

# MFDA Investor *Bulletin*

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MARCH 2017 FRAUD AWARENESS MONTH

March is Fraud Awareness Month and the Mutual Fund Dealers Association of Canada (the “MFDA”) is promoting fraud awareness and prevention among Canadian investors. In this edition of the MFDA Investor Bulletin you will find information to help you avoid becoming a victim of investment fraud.



## Know the Red Flags of Investment Fraud

Would you know how to spot a fraudulent investment if you were offered one? Below are some red flags to watch out for when investing. You should be very cautious if you encounter any of these situations. Never invest your money in an investment that you do not fully understand and feel comfortable with. **Remember if it sounds too good to be true it probably is!**



Mutual Fund Dealers Association of Canada  
Association canadienne des courtiers de fonds mutuels

### GUARANTEED AND RISK FREE INVESTMENTS

**There is no such thing as a low-risk high-return investment.**

This is because risk and return are directly related – the higher the return the higher the risk – this is always the case when it comes to investing. Deposit instruments such as a GIC from a chartered bank are low risk investments and typically provide for returns that range from less than 1% to just over 2% per year depending on the term of the investment. If you are offered an investment with a significantly higher rate of return and are told that it is risk free or guaranteed, you should consider this a serious red flag.

## HIGH PRESSURE SALES TACTICS

**Do not invest money if you feel that you are being pressured to invest.** Fraudsters often use high-pressure sales tactics in order to coerce individuals into investing in their fraudulent products. One technique used to pressure individuals involves limiting the time that an investment is available for purchase. This creates pressure on a person to purchase and limits their ability to think things through and make a considered decision. A time-limited investment should be considered a red flag, especially if the time limit is very short. For example, being told that an opportunity to invest is only available for a few hours it is highly likely to be fraudulent.

## SOLICITATIONS BY PHONE AND EMAIL

**Receiving a telephone call or email from a person attempting to sell you an investment that you do not know is a red flag.** When making an investment you should only deal with an advisor that you are familiar with, or a representative from a dealer where you already have an account or business relationship. Always check the registration of an individual before you open an account and invest. You can check whether a person is properly registered to trade in securities such as mutual funds, stocks, and bonds at [www.aretheyregistered.ca](http://www.aretheyregistered.ca). A person whose name does not appear in the search cannot trade or advise on securities, and you should not deal with such a person for these purposes.



## Securities Sold Outside the Dealer

### A REGISTERED ADVISOR CAN ONLY SELL SECURITIES TO THE PUBLIC THROUGH THEIR REGISTERED DEALER

**All securities related business must be conducted by an advisor through their dealer.** Do not invest your money if you believe that an advisor is offering you securities outside of the dealer. Some signs that you are being offered securities outside the dealer are:



Being presented with documentation that you feel is unusual or does not appear professional.



Being asked to write a cheque payable to a person or unknown company.



Being told that an offer is a "special deal" or "side deal" or similar statements that indicate that an investment is "special" and "secret".



The advisor promotes the investment as something that "those in the know" (e.g. the wealthy, Bay Street bankers, etc.) invest in or typically have access to.

If you believe that you are being offered a security outside the dealer, or if you are generally unsure about the investment, do not invest and contact your advisor's dealer to inquire whether the particular security is approved for sale by the dealer.



## Cases – Securities Outside the Dealer

### CHARANJIT AUL

Charanjit Aul (“Aul”) engaged in securities-related business outside of the dealer by facilitating the sale of an investment called the Notary Investment to at least three individuals, who invested a total amount of \$505,000. Aul facilitated the sale of the Notary Investment by engaging in conduct that included providing investors with information about Notary Investment, such as the fact that Aul had personally invested in the Notary Investment, and was receiving 10% per year, and by introducing investors to the individual behind the Notary Investment. While the three individuals who invested did initially receive some returns, the Notary Investment ultimately turned out to be a Ponzi scheme. The three individuals to whom Aul facilitated the sale of the Notary Investment lost significant portions of their investments.

Aul has been permanently prohibited from conducting securities related business and fined by the MFDA.



### PATRICK PASQUALE CAICCO

Patrick Pasquale Caicco (“Caicco”) engaged in securities-related business outside the dealer by recommending, selling, facilitating the sale or making referrals of approximately \$3.35 million of investment products to at least 33 individuals. These investment products included two real estate developments in the Assaly Group of Companies called Natures Walk and Villa Montague in which 22 individuals invested a total amount of \$2,009,000 through Caicco. While individual investors did initially receive some payments on their investments, these payments stopped after two years. A Court appointed inspector in the legal proceedings in respect of Nature’s Walk and Villa Montague projects determined that both projects “are hopelessly insolvent and in stages of abandonment”. It is unlikely that the 22 investors will recover the full amount of their investments.

Caicco has been permanently prohibited from conducting securities related business and fined by the MFDA.



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