

REPUBLIC
OF
SOUTH AFRICA



REPUBLIEK
VAN
SUID-AFRIKA

Government Gazette Staatskoerant

Vol. 408

PRETORIA, 14 JUNE
JUNIE 1999

No. 20186

GENERAL NOTICES • ALGEMENE KENNISGEWINGS

NOTICE 1147 OF 1999

DEPARTMENT OF TRADE AND INDUSTRY

CONSUMER AFFAIRS (UNFAIR BUSINESS PRACTICES) ACT, 1888

1, Alexander **Erwin**, **Minister of Trade and Industry**, do hereby, in **terms of section 10(3)** of the **Consumer Affairs (Unfair Business Practices) Act, 1888 (Act No. 71 of 1888)**, publish the **report** of the **Business Practices Committee** on the **result** of an **investigation** made by **the Committee** pursuant to **General Notice 3108 of 1998** as **published** in **Government Gazette No. 19622** dated **24 December 1998**, as set out in the **Schedule**.

A ERWIN

MINISTER OF TRADE AND INDUSTRY

KENNISGEWING 1147 VAN 1999

DEPARTEMENT VAN HANDEL EN NYWERHEID

WET OP VERBRUIKERSAKE (ONBILLIKE SAKEPRAKTYKE), 1888

Ek, Alexander Erwin, Minister van Handel en Nywerheid, publiseer bier-, kragtens artikel 10(3) van die Wet op Verbruikersake (Onbillike Sakepraktyke), 1888 (Wet No. 71 van 1988), die verslag van die Sakepraktykekomitee oor die uitslag van die ondersoek deur die Komitee gedoen kragtens Algemene Kennisgewing 3108 van 1998 soos gepubliseer in Staatskoerant No. 19622, gedateer 24 Desember 1998, soos in die Bylae uiteengesit.

A ERWIN

MINISTER VAN HANDEL EN NYWERHEID

SCHEDULE • BYLAE

BUSINESS PRACTICES COMMITTEE

**REPORT
IN TERMS OF SECTION 10(1) OF THE
HARMFUL BUSINESS PRACTICES ACT, 1988
(ACT No. 71 OF 1988)**

Report No. 69

**THE INNER CIRCLE ORGANISATION,
INNER CIRCLE SA AND
CHARLES FREDERICK VENTER**

1. Introduction

The Business Practices Committee (the Committee)⁽¹⁾ recently instigated two entities that were invoked in what could be termed "controlled" chain letters⁽²⁾. These entities were closed down by the Minister of Trade and Industry (the Minister). There are many variations of chain letters. Ordinary chain letters invariably operate as follows: A person receives a letter by post and is asked not to break the chain and to send a sum of money to the names on the list. The participant then sends off the money, adds his name to the bottom of the list, deletes the name at the top and makes a number of copies, depending on the number of names on the list. These copies are then sent to other persons, and if they participate, the cycle repeats itself. These chain letters are usually not very profitable for the promoters, because there is no way to monitor whether a new participant has forwarded monies to the names on the list.

In a variation of the ordinary chain letter the promoter ensures that his/her name stays on the list and payments by new participants to preceding participants are controlled. Example of such chain letters were operated by entities called Dunamus CC and Ireleng. The detail of these scheme is set out in the Committee's Report No 60: *Dunamus Marketing CC and Others* and Report No 62: *AJ van Rensburg & Associates CC*, also known as *JvR & Associates CC*, trading as *Ireleng*⁽³⁾.

2. Controlled chain letters

Participants to these schemes need to recruit a number of other participants in order to recoup their payments and make a profit. The amount paid by a new participant goes into the pockets of the promoters and the other participants. Depending on the amount paid, new participants had to recruit a number of other participants to recoup their outlays. Assume that a member of such a scheme have to canvass five new participants to recoup his/her capital outlay. These five new participants need to recruit at least 25 new participants to recoup their payments and these 25 participants have to recruit another 125 participants. The schemes thus require exponential growth in the number of participants to enable the previous participants to recoup their "investments".

Assume "E" just became a participant to a particular "controlled" chain letter scheme. "E" would then have in his/her possession five-led "Certificates". "E's" name would appear as number five on each of the "Certificates". These "Certificates" invariably have the following appearance.

The name of the promoter of the scheme often appears last on the list, although it could also appear as number 1. The names "A", "B", "C" and "D" on the list would already have had become participants to the scheme at an earlier stage and their names would be printed on the "certificate". Note that next to each name on the list are details such as "bank", "branch code",

1. The Committee was established in terms of section 2 of the Harmful Business Practices Act, 1888 ("the Act"). The purpose of the Act is to provide for the prohibition or control of certain business practices and for matters connected therewith.

2. These entities were investigated in terms of section 8(l)(a) of the Act.

3. Report 60 was published under Notice 963 of 1888 in Government Gazette 18972 dated 12 June 1898 and Report 62 was published under Notice 2797 of 1888 in Government Gazette 19477 dated 20 November 1998.

