

Affinity Fraud Prevention checklist

Did you know that many people turn to their family, friends and co-workers as sources of information when it comes to investing?

RECOGNIZE IT

Scam artists know this and they take advantage of this intrinsic trust within a close group in order to orchestrate an investment fraud - this is called “affinity fraud”. Scam artists will first befriend a respected or influential member of a group who then recruits new investors. In an affinity fraud, investors lose hard-earned money to individuals they thought they could trust.

CHECK IT OUT

Protect yourself from Affinity Fraud by using this checklist:

- Be suspicious of investments described as exclusive or only offered to a particular group.
- Watch out for investments or advisers who exploit a personal connection. Research backgrounds and credentials, and understand the investment so you know what is being offered.
- Beware of referrals from “trusted” members within your group. They may not have conducted any background checks and could have been selected by the scam artists as early influencers.
- Don’t be drawn in by promises of spectacular returns and low risk - your short-term returns might come from someone else’s initial investment and could disappear when there are no new investors. The loss of your principal investment will far exceed any amazing returns that you may have already received.
- Get a prospectus or other written information on the investment and review it carefully. Ask for detailed written materials outlining the nature of the investment, the risks involved, financial statements and any restrictions on getting your money out.
- Do your homework. If the investment or company has been around for awhile, don’t assume it is safe.
- Check out the promoter and the investment, even if what they are telling you sounds good. Contact the Alberta Securities Commission to determine if the salesperson is registered to sell securities.
- Consult with a person who is not participating in the deal, such as a lawyer, banker, accountant, financial adviser or someone else with business knowledge, before making any decision to participate in the investment.

PREVENT IT

Report affinity fraud and prevent other people from falling victim. If you suspect an investment affinity fraud is occurring within your group, or you feel you may have been the victim of an inappropriate investment scheme, contact the Alberta Securities Commission at 1.877.355.4488 or email inquiries@asc.ca.