



START UP

Founders and Scammers

Founders and Scammers



Marius Frunza • IntelBlitz • 5 mins read • Mar 9, 2021

Theranos, Wirecard, WeWork, NS8, Nikola... The list of scammers that siphoned off dozens of millions of dollars from leading Venture Capital firms is long and distinguished. Entrepreneurship is trendy and unicorn stories ignite the imagination of young innovators as well as the appetite of voracious con-artists. It has never been easier to access capital based solely on an idea. Well-groomed individuals with no funds, no product and no team are able to get millions in funding with a bundle of ten slides. In many cases, the funded project will never see the light of day and investors contemplate forlornly a realized loss on their balance sheet. Why do reputed institutional investors fall for scammers? Why do they ignore the warning signs?

Scampreneurs are generally very persuasive and have a lot of charm. Their personalities are ideal to sell ideas, even when they are not supported by reality. Scampreneurs' psyche is not anchored in reality, thereby being a fertile ground for psychological manipulation. Psychological manipulation cradles from the human need to enhance or reinforce their position in a group by misleading other individuals of that group. The theory of corporate governance explains this phenomenon with terms like soft-skills, emotional intelligence or alpha-type personality. An entire industry of self-help grew over the past two decades to close the gap between what people have in their personal and professional life and what they would like to have.

In the world of scam artists, exploring the above-mentioned gap is the key tool for developing any scam. Psychological subversion, verbal manipulation are just a few terms used to describe the

Start-up vs Scam-up

process whereas a scammer exploits the irrational components in the civilians' behaviour.

The association of criminal behaviour with psychological manipulation was explored by psychologists. They showed that manipulation is a psychological defence mechanism that plays a key role in shaping antisocial personalities. The defence mechanism is associated with two types of antisocial personalities: "primitive" borderline and "narcissistic" which manifest different patterns of manipulation.

Financial scammers tend to use manipulative techniques to engage with the victim at an emotional level and put the victim in the position to take impulsive decisions, by creating a feeling of urgency. The factors that increase the likelihood of impulsive decision-making versus rational decision making are linked to the victim's preconditioning.

Scampreneurs exceed in this area. Engineering a big scale scam requires contacts with various institutions including business angels, VCs, accountants, banks, legitimate clients, and tax authorities.

These aspects underline scammers' ability to manipulate people from various walks of life. The manipulated people are different in behaviour, training and social position. Their common trait is the fact that each individual has a form of irrational and inconstant pattern in their decision making. This irrational judgement is targeted and exploited by psychological manipulation. Thus, scammers are able to gain confidence and misuse the trust of legitimate and normal citizens.

The trait of individuals for a systematic pattern of departure from standards of logic and accuracy in the decision-making process is labelled as a cognitive bias. The psychological manipulation employed by a scammer targets the cognitive biases of various third parties. Manipulation is nothing more than a defence mechanism. The scampreneur needs to protect his/her fraudulent enterprise from external factors and has to mislead them in order to

believe the endeavour is legitimate.

In conclusion, the world of Venture Capitalists is painted in biased colours, which are easily exploited by shady and edgy individuals.

"Don't worry about failure; you only have to be right once."

Drew Houston, Dropbox Co-founder

Sanctions: Ihor Kolomoisky

Biden's administration imposed new sanctions on Ihor Kolomoisky, a Ukrainian banking magnate. After the 2014 Russian invasion, Kolomoisky became the governor of the industrial region of Dnepropetrovsk. He sponsored several anti-Russian militias engaged in the Donbas conflict. He was accused of corruption while being a public servant. Kolomoisky held business interests in Russia and holds also Israeli and Cypriot passports.

The sanctions against Kolomosoiisky and his family do not seem to follow the anti-Moscow rhetoric. Most probably the banking empire controlled by the Ukrainian oligarch could have served as a buffer to bypass Russian sanctions.

Interestingly Ihor Kolomoisky has the perfect profile for the creation of synthetic identities. His name has at least a dozen versions including Igor Kolomoyskyi, Igor Kolomoyskyy and Igor Kolomoisky.

Proxy wars reloaded

Corruption: Nicholas goes to jail

The ex-French president was finally sentenced to three years in prison for a corruption matter related to the period 2007-2012, when he led the destiny of the French 5th Republic. The highly mediatized case ended in disarray for the former politicians that would need to go for at least one year in detention. This case signals that corruption is not only a feature encountered in underdeveloped and

No country for ex-presidents


emerging countries, but is relevant for traditional democracies.

The case involves other high calibre personalities so the story is far from being ended.

Word on the Street: RIP

Frankie “G”

Frank Castagnaro, 72, aka Frankie “G”, aka Frankie “Gangster”, a reputed member of the Colombo Mafia family, passed away last week in New York, after being infected with the new coronavirus. Throughout the 1980s, Castagnaro worked closely with Michael Franzese in one of the biggest tax scams operated by the mafia in the United States. After more than three decades more details about the fraud come into the light. The proceeds of the crime were laundered through Panama and Austria. Manuel Antonio Noriega Moreno, the Panamanian officer that ruled the Central American country during the period relevant to his matter got acquitted with the New York mob and decided to harbour their funds in one of the domestic banks. Consistent amounts of monies were rechanneled towards Austria which had at the time a very strict policy of bank secrecy. The Federal Bureau of Investigation had subpoenaed the Austrian bank that held the mafia's money, but with no success. This event shows that many European countries underwent a massive overhaul of their compliance policies over the past decades.



Another mobster dies with
COVID 19

Know Your Network, AI meets KYC

More insights at schwarzthal.tech



Marius Frunza
marius.frunza@schwarzthal.com

The information and data published in this newsletter were prepared by the market research department of Schwarzthal Tech

Contact

contact@schwarzthal.com
FR: (33) 6 27 29 78 34
UK: (44) 7 95 22 08 734
RU: (44) 7 95 22 08 723

Address

Devonshire House, 582
Honeypot Lane,
Stanmore, England,
HA7 1JS

Social

twitter.com/schwarzthal
linkedin.com/company/schwarzthal-tech