"account type" and "account number". Assume "E" now canvassed "V", "W", "X", "Y" and "Z". In order to simplify the explanation of the scheme, only the procedure following the canvassing of "V" by "E" would be discussed.

Number	Name	Bank	Branch Code	Account Type, example	Account Number
1	A	Std		Savings	11111111
2	B	FNB		Credit card	22222222
3	C	ABSA		Transmission	33333333
4	D	Nedbank		Transmission	1a1a1a1a
5	E	Std		Credit card	2b2b2b2b
6	Promotor	FNB		Savings	3c3c3c3c

"V" now has to deposit the required amount (Rx) into the bank accounts of each of the six names on the list. The total outlay by "V" would thus be $R6x$, Rx being earmarked for the promoters and Rx each for the accounts of "A", "B", "C", "D" and "E". "V" then has to send the original deposit slips together with his application form to the promoters. On the application "V" filled in his name, address, telephone number, his bank, the branch and the branch code of the bank, the type of account and his account number. On receipt of the application form and the six deposit slips, the promoter issues 5 "certificates" to "V". The name of "V" would appear next to number 5 on the list on each of these "certificates". The name of "E" would move to the number 4 spot, "D" to number 3, "C" to number 2 and "B" to number 1. "A" would then drop from the list. "V" then would have to find other potential participant and the cycle would repeat itself. The name of "V" would eventually appear as number 1 on all the lists of his/her own "pyramid".

The total potential amount "V" could receive would be Rx times 5^5 . Should Rx be R50 the total amount would be $R50$ times $5^5 = R156\ 250$, provided that the participants canvassed by "V" each also canvassed five others and the chain was not broken by anyone. "V" could receive more than R156 250 if he/she participated more than once.

The explanation shows that in this example a new participant needs to recruit a number of other participants to recoup his/her payment of Rx to make a profit. These five new participants need to recruit at least 25 other participants to recoup their payments. These 25 participants need to recruit at least 125 new participants to recoup their payments. To recoup their payments the 125 "out-of-pocket" participants need to recruit at least 625 new participants. There will always be a large percentage of "out-of-pocket" participants. Given the assumptions in the example, the percentage of participants that would not recover their payments would never be smaller than 80 per cent. This would apply to the total number of participants, irrespective of the stage at which they joined the scheme.

The extent of the possible earnings of new participants is clearly limited by the extent of the market. And the market is limited. The population growth rate does not match the exponential rate required to make the scheme viable for all participants over a relatively short-clod. Most, if not all, of the people that part with their monies to join such schemes do so with the expectation to make a handsome profit in the short term. Prospective participants are invariably informed that "opulent times" are around the corner.

These schemes can never reach a stage where everybody has recovered their payments. Those that have not canvassed any new participants will lose their "investments". The "promoters" and

those ending up w number 1 on the list stand to earn substantial amounts. Those that have not canvassed the required additional participants will be unreasonably prejudiced. This will apply to all participants, irrespective of the stage at which they participated in the scheme. The monies made by participants in these types of schemes are mostly equal to the monies lost by those participants who find that it is nearly impossible to locate further interested participants.

3. Government Notice 2724 dated 13 November 1998

Following the investigation into *inter alia* Dunamus and Itereleng, the Committee, with the approval of the Minister, undertook a section 8(l)(b) investigation in terms of the Act into money revolving or pyramid schemes.⁴ After having considered Report 63 the Minister, in terms of section 12(6)(a)(iii) of the Act, gave notice that he intended to publish a notice in the Government Gazette declaring a number of business practices unlawful. One of these business practices is "controlled" chain letters.

4 The Inner Circle Organisation, Inner Circle SA and Charles Frederick Venter

The "business" practices of the Inner Circle Organisation, Inner Circle SA and Charles Frederick Venter (Venter) came to the attention of the Committee on 11 November 1998. A copy of the pamphlet distributed by Venter⁵ appears on pages 4 and five of this report.

Front page of the pamphlet

THE INNER CIRCLE SA ICSA
CC97 64924/23
10 Rothchild Avenue, Lindhaven, ROODEPOORT 1724
Cell 083-734-0368

Welcome to me Inner Circle SA

THE INNER CIRCLE SA (ICSA) is a dynamic multi level Stokvel Corporation. ICSA is a STOKVEL CLUB

THE INNER CIRCLE SA offers you a unique opportunity to supplement your income & to excell financially through your voluntary participation in the ICSA Multi-Level Stokvel Program

Your earning potential may become astronomical, se you help other members of THE INNER CIRCLE SA to also supplement their income.

4. The Committee's Report No 63: "Investigation into money revolving or pyramid schemes" was published under Notice 2723 in Government Gazette No 19455 dated 13 November 1998.

