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Public Alert: Ponzi Schemes

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FSCO continues to receive complaints from consumers who have lost money in ponzi schemes.

A ponzi scheme is an investment fraud that pays high returns to early investors from funds contributed by newer investors. Fraudsters involved in these schemes use investment funds for personal and lifestyle expenses instead of engaging in legitimate investment activity.

With little or no legitimate earnings, ponzi schemes require an ongoing in-flow of money from new investors to continue to make payments to earlier investors. Such schemes tend to collapse when it becomes difficult to recruit new investors or when a large number of investors ask to cash out.

FSCO would also like to remind those considering investing in mortgage products to check if the mortgage brokerage, administrator, broker or agent they are dealing with is [licensed](#).

Consumers should further be aware that all mortgage brokerages, brokers and agents in Ontario are required to disclose the material risks of any mortgage investment to investors in writing and in plain language. Investors should ensure they receive this disclosure and should carefully review it before making an investment or lending decision. More information on what must be disclosed to mortgage consumers and investors is available on [our website](#).

Warning Signs

Many ponzi schemes share common characteristics. Before pursuing any investment, look for these warning signs:

- **Unlicensed sellers.** Ontario laws require many financial services professionals and firms, including those that conduct investment, insurance and mortgage business, to be licensed or registered. Most Ponzi schemes involve unlicensed individuals or unregistered firms.
- **Unregistered investments.** Ponzi schemes typically involve investments that have not been registered with any regulator. Registration is important because it provides investors with access to key information about the company's management, products, services and finances.
- **High investment returns with little or no risk.** Every investment carries some risk. Investments yielding higher returns typically involve more risk. Be highly suspicious of any unusually high rates of return or "guaranteed" investment opportunity.
- **Overly consistent returns.** Investments tend to go up and down over time, especially those seeking high returns. Be suspect of an investment in a fund that continues to generate regular, positive returns regardless of overall market conditions.
- **Issues with paperwork.** You have the right to get information about your investment in writing. Signs that funds are not being invested as promised include: an absence of or refusal to provide disclosure information, account statements that do not add up and statements that are not on company letterhead.
- **Difficulty receiving payments.** Be very wary if you don't receive a payment or have difficulty cashing out your investment. Ponzi scheme promoters sometimes encourage

participants to “roll over” promised payments by offering even higher investment returns. Another warning sign is if your representative offers to cover the payment with a personal cheque.

CONTACT

Public inquiries

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ADDITIONAL INFORMATION

[What to Do If You Think You are a Victim of a Scam or Fraud](#)