



TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION



September 17
2014

Avoiding Investment Scams



DISCLAIMER

We are not here to make recommendations on where you should invest or how to make more money.

We are here to ensure that you:

- Learn about the different types of investment scams
- Know the warning signs associated with these scams
- Become aware of the ways to safeguard yourself against scams
- Know how to lodge a complaint with the TTSEC

WHO WE ARE



- The **Trinidad and Tobago Securities and Exchange Commission** regulates the securities market
 - Value - **TT \$253.87 billion** as at 31st July 2014
 - This represents 157.07% percent of GDP



WHAT WE DO

Administer the Securities Act 2012 (SA 2012) to protect you by:

- **Registering** all persons who deal in securities;
- Ensuring **disclosure** from market participants;
- Conducting routine **market surveillance** and investigating possible breaches of the Act;
- Ensuring that registrants are operating in **compliance** with the legislation and conducting **on-site inspections**;
- **Enforcing** rules through the use of orders, guidelines and by-laws.

INVESTOR EDUCATION



- TTSEC's mandate for Investor Education:
 - **IOSCO-** *investor education is a key strategy for enhancing investor protection, promoting investor confidence and fostering investor engagement.*
 - **SA 2012-** *educate and promote an understanding by the public of the securities industry and the benefits, risks and liabilities associated with investing in securities.*

INVESTMENT SCAMS



**Beware
of
SCAMS**

**SCHEMING
CRAFTY
AGGRESSIVE
MALICIOUS**
DON'T LET THEM CON YOU

TYPES OF INVESTMENT SCAMS

Today's scams are really clever and creative. Here are some examples of the most common frauds and more importantly, some strategies to help you protect yourself from becoming a victim.



INTERNET SCAMS

- Con artists reach out to millions of victims on the Internet.
- Their modus operandi:
 - Offer risky investment opportunities
 - Unsophisticated investors
 - Unable to evaluate risk adequately
 - Cannot afford loss of capital

BOILER ROOM SCAMS

- Outbound call centre
- Questionable investments
- High pressure sales tactics
- Scam artists extoll the value of the investment opportunity
- More and more persons fall victim
- Demand for stock goes up
- Low financial literacy by investors or victims

PUMP-AND-DUMP

- Scam artists make false and misleading positive statements about cheap stocks
- Demand is generated
- Price of the stock is artificially inflated as more victims buy
- Shares are dumped
- Victims lose their money as the value of the stock plummets



HOW CAN YOU PROTECT YOURSELF ?

Ask yourself the following:

- Are these securities registered with the TTSEC?
- Is the person a registered broker/dealer?
- How long have they been in business?
- Is there a prospectus?
- Have there ever been any complaints filed against the company?

AFFINITY FRAUD

- Often happens in social groups.
- Con artists join your group and gain your trust
- Encourage prominent members to participate in a fraudulent investment scheme
- Pitch the scam to the rest of the group
- Scam as many as they can and then disappear.



AFFINITY FRAUD

Victims of affinity fraud are usually part of :

- Minority groups
 - Religious groups
- Or are:
- Elderly people



AFFINITY FRAUD

How Can You Protect Yourself ?

- Ask for written information.
- Do not rely on the testimony of others, regardless of how well you know them.
- Call the Trinidad and Tobago Securities and Exchange Commission (TTSEC) to check on the investment and the person selling it
- Report any fraudulent activity to the TTSEC.

PONZI/ PYRAMID SCHEME



PONZI SCHEME

- Based on fraudulent investment management services
- Only requires the investor to contribute money
- Promises exceptional returns
- The fraudster does all the work to attract other investors
- Money is paid out with the funds contributed by incoming investors.
- There are no real investment activities.

PYRAMID SCHEME

"ROBBING PETER TO PAY PAUL"



- ❑ Investors must pay money AND enroll additional persons to join the scheme
- ❑ High returns are promised to investors
- ❑ There is no product or service delivered.

