by latest production techniques, products and business openings (Blanton 2012). Man's insatiable appetite for self-preservation has seen him invest massive resources in precious-metal mining operations at the cost of life itself (Naylor 2007, Friedrichs 2010). Most investment scams are through passive investment with a clear conviction of a superior investment strategy practiced by the scammer.

Such was the case with the American scammer, Bernard Madoff, who convinced his victims of the superiority of his *split-strike conversion investment strategy, which had presumably yielded an 11-percent annual return over the last 15 years, with only 13 losing months* (Frankel 2012). This scam was modeled along the Italian Charles Ponzi's spiral input-output mechanism of maintaining potential victims flow. Other scholars (Friedrichs 2010; Tillman 2002; Rosoff et al. 2014) are in agreement by suggesting that additional vehicles commonly used in investment scams include real estate projects and insurance policies designed to offer abnormally high returns and abnormally low risks against any viable classical finance theory.

Arjan (2016) and Frankel (2012) observe the similarity of these scam projects to legitimate projects in terms of innovation and creativity such that to regulators it becomes difficult to ascertain with conviction the boundary line between genuine business and scams. Genuine and legitimate business benefits society as a whole in terms of provision of societal services, on the contrary, scam projects are intended to fleece society of its scarce resources and channel the same to a few individuals akin to self-preservation and egoistic tendencies of man.

Nolasco et al. (2013) assert that investment scams in the form of Ponzi schemes depend to a large extent on resources coming in from new investor victims which constitute returns to old investors instead of returns generated from initial investments. However, these new investor victims are not the only source of finances for if it were so then the number needed to sustain the cyclicality of the scam would be larger than practically possible in the Bermuda triangle replication (Lewis 2012). Mostly, financial returns are peddled to the victims with a surety that re-investing the returns would yield much higher returns thereby persuading man's insatiable appetite for resources clouded in heuristic tendencies. Ponzi schemes remain afloat as long as new investor victims continue to be sucked in and old investors gloat over their capital gains. The moment these old investors ask to redeem their shares and potential investors stop actualizing their intention, then the scheme tumbles down as a house of cards (Trahan et al. 2005).

Will (2013), confirms that investment scams are pegged on man's egoistic tendencies, emotional imbalance and fear of losing a financial bandwagon towards wealth through steady returns within a short investment horizon. As a case in point, Nolasco et al. (2013) point out that Madoff's scheme offered investors returns of between 10 per cent and 12 per cent irrespective of economic status. To achieve this fete, he used impersonal methods to disseminate noise to his would-be victims. Frankel (2012); Arjan (2016) and Lewis (2012) confirm that established financial institutions such as JP Morgan accepted generous commissions from Madoff for recruiting investors while fully aware of the fraudulent nature of the product they were disseminating to clients.

At times, telemarketing teams doing door to door rounds among potential investor victims would be used (Baker 2003; Shover 2003, 2004) while at other times broker dealers would be directly used to pitch these fraudulent products to their clients. In Kenya for instance, Equity bank limited is known to dupe its clients into purchasing investment products they are distributing with soft loans at exorbitant interest rates. Luckily though, such investors get tied to servicing these bank induced loans as captive coerced investors but these products have been shy of Ponzi schemes. Dissemination of investment scams through social marketing is made possible courtesy of man's desire to belong. It resonates with membership to clubs, religious communities, immigrants, tribal affiliates or gender based societies. In Kenya for instance, women are fond of associating together in groups called "chamas" with herd mentality in everything they do. Charles Ponzi used such affiliation in his stamp project to fleece Italian immigrants in America of huge sums of money. Early successful investors could then be used to capture new investors through social marketing thus allaying fears of negative outcomes. What with success stories living right in your midst?

