

TIPS TO AVOID FRAUD & SCAMS



**It Won't
Happen
To Me**



I'd never fall for a scam.

I can smell something that isn't right a mile away.

Every minute, somewhere in the world, 1,863 people become victims of fraud. Most of them probably thought it could never happen to them.

Fraud is so widespread that for the past 20 years it has been called an epidemic. Although estimates vary depending on what fraud, scams or types of white collar crime are being measured, the percentage of those persons who are victims has remained relatively constant for nearly two decades, with approximately one in every 6 to 7 people in the United States falling victim to a scam every year. Among the most likely targets are the college-educated, financially secure or senior citizens, especially those with money who may be living alone in their later lives. Fraudsters go where the money is. They know how and who to manipulate. They can be so smooth they slide like silk into a person's life before they blindside them, separating their latest victim from their hard-earned funds.

And the cost of fraud? According to the Royal Bahamas Police Force, reported fraud cases in The Bahamas amounted to \$2.3 million in 2014. In the world, reported cases of fraud accounted for trillions of dollars in losses, with experts acknowledging that most fraud goes unreported.

The Securities Commission of The Bahamas is committed to protecting investors from fraud occurring in the securities and capital markets. With a staff of more than 70 trained and highly skilled professionals, the Commission monitors over 150 securities firms with over \$492 billion under management and around 850 investment funds with a combined net asset value of more than \$135 billion.

The Commission encourages you to heed the tips in this booklet to safeguard your money. We invite you to refer to our website **www.scb.gov.bs** to verify that an individual or a product is registered. You can also see the names of non-registered securities businesses that are on our radar seeking investors in The Bahamas. Be as smart a consumer when it comes to money as you would be in any other facet of your life.

Red flags and other tips to make you a savvy investor



IF IT SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS – When an offer sounds too good to be true, there is usually a reason and most often, your instinct will tell you so. To overcome the instinct, the con may be cloaked in words like “breakout stock pick”, “huge upside and almost no risk”, “incredible gains” or “amazing returns on investment.” Typically, high risk investments offer higher rates of return than less risky investments do, but no legitimate investment can guarantee a “great return” on your money.

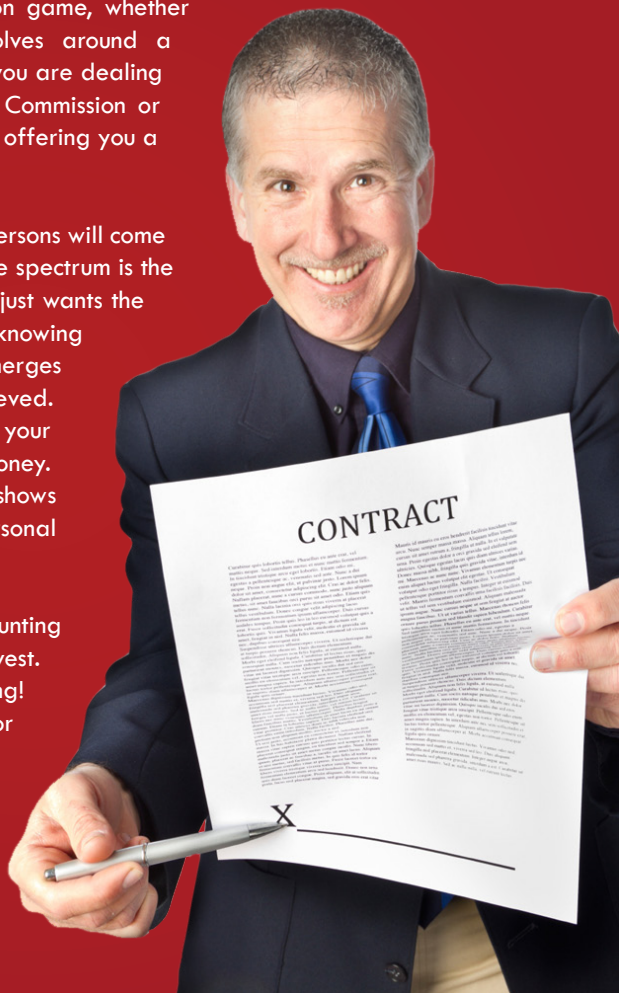
ACCOUNT DISCREPANCIES – Unauthorized trades, missing funds or other problems with account statements could be the result of a genuine error – or they could indicate churning. Churning is a fraudulent practice where brokers trade excessively in an investor’s account to make additional commissions. Make sure your account, once established, is managed in the manner you authorized. Also be mindful that the risk for fraud increases when the investment advisor is the same firm as the holder of the assets (the custodian).

PUSHY SALESPERSON – Scammers will use all sorts of high-pressure sales tactics to swindle you. They’ll tell you a once-in-a-lifetime opportunity will be gone if you don’t act immediately or “everyone’s buying it, so you should too”. Resist the pressure. Take the time you need to investigate before sending money.

KNOW THE SALESPERSON – Every con game, whether online, by phone, or in person, revolves around a salesperson or a sales pitch. Know who you are dealing with. Check their background. Call the Commission or visit our website to verify that the person offering you a security is registered.