Some characteristics are:

- Investments paying interest monthly and above market rates;
- Programmes running for defined periods usually for a year;
- Incentive to “Roll Over” into a new programme.
- Using new investors' monies to repay previous investors

How Pyramid Schemes Work

Source: U.S. Securities and Exchange Commission



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FOREIGN PONZI SCHEME BERNARD MADOFF

- (Former) chairman of NASDAQ stock exchange
(Former) stock broker, financial adviser;
- He operated the '*largest investor fraud ever committed by a single person*' ;
- The size of the fraud - **US\$64.8 billion**,
- Madoff had **4,800 clients** as of November 30, 2008 ;
- He was sentenced to **150 years in prison** and **US\$170 billion** in restitution .



FOREIGN PONZI SCHEME

ALLEN STANFORD

- Sponsor of professional sports
- In 2009, he was charged by the U.S. Securities and Exchange Commission (SEC) with running a “massive Ponzi scheme”
- Stanford was convicted for a **US\$7 billion Ponzi scheme**
- He swindled **30,000 people** in over **100** countries.
- He was sentenced to **110 years in prison**



LOCAL PYRAMID SCHEME FANTASY TOURS



- Started in November 2005;
- Offered 3 products paying up to 15% every 15 days;
- More than **3700** subscribers;
- Total investment approximately **TT\$43.5 million**;
- Injunction granted by Court to halt trading on request of the Commission;
- Final recovery by investors 53.4% - **TT\$23.2 million**.



“Investors from the failed Fantasy Tours investment scheme wait patiently for payments. Claimants received 50 per cent of the cash they invested”



PYRAMID SCHEME

Note these tips:

- Do not expect to get rich quickly.
- Most bad deals offer high yields and meaningless talk of "guarantees" to "zero risk."
- Be suspicious of any investment opportunity that seems very complicated.
- Ask an investment adviser or accountant to review the prospectus or offering memorandum with you.
- ALWAYS check to see if the investment scheme is registered with the TTSEC

PROTECTING YOURSELF AGAINST UNSAFE INVESTMENTS



Remember, every investment involves some **risk**.

Here are six key things that you should know in order to make wise investment decisions and protect yourself from fraud:

1. **Know the source**
2. **Avoid hot tips and inside information**
3. **Take care in choosing your adviser**

PROTECTING YOURSELF AGAINST UNSAFE INVESTMENTS



4. Learn more
5. Be willing to say "no"
6. Look at the future, not just the past



PROTECTING YOURSELF AGAINST UNSAFE INVESTMENTS



Remember: Bad information can lead to bad choices

- Scams can be very convincing and genuine.
- Do your research
- If you're not sure what to do, talk to a registered adviser or get in touch with the TTSEC
- Always listen to your instincts.

HOW TO LODGE A COMPLAINT

The Commission has the authority to investigate and adjudicate all complaints lodged with it under **section 49 of the Securities Act, 2012.**



TTSEC COMPLAINT PROCEDURE

- **Step 1:** Make your complaint to the company
- **Step 2:** Get the company's response to your complaint in writing
- **Step 3:** Lodge a complaint with the Commission
- **Step 4:** The Commission will then review your written complaint

DON'T LET THIS BE YOUR NEST EGG!





TRINIDAD AND TOBAGO
SECURITIES AND EXCHANGE
COMMISSION

S **MARTMAN**
C **ONNIVING**
TO TAKE
A **WAY YOUR**
M **ONEY**

Don't be fooled into parting with
your hard earned cash.
The only thing standing between
a fraudster and your money...

IS YOU!

BE A WISE INVESTOR! DO YOUR RESEARCH BEFORE YOU INVEST



Visit the TTSEC website at
www.ttsec.org.tt
to learn more about investments!



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Investing doesn't
have to be difficult if
you follow your
ABC's

A **SK**
QUESTIONS

B **EWARE OF**
INVESTMENT
FRAUD

C **HECK THE**
SEC FIRST

GET EDUCATED ON HOW TO AVOID INVESTMENT SCAMS



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THANK YOU!!



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if you are interested in having an outreach session for your group, complete an IE request form on the Commission's website or you may contact the Commission's Corporate Communications Division at 624-2991 ext 1259/1266.

Questions/ Comments on today's webinar can be sent to ccei@ttsec.org.tt