

AFFINITY FRAUD

WHAT IS AFFINITY FRAUD?

- Affinity fraud refers to an investment scam that preys upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups.
- This scam relies on the trust and friendship in groups of people who have something in common.

Examples:

- A leader in the Deaf Community scams other local deaf people.
- A union member recruiting his union friends into a fake investment.

SOME TARGETS OF AFFINITY FRAUD

- Elderly/Senior Groups
- Church Members
- Union Members
- Military Groups
- Ethnic Groups
- Professional Groups
- Athletic Groups



To file a complaint, call 587-2267/Toll Free 1-877-447-2267.
"Protecting Hawaii Investors"

Hawaii Department of Commerce & Consumer Affairs
Office of the Securities Commissioner



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THE APPROACH OF AFFINITY FRAUD

- It is human nature to trust people who are like you.
- Con artists are increasingly targeting religious, ethnic, cultural, military and professional groups to gain trust and then steal the savings of members of the group.
- Con artists prey on their group ties or recruit a respected member of a community or religious congregation to promote their schemes by convincing them that a fraudulent investment is legitimate.
- The con artists use their relationships to get their “friends” to buy into fake investments, often Ponzi schemes.
- A Ponzi scheme is where claims of underlying investments are bogus; very few, if any, actual physical assets or financial investments exist.

THE RESULT OF AFFINITY FRAUD

- In many cases, the recruiting member or even the leader of the group becomes a victim of what turns out to be a Ponzi scheme or some other fraud.

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WAYS TO AVOID AFFINITY FRAUD

- Never make an investment solely based on the reputation or “friendship” of a member of a group to which you belong.
- Beware of investment opportunities that sound too good to be true.
- Do not let a “friendship” stop you from getting the offer in writing and asking hard questions.
- Be suspicious if you are told NOT to share details of the investment with people outside of the group or to keep the investment opportunity confidential.
- Understand exactly how the investment works.
- Don’t be pressured or rushed into buying.
- Use common sense – just because someone you know made money or claims to have made money doesn’t mean you will make money too.

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REPORT AFFINITY FRAUD

Report Affinity Fraud even if the scam artist is your “friend”. It could help save you, your family and your community lots of money and heartache.

- Gather as much information as you can when reporting including:
 - Promoter’s name and address
 - Investment documents
 - Some examples include – all contracts, agreements, documents that are signed, evidence of payments and/or returns, statements, etc.
 - Investment promotional materials
 - Any written material used in solicitation.



WHERE TO REPORT

Call the DCCA Securities Branches:

1. Enforcement Call 587-2267
To report securities fraud (Toll Free) 1-877-587-447-2267
2. Compliance Call 586-2722
To check on your broker/adviser registration.
3. Investor Education Call 587-7400
To request educational information and schedule presentations.

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