

“Boiler room” scams

Could you be vulnerable?

Have you received an unsolicited phone call about an investment opportunity? It could be a scam. Here’s what to watch out for and how you can protect yourself.



How the scam works

A team of scam artists set up a makeshift office, called a “boiler room” and work in stages. The scam artists first identify potential victims. They might use a phony survey to find out about your investment experience, offer you free research, or try to get information like your mailing address, phone number and e-mail address.

Next, someone else on the team will call you back with the sales pitch, often calling multiple times. The caller may boast of a business idea that sounds probable, usually in a sector that’s in the news. Here’s the catch: the investment may not exist.

By the time you realize you’ve been taken, the scam artist will have closed up shop and moved on to another scam. You’ll likely never see your money again.

These networks of scam artists are highly organized, with many

operations selling their victim lists to other boiler rooms. Because of this, **victims of boiler room scams are at high risk of being targeted again.**

What to watch out for

The scam artist may customize their sales pitch if they know anything about your personal situation or investment history. However, here are some things they’ll frequently say.

1. You’ve been specially selected

The scam artist will tell you that this exclusive offer is not available to the general public.

2. You’re guaranteed to make a lot of money with minimal risk

The scam artist will tell you that this is a safe investment with a high return. But real investments come with risks. If anyone promises you a high return on a “sure thing,” it’s likely a scam.

3. This offer won’t last long

The scam artist may say that if you invest now, you could make a fortune. You should never feel pressured into buying an investment on the spot. Anyone selling you an investment should take time to know you and your investment goals in order to make sure the investment is suitable for you.

4. Send your money now

You’ll be encouraged to send a cheque right away or wire money offshore. The scam artist may even send you an official-looking invoice for your investment, together with a prepaid courier envelope for your cheque.

If you send money out of the country, it may be difficult to trace and impossible to recover.

Who's vulnerable?

Scam artists go where the money is. If you have money to invest, you're a target. Research shows that:

- more than half of all fraud victims are over the age of 50
- experienced investors fall victim to scams more often than non-investors

Experienced investors tend to be more willing to take risks. They're also more likely to make their own investment decisions, without getting advice from an independent financial adviser.

What you can do to protect yourself

The best way to protect yourself is to hang up the phone. In addition:

1. Don't give out your personal information

You don't know who's on the other end of the phone or what they're using the information for.

2. Research the investment

The scam artist might send you to the company's website to check things out. They might also set up a toll-free number and a business address to make the company seem legitimate. However, everything on the site could be fake.

You should research your investment using other sources.

For example, you can access public disclosure documents at www.sedar.com. You should be able to find press releases on news services, such as Canada NewsWire at www.newswire.ca.

3. Check registration and qualifications

Anyone who tries to sell you an investment or give you investment advice must be registered, unless they have an exemption. Contact your local securities regulator to check the registration of a person or a firm, and to find out if they have a record of any disciplinary actions.

4. Report scams

If you think it's a scam, report it to your local regulator.

Contact your local regulator

Securities regulators oversee Canada's capital markets and the advisers who sell and manage securities traded in those markets.

For information on how to contact your local securities regulator, visit the Canadian Securities Administrators website at www.securities-administrators.ca



Victims may be scammed again

Victims of boiler room scams are at high risk of being targeted again. The scam artist will usually use one of two tactics:

1. Company takeover

The scam artist will tell you that another company has made an offer to buy your shares. You stand to make a huge profit on your previous investment.

The scam artist might say that you must forward a "refundable" deposit or buy more shares to take advantage of this offer. In either case, if you send more money, you'll probably lose that, too.

2. Recovering losses for a fee

The scam artist will call you and admit that some or all of your investment has been lost. They will say that they can help recover your lost money – for a fee. Unfortunately, if you pay the fee, you'll likely lose that money as well.