1.6 Prevalence, Victims, Costs and Consequences

Media coverage of investment scams is not all that extensive. It depends on parties involved both directly and indirectly. The more astute operatives involved, the more media hype raised but several low-profile cases are rife with massive financial losses to investor victims. Likewise, Lewis (2012) states that during 2008 and 2009, 190 Ponzi schemes collapsed in the United States. Similarly, Lokanan (2014) notes that one in twenty Canadians have been victims of investment scams with huge monetary implications from the financial black-holes created in the aftermath. Reputational risks emanating from association both real and perceived could be damaging to financial institutions both established and start-ups. These schemes are at times calculated as off-balance sheet transactions from trading desks of major financial institutions such as Barings bank. The resultant bank runs devastate the economy both directly and indirectly in equal measure.

1.7 Perpetrators, Motivations, and Opportunities

Perpetrators of investment scams are very ruthless entrepreneurs keen on riding on their victims' ignorance to reap as much returns as possible. Trait wise these scammers are said to be charming and image conscious individuals keen on building trust from their investor victims through generous actions (Lewis 2012). Similarly, Frankel (2012) contend that the scammers have a vociferous gluttonous appetite for other peoples' money akin to the Kikuyu community in Kenya who think of themselves as superior human beings and glorify their victims' ignorance. When man feels a sense of self-preservation, they ride on irrationality and convince their conscience that whatever action they take towards self-preservation is magnanimous irrespective of collateral damages that come with it. They ignore the going concern nature of their schemes which to an extent starts as legitimate enterprises but opportunistically go haywire with time from poor cash management at the bequest of scammers' twisted thinking to come up with "a salvage value" from an otherwise collapsing enterprise (Naylor, 2007).

Immigrant communities are by nature very entrepreneurial and would not be cowed from using any template available to reap as much financial rewards as practically possible without regard to legitimacy of their operations. This, sadly, is the position of American dream which glorifies financial success at the behest of processes of acquisition (Trahan et al. 2005; Young 2013). Interestingly, investment scams take advantage of institutional arrangements governing financial markets in which the mystique of the alpha manager and alpha returns reign supreme (Blois 2013; Shapiro 2013; Frankel 2012). Financial transactions are by their very nature secretive for fear of strategic theft by competitors. Scammers use this veil of secrecy to avoid detection by regulators and to keep their victims uninformed on the goings on behind the scene. At the same time, auditing firms turn a blind eye on these activities leaving investor victims with no one to intercede for them.

Technological advancements have ushered in new communication mechanisms at the disposal of investors who only need to log onto the net to actualize their intentions. Such technology facilitated transactions are programmed coherently to a logical conclusion in simple steps thereby allowing scammers to operate opaquely without recourse in terms of empathy with victims. The spiral effect of all these is that a single scammer could fleece several people from the comfort of their bedroom without physical detection by regulators. Regulatory bodies such as the Capital Markets Authority in Kenya, do play catch up with scammers who design new ways of overstepping legal requirements. Without independent oversight, scammers have a field day implementing their schemes at times with blessings from these very regulators.

Closely tied to this aspect is the symbiotic relationship existing below the surface between scammers and independent auditors (Geis 2013; Markopolos 2010; Shapiro 2013).

2. Cases Discussed in the Literature

Financial scams are synonymous with Ponzi schemes. Charles Ponzi was an Italian immigrant in the United States who saw an investment opportunity trading postal stamps cross-border redeemable by issuing governments in their own currencies. *Ponzi believed that trading on the difference between the values of the currencies in which these stamps were issued could produce enormous profits (Frankel 2012). He began advertising his plan, which was effectively an arbitrage trade, promising to pay a 50-percent return in 45 days. Soon he was collecting millions of dollars (Furman 2009). When his business soon failed to meet expectations, Ponzi hoped to invest the money in a legitimate enterprise, while gradually lowering the promised returns. In the meantime, he used the money raised from new investors to pay the promised return to earlier investors and finance a lavish lifestyle (Frankel 2012).* Ponzi perpetuated his scheme within the twentieth century and lent his name to such financial scams where initial investors are paid fictitious returns from new moneys invested by late entrants into the scheme.