BEWARE OF THE HALO – Not all salespersons will come across as ‘pushy’. On the other end of the spectrum is the sweet old lady or kind gentleman who “just wants the best for you.” The pitch often involves knowing quite a bit about you personally and emerges after a certain level of comfort is achieved. The skilled con artist knows that earning your trust is one way to get closer to your money. Beware of the individual who suddenly shows up and demonstrates extraordinary personal kindness.

ASK QUESTIONS – Fraudsters are counting on you not to investigate before you invest. Fend them off by doing your own digging! It is not enough to ask the fraudster for information or references. They have no incentive to be honest. Take the time to do your own independent research.





Types of Investment Scams

WATCH OUT FOR THE BIG 4

Imagination is all that limits the scams that fraudsters conjure up to tempt the unsuspecting. One of the most common involves an e-mail address with a ".gov" component that looks so authentic every year thousands of people fork over millions of dollars before they realize their money has been taken for a ride that has no return ticket. Fraudsters can be incredibly flexible, turning on a dime when it comes to developing new pitches or come-ons. But while the wrapper or hook might change, the most common securities frauds tend to fall into four classic categories.

PYRAMID SCHEMES are scams where fraudsters claim they can turn a small investment into large profits within a short period of time. In reality, participants make money solely by recruiting new participants into the program. The scheme works in a manner that is similar to a chain letter, gathering momentum until it crashes. Fraudsters behind these schemes typically go to great lengths to make their programs appear to be legitimate multi-level marketing schemes, but the schemes eventually fall apart when it becomes impossible to recruit new participants, which can happen quickly. In one example, the first level starts with each new participant enlisting eight more people. Each of those eight people then needs to recruit eight more, and so on. Participants only make money from new recruitment - there is no real investment. Once recruitment into the group stalls, the participants in the group cannot be paid. Game over. Everyone is a loser except those at the very early levels.

PONZI SCHEMES are scams where a central fraudster or “hub” collects money from new investors and uses it to pay purported returns to earlier-stage investors—rather than investing or managing the money as promised. Like pyramid schemes, Ponzi schemes require a steady stream of incoming cash to stay afloat. But unlike pyramid schemes, investors in a Ponzi scheme typically do not have to recruit new investors to earn a share of “profit.” Ponzi schemes tend to collapse when the fraudster can no longer attract new investors or when too many investors attempt to get their money out—for example, during turbulent economic times.



PUMP-AND-DUMP schemes are scams where a fraudster deliberately buys shares of a very low-priced stock of a small, thinly traded company and then spreads false information to drum up interest in the stock and increase its price. Believing they're getting a good deal on a promising stock, investors buy at increasingly higher prices. The fraudster then dumps his shares at the high price and vanishes, leaving many people caught with worthless shares of stock. Pump-and-dumps traditionally were conducted out of boiler rooms using cold-calls, faxes or online newsletters. Now, fraudsters are using modern technology such as emails, text messages, and even instant messaging apps.

ADVANCE FEE FRAUD, ALSO KNOWN AS THE NIGERIAN LETTER SCAM, are scams where an investor must send a fee in advance in order to receive a promised service or payoff. The "Nigerian Letter Scam" is a popular type of Advanced Fee Fraud. In this scam, fraudsters use letters or emails to target potential victims. Oftentimes, the fraudster claims to be either a high ranking public official with a fortune or an individual with an inheritance seeking a little financial assistance to retrieve a large amount of money. The fraudster promises a share of the money once it has been transferred in exchange for the assistance. After the fee has been paid, the investor never hears from the fraudster again.

The e-mail on the opposite page is based on a 'real' scam which came to the Commission's attention. The names have been changed.

signal BTC

4:20 PM

From: gw_smith01@yahoo.co.jp
Date: Fri, Jul 15, 2015 at 6:21 AM
To: craig@coralwave.com

From Doyle Smith

Dearest One,

Greetings. With warm heart I offer my friendship and greetings, and I hope that this mail will meets you in good time.

However strange or surprising this contact might seem to you as we have not meet personally or had any dealings in the past. I humbly ask that you take due consideration of its importance and immense benefit.

My name is Doyle Smith from Nigeria. I have something very important that i would like to confide in you please, I have a reasonable amount of money which i inherited from my late father (Nine Million Five Hundred thousand United States Dollar).US\$9,500,000.00.which I want to invest in your country with you and again in a very profitable venture.

Currently I am residing in Ivory coast now with my younger sister Sussan Smith where my late father deposited the money, so i will like you to reply me immediatly so that i will give you more details about everything.

I am expecting your reply for more explanation. Please iam urgently waiting for your response and I am conceding 15% of this money to you for your efforts assistance.

I will wait to hear from you.

Thanks and God bless you.

Our sincere regards to you,

Doyle and Sussan Smith





Every fraud hurts. There is none that is pain-free. Every minute **more than 1,800** people become victims. You are not alone. Help save another person from becoming a victim by reporting it to the Commission.

IF A PROBLEM OCCURS

If you believe you have been defrauded or treated unfairly by a securities professional or firm, please send us a written complaint. If you suspect that someone you know has been taken in by a scam, be sure to give us that tip.

Here's how:

Securities Commission of The Bahamas
3rd Floor, Charlotte House
Shirley & Charlotte Streets
P.O. Box N-8347
Nassau, The Bahamas

Telephone: (242) 397-4100
Telephone (Family Island toll free): (242) 225-8171
Telephone (International): (360) 450-0981
Fax: (242) 356-7530

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