5. Other business activities of Venter was investigated by the Committee and closed down by the Minister. See the Committee's Report No 64: "Club 78 Trust, Tradefirst (Pty) Ltd, Brothers-in-Arms-Development Trust, Charles Frederick Venter, Josiena Marieta Engelbrecht, Belinda Swartz and Others" and Notices 2754 and 2755 in Government Gazette 19461 dated 20 November 1998.

HOW to become a member: basic INSTRUCTIONS

- 7 Steps to financial excellence -

- 1) Enter your name & required details on the membership application section of your certificate.
- 2) Pay your R50-00 (fifty rand) registration fee to the member who introduce you. Insist upon a cash receipt.
- 3) As an applicant, you may voluntarily pay your stokvel poolmoney of R43-74. Such poolmoney comprise of a deposit of R7-29 into each of the six listed accounts (position 2 - 7) appearing on the ICSA Stokvel List on the back of your certificate.
- 4) Deposit your membership fee (stokvel-cycle subscription fee) of R7-29 into the ICSA account (position 1) which entitles you to be added to the ICSA Stokvel List, with your name and account detail in position no.7
- 5) Post your completed membership application form, together with the seven cash deposit slips and your R50 cash receipt for your membership registration fee, to The Inner Circle SA Admin Office, P.O. Box 3487 Florida 1710.
- 6) We will then post seven INNER CIRCLE SA certificates to your postal address, with your name at no.7. We will also send you a franchise manual titled "How to earn R1000 000 within 5 - 6 months", the ICSA Constitution and other related training and marketing documentation (your franchise package).
- 7) You should then introduce a minimum of seven more members ... that is all! The more people you introduce, the higher will be your stokvel-poolmoney returns. You are now the owner of your own ICSA franchise.

TURNAROUND TIME PER CYCLE

If you complete the first five instructions within the first 24 hours after your personal introduction and instruction No.7 within seven after you received your seven certificates from us, then your first stokvel cycle should be completed within 5 - 6 months from the date of your personal introduction.

YOUR ICSA MAGAZINE

Active members are kept up to date through the official monthly ICSA magazine. It's our way of communicating the growth, the future happenings, new ideas and opportunities, to you, the member

YOUR MEMBERSHIP CARD

The Inner Circle will, throughout the period of your active membership, offer many added value benefits. Simply by producing your personal membership card, you will be entitled to avail yourself access to all the many special corporate discounts which ICSA will negotiate on behalf of its members.

0996 0978996 Franchise Package Received:

Date..... © Copyright ICSA

Reverse side of the pamphlet: ICSA Stokvel List

No	Name	Bank	Branch & Code	Account Type	Account Number
1	ICSA	First National	Florida 25014100	Cheque	6001179630
2	F J (not legible)	Standard	Staff Banking	Cheque	209 072 903
3	M Enellin	United Bank	Florida	Cheque	713 888 974
4	D J Benade	Standard	Centurion	Savings	017 32 38 43
5	S N Venter	Standard	Westgate 6641	Savings	403 555 795
6	DM vd Linde	Volkskas	Roodepoort	Cheque	330 718 692
7	L J Nel	United Bank	Westgate	Savings	6230609 40

FIG.1

- Total Possible Stokvel Poolmonies Per Cycle -

Position On Stokvel List	Number of Accumulated Deposits Into your Account	Amounts Deposited in Total into your Account	Total Amount Paid into your Account R1 000 596.20
2	117 640	R7.29 x 117 640 deposits	R857 661.21
3	16 807	R7.29 x 16 807 deposits	R122 523.03
4	2 401	R7.29 x 2 401 deposits	R17 503.29
5	343	R7.29 x 343 deposits	R2 500.47
6	49	R7.29 x 49 deposits	R357.21
7	7	R7.29 x 7 deposits	R51.03

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Double Your Money Back Guarantee!

If you follow our step by step instructions and do not achieve your goal to earn R1000 000 within 5 - 6 months, we are ready to send back double your total startup costs i.e. R202.06. This is how confident we are that you will succeed!

MEMBERSHIP APPLICATION FORM: (Please, in block letters?);

Name.....
 Postal Address.....
 Telephone Nr.....
 Bank.....
 Branch.....
 Branch Code.....
 Type Account.....
 Account Nr.....
 Introduced By

FOR THE FRANCHISEE:-
 Certificate No.
 0998 0980404.
 Reg.....
 Amount Pd:.....

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ONLY IF YOU CO-OPERATE, YOU MAY BECOME A MILLIONAIRE IN SIX MONTHS!

OTHER BENEFITS

Your membership card · Your ICSA Magazine · Free finance, tax- and legal advice · Funeral cover · Medical cover · Education cover

All this for only R101.03 . . . come on!!! Join THE INNER CIRCLE TODAY!

THE GREATEST OPPORTUNITY FOR INDIVIDUALS THIS COUNTRY HAS EVER SEEN!

The Constitution is available to members only.

. . . it is important to remember that **participation** is completely voluntary.

0998 0978996 Franchise Package Received: Date © Copyright ICSA

The pamphlet contained a number of statements that are commonly applied by the promoters of "controlled" chain letters, such as:

"Your earning potential may become astronomical...".

