

For Immediate Release
Monday, October 24, 2011

Top investment scams in Canada

Halifax – The Canadian Securities Administrators (CSA) today released a list of financial products and practices often used by scam artists to trap investors. Many of these tactics take advantage of those troubled by economic uncertainty and volatile markets.

"Scam artists follow the news and economic trends, often using the headlines to their advantage," said Bill Rice, Chair of the CSA and Chair and CEO of the Alberta Securities Commission. "They will try to lure investors with the opportunity to protect themselves from economic uncertainty or get in on the 'ground floor' of new technologies that turn out to be false or exaggerated."

With October being Investor Education Month, the CSA is releasing a list of five common "traps" scam artists use to entice investors across Canada:

1. **Illegal sales of misleading exempt market securities.** Private placements, or securities sold under an exemption, offer legitimate businesses the opportunity to raise funds by selling shares to a relatively small number of investors as opposed to a public offering made through national securities markets. Unfortunately, scam artists illegally raise money in the exempt market by offering misleading securities that often promise investors guaranteed or unrealistic returns with little or no risk. Furthermore, these individuals are often not registered to give investment advice or make securities transactions.
2. **Energy investments.** Swindlers continue to attempt to trick investors with the lure of untapped oil and gas reserves or new energy technologies, often using complex technical jargon to confuse the message.
3. **Gold and precious metals.** High precious metal prices and the promise of a "tangible" asset that will "never decrease" in value make gold and silver investing seem like a sure thing. Investors should be aware that there are no guarantees, even in legitimate markets.
4. **Affinity fraud.** Marketing a fraudulent investment scheme to members of a group or organization continues to be a highly successful and profitable practice for fraudsters. Investment decisions should always be made based on careful evaluation of the underlying merits rather than your relationship with the promoter or recommendations from friends and family.
5. **High risk or false FOREX schemes:** Trading in foreign currencies requires knowledge and resources far beyond that of most investors. Con artists play on the complexity of the system, using jargon to confuse novice investors into risky trades. In some fraudulent

schemes, securities may be sold, but investors' money is not invested as promised or is simply stolen.

The CSA urges investors to learn the warning signs of investment fraud and independently verify any investment opportunity and the background of the person and company offering the investment. Investors are reminded that while securities regulators cannot provide advice, they can provide background information about those who sell securities or give investment advice, as well as about the products being offered.

Investors should always ensure an adviser and their firm are registered, and can verify registration online through the Canadian Securities Administrators' National Registration Search. Investors can also visit the CSA's website, www.securities-administrators.ca to search the Disciplined Persons list, read recent investor alerts, or take the Fraud Awareness Quiz.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

For more information:

Carolyn Shaw-Rimmington
Ontario Securities Commission
416-593-2361

Lorinda Brinton
Alberta Securities Commission
403-297-2665

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733

Natalie MacLellan
Nova Scotia Securities Commission
902-424-8586

Janice Callbeck
PEI Securities Office
Office of the Attorney General
902-368-6288

Ken Kilpatrick
Yukon Securities Registry
867-667-5466

Donn MacDougall
Northwest Territories
Securities Office
867-920-8984

Sylvain Théberge
Autorité des marchés financiers
514-940-2176

Richard Gilhooley
British Columbia Securities Commission
604-899-6713

Wendy Connors-Beckett
New Brunswick Securities Commission
506-643-7745

Jennifer Anderson
Saskatchewan Financial Services
Commission
306- 798-4160

Doug Connolly
Financial Services Regulation Div.
Newfoundland and Labrador
709-729-2594

Louis Arki
Nunavut Securities Office
867-975-6587