Recently, the case that captured the twenty first century so far is the Bernard Madoff case raking in between $ 15 billion and $ 65 billion affecting between 4,000 to 10,000 investor victims (Geis 2013). In this scheme which lasted over 40 years, Madoff offered his clients a steady return of between 10 per cent and 12 per cent regardless of the fluctuating economic status. It is worth noting that Madoff was a respected wall street operative with deep connection amongst his Jewish people the world over. His wall street links ensured constant referrals from his deep pocket financial operatives countered by generous commissions for work done to dupe potential investor victims. No wonder Madoff rode to stardom on the pretext of his split-strike conversion investment strategy.

Due to man's social nature, it became fashionable to belong to Madoff's impressive investment club with steady returns despite fluctuating economic status. There is a presumption that Madoff created Spartan portfolios guaranteeing his clients that impressive 10 per cent to 12 per cent return. It remains to be seen the mechanics of such portfolios in terms of core allocation and satellite allocation. Madoff sent detailed regular monthly reports to his clients, reports which were backed by influential financial institutions some of which were actually custodians in his scheme of funds. Wall street has been involved in clandestine activities from the Bolshevik revolution, the rise of Adolf Hitler and the uncomfortable marriage between bankers and politicians. It therefore comes as no surprise that fraudulent activities of Madoff were not exposed by regulators in time possibly due to complacent generous commissions. What with a shell auditing firm in the name of Friehling and Horowitz*, a three-person accounting firm with only one certified accountant on its payroll since 1991* (Lewis 2012; Geis 2013).

Closely related to Madoff's scheme was another American entrepreneur Robert Allen Stanford, a Texas billionaire and head of Stanford International Bank. Stanford deceived his clients into believing his fund was divested in offshore high-profile sectors while in fact he was diverting their resources into a lavish lifestyle audited by a one-man auditing firm for more than ten years. (Geis 2013; Shapiro 2013). The complacency witnessed in the Madoff case was relaxed a bit in Stanford's case as most of his banks were operating off-shore and commencing prosecution without possibility of ultimate conviction was too tall an order for the securities and exchange commission to undertake (Gough 2013).

Kenya has also not been spared the intricacies of financial scams. In 1990, Goldenberg International limited while in 1991 Exchange bank limited was registered and licensed to operate in Kenya. These two companies perpetuated the Goldenberg scandal which swindled the nation's tax payers a whopping $ 80 million. They participated in a *series of business deals or alleged business deals revolving round various economic schemes that related to Export Compensation, Pre-shipment Finance, Retention Accounts, Convertible Foreign Exchange bearer certificates (Forex C), Spot and Forward Contracts, cheque kiting and outright theft* (Republic of Kenya, 2005).

3. Financial Identity Scams: Phishing, Pharming, and Payment Scams

Financial identity scams occur when scammers induce victims to reveal their financial algorithms to them which opens up unhindered access to their bank accounts and other crucial financial information such as credit card links. This could be achieved through phoney emails prompting the recipient to voluntarily reveal their financial information under the guise of power of attorney or for their own account update (Vittal 2005; Button et al. 2014). Identity scams are perpetuated through social engineering or technical subterfuge. The most common social engineering format is called *phishing* (Jagatic et al. 2007; Vittal 2005; Brody et al. 2007). Here, the scammer would send an email to an address prompting the recipient to click on a link that further prompts them to key in their financial information (Vittal 2005; Geeta 2011). At times, such prompts are time constrained in that failure to comply within certain time frames would lead to account closure (Vishwanath et al. 2011).

Technical subterfuge schemes, on the other hand are wider in scope and more persuasive unlike phishing which combative. One format of it is called *pharming* (Vittal 2005; Lynch 2005; Brody et al. 2007) in which scammers send out malware infested emails the opening of which directs the victim to a sensitive website capable of stealing the victims' financial information in the guise of dealing with their bankers. At the same time, the scammers could engineer a genuine bank's website such that all legitimate transactions are directed to their phoney websites with a view to capturing clients details for later misappropriation.