"If you complete the first five instructions within the first 24 hours after your personal introduction and instruction No.7 within seven after you received your seven certificates from us, then your first stokvel cycle should be completed within 5-6 months from the date of your personal introduction. (own underlining).

"Double Your Money Back Guarantee! If you follow our step by step instructions and do not achieve your goal to earn R1000 000 within 5-6 months, we are ready to send back

double your total startup costs i.e. R202.06. This is how confident we are that you will succeed!"

The statement that **"THE INNER CIRCLE SA (ICSA) is a dynamic (sic) multi level Stokfel Corporation. ICSA is a STOKVEL CLUB" is obviously misleading.** A genuine **stokfel only** operates amongst a **small** circle of family and **friends** who have a rather **close** and personal **relationship**.

On 27 November 1998 the **Committee invited** Venter to address the Committee on 9 December 1998 and **give** reasons why the business **practices** of Inner Circle **SA (ICSA)** should not be regarded as a harmful business **practice** in terms of the Act and why **ICSA** should not be closed down by the **Minister**.

On 8 December 1998 Venter provided an **official** of the **Committee** with two documents called "The Franchise Manual" and "The Constitution". These documents were made **available** to the members of the **Committee** at its meeting on 9 December 1998. The "Membership Application Form", reproduced on page 5 now contained an entry "Product or Semite".

Venter could not attend the meeting on 9 December 1998 but on 15 December 1998 a **Mr Philip Maritz** and **Ms Belinda Swartz (Swartz)**, who also featured in **Report No 64**, see **footnote 5)** addressed the Committee.

5. The meeting with the **Committee** on 15 December 1998

A transcript of the **meeting** of the **Committee** on 15 December 1998 was taken down by an independent **firm**.

Venter made a number of statements during the meeting, such as:

(a) **"...we should take away medical aid. We are not registered as a medical institution"**.

(b) **..... we are considering ourselves the first company ever in the history of South African economy that is promoting an aspect where the people of South Africa for richer of poorer are assisting one another"**.

(c) **"I don't want my project to be even compared to a chain letter. We have a professional business. It's a professional club with a professional constitution"**.

(d) **"The Club has certain benefits. The immediate benefit is like we record here on the back of this certificate. It says here other benefits. Your ICSA free magazine free finance tax and legal advise and education cover. That is other benefits. Those are long term benefits but the immediate benefit is the one at the bottom of the first page. Product or service. ICSA will promote your product or products and or service or services on your behalf and you pay us R101.03 to do that. Please supply this information on the application form. On the application there's product or service. If you're a mechanic we say put down there you're a mechanic. If you're an engineer put down your an engineer.**

If you're a **painter** put down you're a **painter**. What happens we have **all** this information on a **professional** data base. If you **call** the **Innercircle** of South Africa **and** you want your car to be serviced then the **Innercircle** and you **call** from Pretoria for example.

Now there's about **40** or 50 members in Pretoria who may be mechanics. Then we will give you a list of three or four names who are mechanics in Pretoria and we **will** say you can contact that person he is a mechanic and he is willing to provide you the same service that you will receive from the local garage. But because his a member of the **Innercircle** you will. He will provide the services at discounted rates because he did not **advertise** to get you. Through our advertising **programme** you will be able to make use of these services. And that is enough for R101,03. There is no organisation in the world that can give you that benefit for R101,03. But now we say there's a breakdown on that R101 in fact that benefit is for nothing. **It's** free.

Now never before has something like this been developed in South Africa Regardless what anyone tells me about previous projects".

Venter mentioned a discounted rate of 50 per cent but acknowledged that, for example a plumber who is an **ICSA** member is not obliged to give this discount. The plumber will, however, give this discount because "... you must understand he is a member. He makes **R1** million in a year's time. So he **doesn't** really have to work as a plumber anymore. Because his a millionaire. So what **his** doing is for members of the **Innercircle** and if I get my way then the whole South Africa will become members of the **Innercircle**, those with open minds".

- (e) "So let me tell this Committee I have great respect for this committee. For the **function** that they are thereto perform. Bottom line full stop. But this **committee** is now telling me that as a South African I cannot do this. I cannot do this. This is what we are doing. This is a **gift towards prosperity**. That's your's take it. That is what we are doing. So if this committee is going to stop me I promise you now **every** one present here today that I will run for government in the next election and I will see to it that this thing will revolutionise the South African economy. Right. But you can stop me. But I know what I will achieve you will remember this day. What's the date today?" (Committee's own underlining).
- (f) "Give me one year, The whole South Africa will be members of the **Innercircle** and you know it".

It was put to Venter that his scheme was a money distribution scheme; that the scheme involved the taking of money from some people and redistributing it to others and that no new money was being created in the system. He was taking the same money and recirculating **it**. He replied:

"**What** we are doing is we are in a process of distributing the funds available in South **Africa** evenly among the people of South Africa. **Alright** now my dream is to get these people who are now **equal** to get them financially **equal** and the only way we going to do that is to help one another there is not much money on the streets. So I'm gone bring money back onto the streets".

