

# HOW TO SPOT AN INVESTMENT SCAM

## CHECK BEFORE YOU INVEST

[www.fspr.govt.nz](http://www.fspr.govt.nz)

Check the person you are dealing with (or their company) is registered on the financial service providers website – [www.fspr.govt.nz](http://www.fspr.govt.nz). If they are not, be wary of dealing with them.

[www.fma.govt.nz](http://www.fma.govt.nz)

Check the Financial Markets Authority (FMA) website or call us on 0800 434 566 for the latest warnings and alerts and the names of firms and individuals to be wary of. You can report an investment scam online here too. FMA's website also has a list of Authorised Financial Advisers.

[www.consumeraffairs.govt.nz](http://www.consumeraffairs.govt.nz)

For a list of all known scams including consumer and investment scams check the Ministry of Consumer Affairs Scamwatch website.



FINANCIAL MARKETS AUTHORITY

TE MANA TATAI HOKOHOKO – NEW ZEALAND

Level 5, Ernst & Young Building  
2 Takutai Square, Britomart  
PO Box 106 672, Auckland 1143

Phone: +64 9 300 0400

Fax: +64 9 300 0499

[www.fma.govt.nz](http://www.fma.govt.nz)



FINANCIAL MARKETS AUTHORITY

TE MANA TATAI HOKOHOKO – NEW ZEALAND



# HOW TO SPOT AN INVESTMENT SCAM

Every year New Zealanders lose millions of dollars in investment scams, so learn how to identify some of the tricks scammers use and protect yourself.

## Hallmarks of a scam

An 'investment' is likely to be a scam if you are:

- Promised very high returns with little risk. These promises are often too good to be true.
- Given little information in writing. All legitimate investments must have documents explaining the investment.
- Told the offer is known only to a select few. This is often a ploy to make you feel special.
- Not told who is behind the offer or given a physical address. Legitimate businesses give names and full addresses.
- Promised access to 'secret' overseas banking markets supposedly offering very high returns. These markets don't exist.
- Asked to keep the investment a secret. This is to stop the authorities hearing about it.

You should also be wary of transferring money to internet based foreign exchange dealers as you may have no re-dress if they take all your money.

## Common scams and frauds

### Telephone share scams and 'Boiler Room' scams

One particularly common scam is callers who ring to offer bogus share deals. Often these calls come from 'Boiler Rooms' - businesses that use high-pressure sales techniques to sell 'sure thing' investments with the promise of massive returns. Frequently, shares offered don't exist, or they turn out to be worthless and can't be sold. Often people get a second call from a new 'broker' claiming to have a buyer for the shares, and wanting money to pay for the new transaction. This money too is lost.

These callers are clever and persuasive. They might suggest they can prove they are genuine by referring you to impressive looking websites or fake agencies with official-sounding names. This is all part of the scam. Don't engage with these callers. Hang up.

### Advance fee fraud

This is the classic 'Nigerian scam' where the victim is contacted by email and pays up front for something that never arrives. Delete these emails. Sometimes this scam comes in the form of a telephone call offering you money for shares you already own. You may be offered an excellent price but be told you just need to pay an advance or restriction fee. This is also a scam.

### Prime bank instrument fraud

People are invited to take part in a secret market, and are offered 'prime bank' notes or debentures supposedly paying high returns. This market does not exist. Money sent to these schemes is lost.

## Affinity fraud

Affinity fraudsters prey on people who trust each other, like members of religious, social, or cultural groups. They use the trust that exists within these groups to help steal money.

## Ponzi schemes

Money from new investors is used to pay 'interest' to earlier investors to give the illusion the investment is successful.

## Protect yourself

Asking to see the investment statement is one of the best ways to protect yourself against scams. Almost all legitimate investments offered in New Zealand must have this document. But scammers rarely put things in writing.

If there is no investment statement, seek advice from an Authorised Financial Adviser **before** handing over any money. Never send money to someone you only know from an unsolicited phone call.

If you want to buy or trade shares, you should contact a New Zealand broker who is responsible under New Zealand law.