Upon capturing such crucial financial information, the scammers proceed to realize financial gain sequentially along a continuum (Cheney 2003; Anderson 2006; Anderson et al. 2008) least of which is cash withdrawals and merchandise purchase. With proper risk management techniques in place, such scams are easily detected and stalled to avoid further loss to the victim client. At some scammers involve themselves in complex operations with the aim of depleting credit lines, entire bank account balances as if it is the genuine account holder transacting within their normal business lives (Arjan 2016; Cheney 2005).

4. Prevalence, Victims, Costs, and Consequences

Scholars are in agreement that identity scams constitute a larger portion of cyber-crime threating economic systems from the Australia, United Kingdom, the United States, China to India (Pontell 2007; Brody 2007; Geeta 2011; Epstein 2008; Ozaki 2008).

In as much as identity scams are widespread and prevalent, quantifying them is herculean for several reasons; Firstly, regulatory definitions of financial identity scams differ from country to country with some jurisdictions lacking in statues criminalizing certain cyber acts (Cheney 2005; Smith 2010). Secondly, scammers are very intelligent entrepreneurs who are always a step ahead of law enforcement agencies thus making their activities pass without being noticed (Newman 2005). Thirdly, to maintain their ego, most victims would not want to portray their vulnerability to the public due in part to their economic status, social standing or financial complexity. They would rather sweep their losses below the carpet than reveal their lack of caution in financial dealings to the public (Smith 2010; Newman 2005). Finally, scammers injure victims' self-confidence, inflict banks with reputational risk, deny governments distortionary taxes and even lead to emotional disequilibrium on their victims. Quantifying all these costs might not be achievable feasibly.

Financial identity scam victims are in three categories; C*onsumers and businesses* whose details are obtained are used wrongly, *merchants and credit providers* who deliver money and goods fraudulently and *banks, credit card companies, and e-retailers* whose brand names are misappropriated phishingly. Society is the ultimate loser when it mistrusts financial entities such as banks and especially electronic commerce despite huge technological advancements so far achieved in the financial sector (Arjan 2016).

5. Conclusion

Cyber-crime is on the increase due to technological progress especially in the area of information and communication technology. The networking of computers has made it easier for criminals to engage in scam activities in a grander scale than before with huge financial and non-financial consequences. When regulatory bodies are accomplices to scammers actions' and established financial institutions drop their due diligence attire with regard to their agency role, then investor clients are left with irreparable grandiose black holes to live with. Man's insatiable appetite for success has outpaced rationality and moral values to an extent that short-term gains are the new yard sticks for success irrespective of processes leading to those successes. Self-preservation and wit are emerging as the new mantra in financial transactions along financial value chains. Those at the bottom of this chain are simply fodder that sustains operatives up the chain. In the guise of secrecy, strategic legal deregulation has led to extensive use of passive investment vehicles some of which are shell entities specifically created to run off-balance sheet activities. The symbiotic existence of scammers and regulators expose investor victims to uncertainty that threatens asset allocations in the economy through noise making in the financial markets.

References

Anderson, K. B., E. Durbin and M. A. Salinger. 2008. Identity Theft. *Journal of Economic Perspectives* 22, 171–192.

Anderson, R. and T. Moore. 2006. The Economics of Information Security. In: *Science* 314, 610–613.

Arjan, R. 2016. Financial Fraud: A Literature Review, MPIfG Discussion Paper, 16/5, Cologne, Germany

Baker, W. E. and R. Faulkner. 2003. Diffusion of Fraud: Intermediate Economic Crime and Investor Dynamics. *Criminology* 41, 1173–1206.

Blanton, K. 2012. *The Rise of Financial Fraud*. Brief 12-5. Boston: Center for Retirement Research, Boston College. <http://crr.bc.edu/wp-content/uploads/2012/02/IB_12-5-508.pdf>

Blois, K. 2013. Affinity Fraud and Trust within Financial Markets. In: *Journal of Financial Crime* 20, 186–202.

