

# Financially Speaking

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*If it sounds too good to be true, it usually is...*

*Here is an important warning from the Ontario Securities Commission regarding investment fraud.*

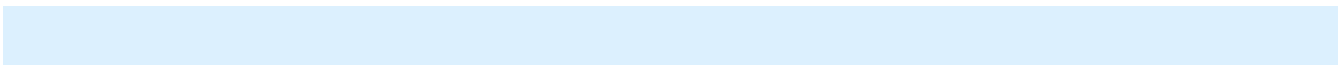
## **OSC warns fraud victims against becoming repeat targets in ‘double-dip’ investment schemes**

**Toronto** – The Ontario Securities Commission (OSC) warns that investment fraud is a growing problem, as the latest OSC public inquiries data shows more than a 50 per cent increase last year in inquiries and complaints about investment-related fraud. Common complaints involve tax avoidance schemes, “prime bank” fraud, offshore investments, high-pressure sales tactics, Ponzi schemes, as well as fraudulent high-return, no-risk investments. Inquiries about “double-dip” schemes (scams where victims are targeted more than once) are increasing, and investors should be aware of common double-dip tactics scam artists use to manipulate their victims.

Double-dip schemes often begin with an unsolicited, persuasive phone call geared to attracting people to a fake investment opportunity. The pitch may include promises of a future stock market listing and big profits. The scam artist requests money; once received, he or she may hold onto the victim list to expand his or her scam in the future, or possibly sell it to other scam artists for profit. In either case, the same victims are contacted again (the double-dip) and are manipulated into believing an anonymous investor is ready and prepared to pay a fabulous price for the shares, as long as a transaction fee (or a fee to remove a restriction) is paid up front by the victims. In reality, the scam artist pockets this “fee” (in addition to the original “investment”) and may target the same victims several more times by requesting even more money for “fees”, “taxes” etc., turning it into a triple or quadruple-dip scheme.

Any type of financial loss resulting from investment fraud can emotionally devastate the victims. In the case of double-dip schemes, victims may be embarrassed to admit they’ve been scammed twice. Double-dip schemes are intentionally set up to unfold across several jurisdictions, making it even more difficult for victims to figure out how to report the situation or recover the so-called “investment”.

“What’s most disturbing is the existence of a scam artist network out there preying on the same investors over and over,” says Perry Quinton, Manager of Investor Communications at the OSC. “We can’t stress to the public enough that some investigation on their part is their best defence against frauds and scams. Investors should confirm that the person offering the investment opportunity is properly registered with the securities regulator before making an investment decision.”



***Here are a few common red flags to help you protect yourself from “double-dip” scams, and other types of investment fraud:***

**Assurances of legitimacy:** Scam artists may make assurances that they’re licensed and qualified – but how can you be sure? Contact the OSC **1-877-785-1555** (BC Securities Commission xxxxx to check registration.

**High-pressure sales tactics and repeat callers:** A salesperson may try to gain your trust by contacting you several times before asking for money. Or you may be told that this is a limited time offer and you need to act quickly. Never feel rushed to invest; take the time you need to research any investment opportunity. Get a second opinion from a qualified and registered adviser.

**Unsolicited calls:** The caller doesn’t know you or your investment objectives, risk tolerance, or investment knowledge level. The caller is not acting with your interests in mind. Besides, how did he or she get your contact information? It’s possible you are on a victim list that’s been circulated within a ‘scam network’. If you’ve been scammed in the past, you’re likely to be targeted again.

**Offers to invest in a company that’s about to go public (IPO -- which stands for Initial Public Offering):** Did you know a salesperson is not allowed to say this to you? It’s a common tactic used by scam artists to get you to invest quickly. Alternatively, the salesperson may promise high returns with minimal risk. Why would a complete stranger call to offer you a no or low-risk, high-return investment? One reason – it’s a fraud.

***You can also find out more about how to protect yourself from investment frauds and scams (and learn about other investing-related topics too) on-line at [www.investorED.ca](http://www.investorED.ca).***

***This is an example of how a double-dip scheme could unfold.*** It incorporates boiler-room tactics together with double-dipping. **The Initial Call:** Usually initiated via an unsolicited phone call (often from a foreign jurisdiction), the investor is offered an opportunity to make a lot of money quickly by investing in a company that’s about to go public. The caller tells the investor if they commit now, they can cash in on big returns after the IPO (Initial Public Offering). The opportunity may sound too good to be true, but the caller is persuasive and the company they say they work for sounds familiar. **Behind the Scenes:** Scam Artist #1 is the caller and is playing on the victim’s dreams and desires to make money quickly. To get around the whole question of whether the company/person offering the investment opportunity is legitimate, Scam Artist #1 throws out a company name that may sound familiar to the victim to gain credibility -- but they may not really work for that organization or it could be a fraudulent variation on a real company name. **Scam #1 -- The First Dip:** The investor is instructed to wire money or send a money order to a specific address. Once the transaction has taken place, the victim may receive a fake certificate or confirmation about the investment itself. Otherwise, there is no contact from the company again after the money has been submitted. The victim wonders why contact is cut off, but still hopes the big return they were promised will eventually happen. **Behind the Scenes:** The victim is most likely sending the money offshore or to another jurisdiction, which makes it very difficult to trace. The specific address given to the victim probably doesn’t exist or it’s a post-office box that was set up on a short-term basis. Once the initial promotion has run its course, it will close itself down, and Scam Artist #1 may sell the victim list to another group in his or her scam network – or use it again. **Scam #2 -- Here’s the “Double-Dip”:** After some time has passed, the victim is contacted again, either by Scam Artist #1 again or a new group (Scam Artist #2). The caller explains the big return on investment is about to happen and the time is right to sell their shares for a quick profit. Now there is a “transaction fee” or “tax” the victim needs to pay first before the transaction can be completed. This amount is usually a significant percentage of the original “investment”. The victim wires money or sends a money order to another specific address. No further contact is made, the victims do not receive their money and they aren’t sure who to contact to find out how to get in touch with the people who called, or the so-called “company” they represented. **Behind the Scenes :** As with Scam #1, the victim’s money probably isn’t going where they think it is when they wire it or send it to the specific address listed. In some cases, the victims are in denial at this point, or are hoping they’ll still get the promised return if they hold out just a little bit longer. Scam artists are clever, often arranging for the victims’ money to pass through multiple jurisdictions. ***Talk to your trusted adviser first before you reply to any of these “attractive” offers. If it sounds too good to be true, it usually is.***



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