

Texas Department of Banking

Press Release

Investment Scams Cloaked as "Certificates of Deposit"

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AUSTIN, TEXAS--Texas Securities Commissioner Denise Voigt Crawford and Texas Department of Banking Commissioner Randall S. James jointly warn consumers and investors to beware of investment scams that are touted as "certificate of deposit" investment programs. In most of the cases, the promotions are being carried out by individuals using a company that is not registered or chartered by any state or federal regulatory agency. The commissioners state, "We have seen a significant number of cases in this area and millions of dollars have been lost to promoters attempting to capitalize on the image of the safety and soundness of a certificate of deposit."

Most of the scams to date involved the solicitation of investor funds into a "*certificate of deposit program*" which is quite different from an actual "*certificate of deposit*" account offered by a FDIC insured financial institution. In some cases, the funds were never deposited into an insured bank. In another case, the solicitor used forged bank documents to acquire the funds, but the transaction did not occur at an office of the bank. In yet another case, the solicitor lured the investor into buying an actual certificate of deposit at an insured bank, but convinced the investor to sign an agreement allowing the solicitor to pledge the certificate as collateral for his personal loans. In all the cases, investors were being offered a rate of return much higher than legitimate investment products.

How can the public protect itself against these investment scams? The first way is to become aware of the danger signs and notify authorities of any suspicious activities. An offer that seems too good to be true usually is. A promise to earn 11% is a definite red flag if banks are advertising certificates of deposit at 4% or 5%. In addition, certificates of deposit should only be purchased directly from an insured financial institution at one of its authorized locations or through a registered securities dealer. Also, beware of certificate of deposit sales that are referred to as "CD Programs". There is also the problem of sales pitches from offshore banks offering high returns. The commissioners warn, "Obviously not all foreign banks are fraudulent, but an offer of a high rate of return should be thoroughly investigated".

Where can the public turn to find some answers? At the state level, you can contact the Texas State Securities Board at (512) 305-8300 or through their [website](#). The Texas Department of Banking can be contacted at (877) 276 5554 or through their [website](#). The [FDIC website](#) contains information about every insured bank and savings and loan association in the country.

Some of the recent scams that have come to the attention of state authorities are:

- **Bradley J. Farley doing business as Abba Funding** - Operating from San Antonio, Texas, Mr. Farley offered a certificate of deposit program that he claimed permitted him to pledge investor's CDs as collateral for his personal loans. Mr. Farley used investor funds to bankroll a lavish lifestyle. Nine million dollars was obtained from investors using deception. Mr. Farley is serving seven years in state prison. The investigation was conducted by the Texas

State Securities Board and the Bexar County District Attorney's Office.

- **James De La Garza and Quanalyze Equity Funding** - Mr. De La Garza offered investors in Bexar County certificates of deposit using forged Bank of America documents, then placed the funds in the name of Quanalyze Equity Funding, a company he controlled. Mr. De La Garza is now serving 15 years in state prison. His co-defendant, a former Bank of America executive, is serving an 18-month prison sentence. Mr. De La Garza had at least four prior felonies. The investigation was conducted by the Texas State Securities Board in cooperation with the FDIC, the Bexar County District Attorney's Office, the FBI, and the U.S. Attorney's Office.
- **Transworld Bankers (not a legally chartered bank)** - Operating in Houston and Dallas, Texas, Transworld Bankers offered certificates of deposit to investors, but after obtaining funds from investors, never purchased the certificates of deposit. James Hill and Richard Taylor are awaiting sentencing in Dallas for misapplying millions of dollars in connection with a bogus certificate of deposit scheme. The investigation was conducted by the Texas State Securities Board, the U.S. Postal Inspection Service, the FBI, the SEC, and the U.S. Attorney's Office.
- **Cambridge International Financial Bank & Trust Company (not a legally chartered bank in the U.S.)** - Operating from Granada, West Indies, Cambridge used unregistered agents in Texas to make investment sales. Indictments are pending against the principals in California, and Cameron Bailey, one such agent, is under indictment in state court in Dallas for his alleged participation in the investment sales. The Texas Securities Commissioner issued an order halting the illegal activities last year.
- **VIP Financial Bank Group (not a legally chartered bank) and David Gallaway:** The Texas Securities Commissioner issued an order finding a public emergency regarding the sales practices of VIP Financial Bank Group and David Gallaway. Their program promised 11% interest on certificates of deposit.
- **GOSB Private "Banque" and Trust and "Baroness" Roni Burgs (not a legally chartered bank)** - In May, 2002, the Texas Department of Banking issued an emergency cease and desist order against GOSB Private "Banque" and Trust and "Baroness" Roni Burgs aka Ronda Urette, Houston, Texas, from using names and terms that would mislead the public into a belief that the entity was a bank duly authorized to operate in Texas. GOSB was purportedly chartered in Montenegro and was offering the public comprehensive banking, investment and personal services. The Department believes that GOSB was shut down before any investors lost any funds.