



## **Affinity Fraud – Scams that Target Relationships**

Financial fraud can take many forms including Boiler Room scams, Pump and Dump Schemes, Ponzi and Pyramid schemes. Affinity Fraud ranks among the most predominant in operation globally.

U.S. Securities and Exchange Commission defines Affinity Fraud as *‘investment scams that prey upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups. The fraudsters who promote affinity scams frequently are - or pretend to be - members of the group.*

### ***How does Affinity Fraud work?***

Fraudsters will carefully target a club, religious group or community group and seek to gain membership in order to gain trust. Once accomplished, they then attempt to convince their targets to participate in a fraudulent investment. It is common practice for fraudsters to first sell to a few prominent members of the community, to build credibility, and these persons are subsequently used as references. These fraudsters then focus their attention on other members of the community, encouraging them to invest. Once the fraud has been perpetrated, they abscond with the funds thereby leaving their victims embarrassed and unwilling to make a report. It is a common practice that victims of affinity fraud do not report incidents to the relevant authorities and opt to rectify the situation among themselves.

### ***How to avoid being a victim of Affinity Fraud?***

1. Take the time to evaluate any offer to purchase an investment before making any decision, even if the offer is being made by someone you trust. Never make rushed financial decisions.
2. Be sceptical of any investment opportunity that is not in writing. Avoid any investment if the particulars about the investment are not documented. You should also be suspicious, if you are told to keep the so-called investment opportunity confidential.
3. If you have questions regarding the business or investment, do not hesitate to ask. If the person offering you the investment becomes evasive, agitated or does not answer your questions properly, do not invest your money.
4. All investments have some level of risk. Ensure that those risks are communicated to you and that you understand them and how they will impact your investment. Fraudsters often dangle the prospect of attaining unrealistic wealth with minimum effort. In other words, do not fall for investments that promise spectacular profits or “guaranteed” returns.

5. Never make an investment because others have made the same investment. Your investment decisions should be based on your personal investment goals, therefore the opportunity; and its timing, should be evaluated to ensure that it fits into your current financial situation.
6. Do your own research on the investment and into the person offering the investment. If you or your group are approached to make an investment, check the Trinidad and Tobago Securities Exchange Commission's (TTSEC's) website to determine whether the person/company is registered to conduct business within the local securities industry (<http://ttsec.org.tt/registration/>).
  - a. the person/company is registered to conduct business within the local securities industry; and
  - b. the investment product, being offered, is registered with the TTSEC.
7. Please note that fraudsters are increasingly using the internet to target particular groups through e-mail spams. If you receive an unsolicited e-mail from someone you do not know, containing a "can't miss" investment, your best option is to forward the spam to the TTSEC at [ttsec@ttsec.org.tt](mailto:ttsec@ttsec.org.tt).

Individuals can also avail themselves of the TTSEC's Investor Education website, <http://investucatett.com/>. The website provides information on the TTSEC, how to invest for the different life stages, various investor tools (such as a Retirement and a Savings and Investing calculator and an Investor Risk Profile Evaluator), a blog and other investing-related articles (including those on the differing investment scams).

#### ***What to do if you become a Victim of Affinity Fraud?***

1. We recommend affected persons lodge their complaints with the TTSEC. Victims are advised not to be influenced by perpetrators who claim they are "working it out amongst the membership group" after incidents of fraud. This generally leaves the fraudster free to perpetrate more scams on an unsuspecting public. Complaint forms are to be found on the TTSEC's website <https://www.ttsec.org.tt/about-us/investor-complaints/>.
2. It is suggested that the complaint include a clear and concise summary with all key elements relevant to the complaint.
3. Additionally, copies of all supporting documents should be provided. While original documents will need to be brought in for verification, the photocopies are kept for our investigation. Investigations are usually confidential.

The TTSEC is committed to ensuring that the local securities industry is efficient, fair and transparent. Consequentially, it treats with any suspected case of financial fraud with the utmost care and diligence.

**END**

For more information, please visit our corporate website, [www.ttsc.org.tt](http://www.ttsc.org.tt).  
You may also visit our Investor Education website at [www.investucatett.com](http://www.investucatett.com) or connect with us  
via any of our social media handles:



**Published Article: Business Express**  
**December 18, 2019**