

PUBLIC INFORMATION

Protect Yourself from Fraudulent Investment Opportunities



FINANCIAL SERVICES
COMMISSION

The Financial Services Commission (FSC) strongly advises caution around people offering investment opportunities in **blessing circles, pyramid schemes, and other multi-level marketing schemes**. Engaging with such people may lead to financial loss, as some are promoting potentially fraudulent arrangements. Many such schemes are offered on social media or by word-of-mouth only. Therefore, it is vital to investigate thoroughly and ensure the people you are dealing with and the products on offer are regulated.

Avoid multi-level marketing schemes such as **blessing circles** or **gifting circles** that require you to enroll others to see a financial return. Key characteristics and red flags include:

- **Promises of high returns in a short period.** These schemes frequently promise higher returns than those found with legitimate investments such as mutual funds, bank deposits and credit union deposits. To provide some reference point, historically, investment returns exceeding 7-8% involve greater risk than those typical of investing in shares in a company listed on the Barbados Stock Exchange.
- **High-pressure sales tactics.** Pressure is put on you to decide right away and the opportunity is presented as being available for a limited time.
- **Emphasis on recruiting.** There is no financial return unless you have successfully introduced several recruits into the scheme and those people introduce others. Members earn money by merely recruiting new people. As the number of new people diminishes, the risk of collapse of the scheme grows. In the past, fraudulent Ponzi and pyramid schemes have relied on people feeling part of a community that is discriminated against by the traditional financial institutions. The perception given is one of access to opportunities previously denied to them.
- **No genuine product or service.** No legitimate or tangible investment product or service is involved and there is no investment of your money into a product. Neither is there a contract or agreement describing the term of the investment.

It is an offence for people not registered with the FSC to offer investment advice, sell financial products or deal in securities. It is required by law to be registered. The public is encouraged to notify the FSC of situations where entities or individuals engage in these practices without being duly registered and/or licensed.

If approached by someone asking you to invest in a financial product, the FSC urges you to consider the following questions:

- ? **Is the person registered with the FSC to provide the investment advice?** Check if individuals who offer you investments or investment advice, are selling financial products, or dealing in securities are regulated by the FSC. Make sure they are registered or licensed to conduct such business. The list of regulated firms and persons is available on the FSC website at www.fsc.gov.bb.
- ? **Are you being guaranteed a return?** Be suspicious of investments that guarantee a return. When you buy an investment, there is no guarantee you will make money. Generally, as the return increases, so does your risk of losing money.
- ? **Are you being told the investment is low- or no-risk?** Remember, there are no risk-free investments. All investments carry some risk. Low-risk investments also offer lower returns. High-risk investments may result in higher returns but also higher losses.
- ? **How were you approached about this investment?** Just because an investment is a good fit for your friend or family member does not mean it is right for you. Opportunists may use their association with a group, or common interests, to gain your trust and then take your money.
- ? **Did you do independent research?** Research to understand the investment and its risks. Doing your research will help determine whether it is legitimate and good for your overall investment plan. Ask questions regarding the risks involved in the investment. Make sure it is suitable for you. Ask yourself, can you afford to risk losing those funds?
- ? **Did you ever feel pressured to invest quickly?** Scammers frequently use high-pressure sales tactics to get your money. Did they call you all of the time? Did they say their offer expires shortly and required you to make an immediate decision?

If the product or offer meets any of these criteria, report the matter to the FSC at 421-2142.