When asked what product or se-he marketed, he replied:

"We are marketing those services and products that we are presenting for our people. But we are marketing it on that one benefit. You pay R101,03 for life. You never ever pay a payment after that anymore. Right you pay R101,03 of which R50 is your membership fee. And R43,74 is the actual Fin Aid moneys. Now everyone pays that. And when the whole South Africa are members of the Innercircle there is no saturation level because how much money do you receive before you have received enough financial old". The R43.74 refers to the six names on the list, except ICOSA itself, times R7.29.

In reply to the question of a member of the Committee whether **"To equal themselves financially (people) can earn R1million Would everyone earn R1million?"** Venter said **"Yes everyone can Everyone who participate will earn R1 million within one year yes"**.

Venter could not understand, or did not want to understand, that for one member of ICOSA to become a "millionaire", he/she had to receive contributions from at least 137 175(1 million divided by 7.29) other members. He left the meeting saying: **"Thanks gentlemen it was a pleasure being here and ladies. But you'll hear a lot about me"**.

The Committee resolved that Venter be informed that notice of a section 8(l)(a) investigation would be given in the Government Gazette during the latter half of December 1998. It was further resolved that Venter be informed that he would be afforded another opportunity to address the Committee on why the Minister should not suspend his business in terms of section 8(5)(a)(i) of the Act. These resolutions were conveyed to Venter by fax at 15h58 on 15 December 1998.

6. Notice of the section 8(l)(a) investigation

The following appeared under Notice 3108 of 1988 in Government Gazette 18822 dated 24 December 1988.

"In terms of the provisions of section 8(4) of the Harmful Business Practices Act, 1988 (Act No. 71 of 1988), notice is herewith given that the Business Practices Committee intends undertaking an investigation in terms of section 8(l)(a) of the said Act into the business practices of-

Inner Circle Organisation, Inner Circle SA, Charles Frederick Venter (ID 8007085157 088) and any director, member, employee, agent and/or representative of any of the aforementioned in respect of the activities of Inner Circle Organisation, Inner Circle SA en Charles Frederick Venter.

Any person may within a period of fourteen (14) days from the date of this notice make written representations regarding the above-mentioned investigation to: The Secretary, Business Practices Committee, Private Bag X84, PRETORIA, 0001. Tel: 012-310-9562, Fax: 012-322-8489 Ms L van Zyl Ref. H101/20/10/66(98)".

7. The meeting with the Committee on 14 January 1988

At 10h55 on 14 January 1999, Venter, Swartz and Messrs P Pailman, S Ramatsoma and W Jones,

representing ICSA, held discussions with the Committee. Venter addressed the Committee by speaking to a seven page document dated 11 January 1999 (the document of 11 January 1999). Two further documents were handed to the Committee. These were "The Inner Circle SA (ICSA). The Constitution" and "The Inner Circle SA (ICSA). The Franchise Manual".

The document of 11 January 1999 contained the following headings: Goals, Our product/service, Legal, Aim, R1000000 in one year! The benefits, The marketing strategy, The people, The backup team, The promoters and Conclusion.

Under "goals" it was stated:

"Our long-term goals are to re-unite the people of SA; to create relationships across the full spectrum of nationalities of our rainbow nation;

Our product will stimulate productivity;

Our Stokfel program will create job opportunities and stimulate the economy through the redistribution of wealth resources. The main aim of our Stokfel program is to create a balanced, more wealthier society-through the participation (contribution) of the people of SA, a better, healthier, wealthier society will be created".

In conclusion Venter stated:

"As the Chairman of ICSA, I petition the support of the South African BPC. I further urge the necessity of a calculated decision, since either a YES, or a NO will determine the future of our nation".

In answer to a question by a member of the Committee, Venter said that the "... marketing method of ICSA had not changed at all since the last meeting with the Committee". Venter was told that the Committee would recommend to the Minister that his (Venter's) business practices was not acceptable.

8. The letter from Venter dated 18 January 1999

On 18 January 1999 the Committee received the following letter from Venter:

"In response to our meeting held on 14 January, 1999

It was clearly established, at the above meeting, that the committee was not too concerned with the benefits available to members of ICSA, but rather with the method used to promote membership, i.e. new recruits are obliged to introduce at least 7 (seven) more members in order to benefit, in anyway.

ICSA have taken cognizance of this aspect of its business. It was further emphasized at the above meeting that this very aspect - then described by a certain committee member as "head hunting" - categorises ICSA as a "pyramid" scheme.

ICSA acknowledges this very **concern** of the **committee**, that if any **individual**, who joins 'the **Inner Circle**, do **not introduce** more members, then **such individual will 'not benefit financially** from **participation in** the **ICSA Stokvel Program**. After the above **meeting** we understand that this is the **committees' MAIN CONCERN**. (If we still misunderstand, please advise?)