Brody, R. G., E Mulig, and V Kimball. 2007. Phishing, Pharming and Identity Theft. In: *Academy of Accounting and Financial Studies Journal* 11, 43–56.

Button, Mark, et al., 2014. Online Frauds: Learning from Victims Why They Fall for These Scams. In: *Australian & New Zealand Journal of Criminology* 47, 391–408.

Cheney, S. Julia. 2003. *Identity Theft: A Pernicious and Costly Fraud*. Discussion Paper. Philadelphia: Federal Reserve Bank of Philadelphia Payment Cards Center. <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=927415>

Cheney, S. Julia 2005. *Identity Theft: Do Definitions Still Matter?* Discussion Paper, Philadelphia: Federal Reserve Bank of Philadelphia Payment Cards Center. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=815684

Chryssikos, D., N. Passas and C. D. Ram. 2008. *The Evolving Challenge of Identity-related Crime: Addressing Fraud and the Criminal Misuse and Falsification of Identity*. Milan: ISPAC (International Scientific and Professional Advisory Council of the United Nations Crime Prevention and Criminal Justice Programme).

Comet, C. 2011. Anatomy of a Fraud: Trust and Social Networks. In: *Bulletin de Méthodologie Sociologique* 110, 45–57.

Epstein, R. A. and T. P. Brown. 2008. Cybersecurity in the Payment Card Industry. In: *The University of Chicago Law Review* 75, 203–223.

Frankel, T. 2012. *The Ponzi Scheme Puzzle: A History and Analysis of Con Artists and Victims*. New York: Oxford University Press.

Friedrichs, D. O. 2010. *Trusted Criminals: White Collar Crime in Contemporary Society*. Belmont, CA: Wadsworth.

Furman, D. J. and J. S. DeJoy. 2009. Before and after Bernie: Ponzi Regulation or Lack Thereof? *International Review of Business Research Papers* 5, 63–71.

Geeta, D. Vijaya, 2011. Online Identity Theft: An Indian Perspective. *Journal of Financial Crime* 18, 235–246.

Geis, G. 2013. Unaccountable External Auditors and Their Role in the Economic Meltdown. In: *How They Got Away with It: White Collar Criminals and the Financial Meltdown.* New York: Columbia University Press, 85–103.

Gough, L. 2013. *The Con Men: A History of Financial Fraud and the Lessons You Can Learn*. Harlow, UK: Pearson Education.

Jagatic, T. N., et al., 2007. Social Phishing. In: *Communications of the ACM* 50, 94–100.

Langenderfer, J., T. A. Shimp. 2001. Consumer Vulnerability to Scams, Swindles, and Fraud: A New Theory of Visceral Influences on Persuasion. In: *Psychology & Marketing* 18, 763–783.

Lewis, M. K. 2012. New Dogs, Old Tricks: Why Do Ponzi Schemes Succeed? In: *Accounting Forum* 36, 294–309.

Lokanan, M. E., 2014. The Demographic Profile of Victims of Investment Fraud: A Canadian Perspective. In: *Journal of Financial Crime* 21, 226–242.

Lovet, G. 2006. *Dirty Money on the Wires: The Business Models of Cyber Criminals.* Conference paper. 16th Virus Bulletin International Conference, Montreal, October 11–13, 2006.

Lynch, J. 2005. Identity Theft in Cyberspace: Crime Control Methods and Their Effectiveness in Combating Phishing Attacks. In: *Berkeley Technology Law Journal* 20, 259–300.

Markopolos, H. 2010. *No One Would Listen: A True Financial Thriller*. Hoboken, NJ: Wiley.

Moore, T., R. Clayton., and R. Anderson. 2009. The Economics of Online Crime. In: *The Journal of Economic Perspectives* 23, 3–20.

Nash, R., M. B and A. Malm. 2013. Investing in People: The Role of Social Networks in the Diffusion of a Large-scale Fraud. In: *Social Networks* 35, 686–698.

