

## Fraud Prevention Month

### WATCH OUT FOR AFFINITY FRAUD

#### NEARLY 40% OF INVESTMENT FRAUD VICTIMS IN QUÉBEC WERE APPROACHED BY SOMEONE THEY KNEW

**Montréal, March 12, 2008** – With nearly 40% of investment fraud victims in Québec approached by someone they know, the *Autorité des marchés financiers* (AMF) would like to make consumers aware of what is known as "affinity fraud." "Before writing a cheque, find out about the investment—regardless of who's offering it," said Anne-Marie Poitras, Superintendent, AMF Client Services and Compensation.

According to a recent survey by the Canadian Securities Administrators (CSA), 38% of victims of investment fraud in Québec were approached by someone they knew, and often it was a case of affinity fraud. Affinity fraud occurs when scam artists target people who belong to a group who share the same background, characteristics, beliefs or interests, such as religious organizations, cultural communities, social clubs and seniors' groups. Ms. Poitras noted that in this type of approach, the scam artists say that they are part of the group or know some members. They take the time to forge bonds, and once the element of trust is established, they propose investments that pay out high returns. In some cases, they ask you to keep this golden opportunity a secret, as it is for members of the group only.

Ms. Poitras pointed out that the results of the CSA survey showed that Québec investors were more likely to have developed a strong relationship of trust with the person who defrauded them than investors in the rest of Canada (83% vs. 66%). She offered the following advice on how to avoid affinity fraud:

- Never invest solely on the word of a member of a group you belong to. Ask questions, even if the person proposing the investment seems trustworthy. An honest person can be an unwitting victim of fraud, too. Ask for advice from an expert who is not part of your group.
- Contact the AMF's Information Centre or visit its website to determine whether the person proposing the investment is licensed by the AMF to sell investments.
- Get written confirmation of the returns you're promised, and ask to see the prospectus so that you have the details of the features and risks associated with the investment. If the person cannot or is hesitant to provide a prospectus, don't invest.
- Be careful if someone proposes high, no-risk returns. Generally, the higher the expected return, the greater the risk. Most likely, if it seems too good to be true, it is!
- Think before you invest, especially when offered a "golden opportunity."
- Be sceptical when someone asks you to keep an investment opportunity "under your hat." Scam artists tell you this so that you won't discover what they're really up to.

As part of Fraud Prevention Month, the AMF has launched a month-long series of awareness and education activities. In addition, the AMF encourages investors to:

- Visit the consumer section of its website;
- Consult the brochure [Watch out for securities fraud](#);
- Contact the AMF Information Centre.

The *Autorité des marchés financiers* (AMF) is the regulatory and oversight body for Québec's financial sector.

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**Information Centre**

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