ICSA have thus adapted our "method used to promote membership". From 18 January 1999, newly **recruited** members will no longer be required to **introduce** more members in order to **benefit** from our **Stokvel** program. We have also agreed to simply operate a **Stokvel** - true to the **Stokvel** tradition in **SA**. Thus, we will administer the **poolmoneys** and payment of such **poolmoneys** will be **effected** monthly, **poolmoneys** will be **deposited directly** into the personal banking **accounts** of participants.

ICSA will introduce new members themselves. **ICSA** will develop into a **marketing-house**, thus the advantage that no member/participant will have to introduce other **people/members/participants** themselves in order to benefit financially from our **Stokvel** program.

We attach our adapted **Stokvel** Certificate and/or application form.

The adapted method- what does the new member receive?

Since the new member now has to do NOTHING in order to benefit financially from our **Stokvel** Program, **ICSA** will simply issue a guarantee certificate (agreement) which states that if the member do not **receive** at least **10 times** their original **poolmoneys** (we are thus **also** moving away from the **R1 million in 1 year aspect**), **deposited directly into his/her** banking **account**, within 1 year after entrance, then **ICSA** will be ready to refund double their total **startup** costs. **ICSA** will also provide the new member with a Constitution.

We are willing and prepared to attend a **3rd** meeting, if the committee should so wish, in order for us to **illustrate/demonstrate/communicate** the above modifications.

We sincerely hope that these modifications meets with your approval.

Yours Faithfully

CF Venter
Chairman".

The "... adapted **Stokvel Certificate and/or** application form" are reproduced on the following two **pages**.

Venter's statement that "... the committee was not too **concerned** with the **benefits available** to members of **ICSA**, but rather with the method used to promote membership" was a clear **indication** that he did not understand the basic problem the Committee had with his scheme. The moneys "**earned**" by the fortunate small minority in Venter's scheme will be equal to the moneys lost by the unfortunate large **majority** .

The **further** statement that "... We have **also** agreed to simply operate a **Stokvel - true to the Stokvel tradition in SA**" **also shows that Venter and his associates do not understand the "Stokvel tradition in SA"**. A genuine **stokfel** does not consist of hundreds of **people**. The **participants** in a **stokfel** comprises a small social **unit of people** who know each other and **who can impose the obligations of the individual stokfel** members.

First page of the "Stokvel Certificate and/or application form"

The Inner Circle SA

10 Rothchild Avenue, Lindhaven, Roodepoort, 1724
Tel. (01 1) 760-6502

Wellcome to The Inner Circle **SA**
The Inner Circle SA (ICSA) is a dynamic **Stokvel** Corporation,

ICSA offers you a unique **opportunity** to supplement your income & to **excell** financially through your voluntary participation in the **ICSA Stokvel Program**.

HOW to become a member - basic INSTRUCTIONS:-

- How to supplement your monthly income in 5 easy steps -

1. Enter your name & required details on the membership **application section** of your certificate and pay your entry costs of **R150-00** to the person who introduced **you**. Such entry costs comprise of the moneys payable in (2.) and (3.) below.
2. Pay your **stokvel poolmoneys** of **R43-74**. Such **poolmoneys** are payable as a **gift** towards prosperity to each of the six members (group status 2- 7), appearing on your **ICSA Stokvel List**, on the back of this **certificate** and comprise of a **deposit** of **R7-29** into each of these accounts. Your introducer is obliged to deposit such **poolmoneys directly** into the **ICSA** account, group status 1 on your **stokvel list**. **ICSA** will then **deposit** such **poolmoneys**, on your behalf, into each of these six accounts, on the **last thursday of every month**.
3. Pay your program marketing and management fee of **R106-26**, which **entitles** you to be taken up into an **ICSA Stokvel Group**, with your name and **account details** in **position** no. 7 on seven **stokvel** lists.
4. The person who introduced you shall then post or deliver your **completed** membership application form, together **with** the above **deposit** slip and a copy of the cash receipt issued for your **entry** costs received, in (1.) above, to: The **Inner Circle SA, Admin Office, P.O. Box 3487 Florida 1710**.