Naylor, R. T. 2007. The Alchemy of Fraud: Investment Scams in the Precious-metals Mining Business. In: *Crime, Law and Social Change* 47, 89–120.

Newman, G. R., and M. McNally. 2005. *Identity Theft Literature Review*. (Grant report.) Washington, DC: National Institute of Justice, United States Department of Justice. www.ncjrs.gov/pdffiles1/nij/grants/210459.pdf

Nolasco, C. I., M. S. Vaughn, and R. V. del Carmen. 2013. Revisiting the Choice Model of Ponzi and Pyramid Schemes: Analysis of Case Law. In: *Crime, Law and Social Change* 60, 375–400.

Ozaki, K. 2008. Keynote Address. In: *The Evolving Challenge of Identity-related Crime: Addressing Fraud and the Criminal Misuse and Falsification of Identity.* Milan: ISPAC (International Scientific and Professional Advisory Council of the United Nations Crime Prevention and Criminal Justice Programme), 9–18.

Perri, F. S., and R. G. Brody. 2012. The Optics of Fraud: Affiliations that Enhance Offender Credibility. In: *Journal of Financial Crime* 19, 305–320.

Policastro, C., and B. K. Payne. 2014. Can You Hear Me Now? Telemarketing Fraud Victimization and Lifestyles. In: *American Journal of Criminal Justice* 40, 620–638.

Pontell, H. N. and G. Geis. 2007. New Times, New Crimes: 'Blocking' Financial Identity Fraud. In: *The Organized Crime Community.* New York: Springer, 45–58.

Pressman, S. 1998. On Financial Frauds and Their Causes. In: *American Journal of Economics and Sociology* 57, 405–421

Republic of Kenya. 2005. Report of the Judicial Commission of Inquiry into the Goldenberg Affair

Rosoff, S., H. Pontell and R. Tillman, 2014. *Profit without Honor: White-Collar Crime and the Looting of America*. Upper Saddle River, NJ: Pearson Education.

Schaper, M. T. and P. Weber. 2012. Understanding Small Business Scams. *Journal of Enterprising Culture* 20, 333–356.

Shapiro, D. 2013. Generating Alpha Return: How Ponzi Schemes Lure the Unwary in an Unregulated Market. In *How They Got Away with It: White Collar Criminals and the Financial Meltdown.* New York: Columbia University Press, 130–147.

Shapiro, S. 1984. *Wayward Capitalists: Target of the Securities and Exchange Commission*. New Haven: Yale University Press.

Shover, N., G. S. Coffey and C. R. Sanders. 2004. Dialing for Dollars: Opportunities, Justifications, and Telemarketing Fraud. In: *Qualitative Sociology* 27, 59–75.

Smith, J. C. 2010. The Structural Causes of Mortgage Fraud. In: *Syracuse Law Review* 60, 473–501.

Stajano, F. and P. Wilson. 2011. Understanding Scam Victims: Seven Principles for Systems Security. In: *Communications of the ACM* 54, 70–75.

Tillman, R. 2002. *Global Pirates: Fraud in the Offshore Insurance Industry*. Boston: Northeastern University Press.

Trahan, A., J. W. Marquart and J Mullings. 2005. Fraud and the American Dream: Toward an Understanding of Fraud Victimization. In: *Deviant Behavior* 26, 601–620.

Vishwanath, Arun, et al. 2011. Why Do People Get Phished? Testing Individual Differences in Phishing Vulnerability within an Integrated, Information Processing Model. In: *Decision Support Systems* 51, 576–586.

Vittal, J. Anthony, 2005: Phishing, Pharming, and Other Scams. In: *GPSolo* 22 (8), 26–32.

Will, Susan 2013. America's Ponzi Culture. In *How They Got Away with It: White Collar Criminals and the Financial Meltdown.* New York: Columbia University Press, 45–67.

Young, Jock, 2013. Bernie Madoff, Finance Capital, and the Anomic Society. In: *How They Got Away with It: White Collar Criminals and the Financial Meltdown.* New York: Columbia University Press, 68–81.