5. **ICSA** *till* then **introduce** a minimum of seven more **members who will be taken up into your Stokfel Group . . .** that is all! The more people **ICSA introduce, on your behalf,** the higher **will be your Stokfel poolmoney returns.**

Second page of the "Stokvel Certificate and/or application form"

- ICSA Stokvel List -

GS	Name	Bank	Branch & Code	Account Type	Account Number
1	ICSA	Neobank	Sandton	Cheque	197 069 2189
2	Diker H.	ABSA	Krugersdorp	Savings	404 664 9480
3	Vos E.A.	ABSA	Krugersdorp	Transmission	2371 3334
4	Erslin M.	United Bank	Florida 63034 40	Cheque	713 888 974
5	A.C. Computers	Standard	JHB: 000205	Cheque	000 5188 75
6	Benade D.J.	Standard	Centurion	Savings	017 32 38 43
7	Venter S.N.	Standard	Westgate 664	Savings	403 555 795

- Total Possible Stokvel Poolmoneys Per Cycle -

Group Status On Stokvel List -	Number of Accumulated Deposits into your Account -	Amounts Deposited in Total into your Account - As Gifts towards prosperity	Total Amount Paid into your Account
2	117 649	R7-29 x 117 649 deposits	R1000 596.20
3	16 807	R7-29 x 16 807 deposits	R857 661.21
4	2 401	R7-29 x 2 401 deposits	R122 523.03
5	343	R7-29 x 343 deposits	R2 500.47
6	49	R7-29 x 49 deposits	R357.21
7	7	R7-29 x 7 deposits	R51.03

STOKVEL CYCLE

Double Your Money Back Guarantee!

If you follow our step by step instructions and we do not achieve the goal, to deposit 10 times your Stokvel Poolmoneys, within 1 year to your personal banking account, we are ready to send back double your total startup costs.

MEMBERSHIP APPLICATION FORM:- (Please use block letters?)

Postal Address	
Area Code	
Name	FOR THE INTRODUCER:-
Telephone No. Or Cell	Certificate No.
Bank	0998 099 4759
Branch & Code	Intro. Date:
Type of Account	Amount Pd. To ICSA:
Account Number	Qty. Stokvel Cycles:
Occupation	Banking Done By:
	Date:

I, the applicant, hereby declare my voluntary participation in the ICSA stokvel program, starting from 19__ Signature: _____

Applicant

For only R150-00... come on!!!

Are you joining the INNER CIRCLE SA TODAY?

THE GREATEST OPPORTUNITY FOR INDIVIDUALS THIS COUNTRY HAS EVER SEEN!

It is important to remember that participation is completely voluntary.

Although Venter stated that "... we are thus **also** moving away from the **R1 million in 1 year aspect**", the **second** page of the "**Stokvel Certificate and/or application form**" **still shows** that **R1 000 596.20 could be earned per "Stokfel Cycle"**. The **"5 easy steps"** **set out on the first page** of the "**Stokvel Certificate and/or application form**" would confuse **most prospective** members.

The only "**amendment**" to the scheme was that **ICSA** would now canvass new members and not the **individual** members **themselves**. This subterfuge does not change the harmful aspects of the scheme to **participants**.

9. The meeting with the **Committee** on 11 February 1999

Venter and **Swartz** again addressed the **Committee** on 11 February 1999. Venter tried to **convince** the **Committee** that the contributions of **ICSA** members are what he described as "**gifts towards property**" and that all **ICSA** participants would make handsome profits in the long run.

10. Conclusion

The **Committee** is of the opinion that **ICSA** participants would be unreasonably prejudiced. At any **time** the greatest **majority** of the participants is at risk. The relations between those participants who have not recouped their payments and the business, **ICSA**, will be harmed. In terms of the Act this by **itself** would **constitute** a harmful business practice.

The principles of a free market economy are not absolute they are relative. For example, the right of an **individual** to free market **activity** is counterbalanced by the right of an equally free society to curb **its** excesses. Some **people** might contend **that**, where informed **individuals** engage in a business undertaking in which a **substantial** number of such individuals are likely to lose their money, such **loss** was not **unreasonably** prejudicial because those individuals made a free and informed decision. The essential flaw in this contention is that the reasonableness or **unreasonableness** of the prejudice inherent in the practice of a business entity likely to be suffered by a substantial number is not the purview of the free individual but of the free society. What is reasonable in the perspective of the free individual is likely to be unreasonable in the perspective of free society when substantial numbers are involved. The standards of reasonableness **will** also depend upon the facts of each particular case, regard being had to the operational methods and controls of the business practice, the extent of disclosures in the absence of regulatory mechanisms and the accountability of its office bearers.

The **Committee** is of the **opinion**, for the reasons advanced, that the **activities** of **ICSA** constitute a harmful business **practice** as defined in the Act. The **Committee** is further of the opinion that the harmful business **practice** is not **justified** in the **public** interest and that the Minister should take steps in terms of **Section 12(b) 'and (c)** of the **Act** to prevent Venter to **continue** the harmful business **practice**.

11. Recommendation

The business **practices** of Inner Circle South **Africa**, Venter and his associates **constitute** harmful business practices. There are no grounds **justifying** these **practices** in the **public interest**. **It is accordingly** recommended that the Minister declares the **harmful** business **practices** as applied

by the paroles **unlawful** in terms of **Section 12(1)(b)** of the **Act**.

The **parties** are Inner Circle South Africa, Charles Frederick Venter and any **participant, agent, representative, employee** or any other person on their **behalf** (hereafter referred to as 'the **aforsaid persons**'). It is recommended that the Minister order the **aforsaid persons** to **stay** or **prevent the business practice** whereby the **aforsaid persons**, in the course of the business of any of the **aforsaid persons**, **directly and/or indirectly** -

- (a) **invites** any person (hereinafter referred to as the "participating person") to enter into any arrangement **with** any of the **aforsaid persons** the terms whereof include any provision which have the effect that the **participating person** is obliged to make a payment of a financial **consideration with** the prospect of such **participating person** receiving payment or other **money-related benefits, directly or indirectly**, from **his/her participation** or that of the **aforsaid persons** in the recruitment of other persons to enter into similar arrangements with any of the **aforsaid persons**;
- (b) enters into any arrangement with any person the terms whereof includes any provision which has the effect that the participating person is obliged to make a payment of a financial consideration with the prospect of such participating person receiving payment or other **money-related benefits, directly or indirectly**, from **his/her participation** or that of the **aforsaid persons** in the **recruitment** of other persons to enter into similar arrangements with any of the **aforsaid persons**;
- (c) accept any financial **consideration** from any person in terms of any arrangement which **financial** consideration is used in part or in full to **fulfil the** obligations of either party to make payment to a third party who has entered into a similar arrangement with any of the **aforsaid persons**; and
- (d) make any payment of any financial consideration or give any **money-related benefit, directly or indirectly**, to any person in terms of any arrangement as **prohibited** in terms of paragraph (b) or (c) above.

LOUISE A TAGER
CHAIRMAN: BUSINESS PRACTICES COMMITTEE
11 FEBRUARY 1999

N O T I C E 1148 O F 1999

DEPARTMENT OF TRADE AND INDUSTRY

CONSUMER AFFAIRS (UNFAIR BUSINESS PRACTICES) ACT, 1888

1, **Alexander Erwin**, Minister of Trade and Industry, after having considered a **report** by the Business **Practices Committee** in relation to an **investigation** of which **notice** was given in General **Notice 3108** of **1998** published in Government **Gazette** No. 18822 of 24 December 1888, which report was published in Notice 1147 in Government **Gazette** No. 20186 of 14 June 1999, and being of the opinion that a harmful business practice exists which is not justified in the public interest, do hereby exercise my powers in terms of section 12(1)(b) of the **Consumer Affairs (Unfair Business Practices) Act, 1988 (Act No. 71 of 1988)**, asset out in the Schedule,

A ERWIN

MINISTER OF TRADE AND INDUSTRY

SCHEDULE

In this **notice**, unless the context **indicates** otherwise -

"harmful business **practice**" means whereby any person, in the course of the business of any of the persons **identified** under "parties", directly and/or indirectly:

- (a) **invites** any person (hereinafter referred to as the "participating person") to enter into any arrangement **with** any of the **aforsaid** persons the terms whereof include any **provision which** have the effect that the **participating** person is **obliged** to **make** a payment of a financial consideration **with** the prospect of such **participating** person receiving payment or other **money-related benefits, directly** or **indirectly**, from **his/her participation** or that of the **aforsaid** persons in the **recruitment** of other persons to enter into similar arrangements **with** any of the persons **identified** under "**parties**";

- (b) enters into any -merit **with** any person the terms whereof **includes** any **provision which** has the effect that the **participating** person **is** obliged to make a payment of a **financial consideration with** the **prospect** of such **participating** person **receiving** payment or other **money-related benefits, directly or indirectly,** from **his/her participation** or that of the **aforsaid** persons **in** the **recruitment** of other persons **to** enter into similar arrangements **with** any of the persons **identified** under **"parties"**;
- (c) **accept** any financial consideration from any person in terms of any arrangement which financial consideration is used in part or in full to **fulfil** the obligations of **either party** to make payment to a third **party** who has entered into a similar arrangement **with** any of the persons identified under **"parties"**; and
- (d) make any payment of any financial consideration or give any **money-related benefit,** directly or indirectly, to any person in terms of any arrangement as prohibited in terms of paragraph (b) or (c) above.

"the **parties**" mean Inner Circle **South Africa**, Charles **Frederick** Venter and any **participant, agent,** representative, employee or any other person on their behalf.

1. The harmful business practice is hereby declared unlawful in respect of the **parties**.
2. This **notice** shall come into operation on date of publication.

CONTENTS

No.	Page No.	Gazette No.
GENERAL NOTICE		
Trade and Industry, Department of		
<i>General Notice</i>		
1147 Consumer Affairs (Unfair Business Practices) Act (71/1968): Business Practices Committee: Result of investigation.....	1	20166
1148 do.: do.: Investigation	19	20186

INHOUD

No.	Bladsy No.	Koerant No.
ALGEMENE KENNISGEWING		
Handel en Nywerheid, Department van		
<i>Algemene Kennisgewing</i>		
1147 Wet op Verbruikersake (Onvillike Sakepraktyke) (71/1988): Sakepraktyke-komitee: Uitslag van ondersoek	2	20186
1148 do.: do.: Ondersoek	21	20186