

## Prime Bank Debt Instrument Frauds

The Saskatchewan Securities Commission is very concerned about the number of Saskatchewan residents that have fallen victim to investment frauds. In the last seven years, Saskatchewan residents have lost in excess of \$8 million to a fraud known as a “prime bank debt instruments”. The International Chamber of Commerce calls this scam "the fraud of the century".

This scam first surfaced in Saskatchewan in 1994. Since then several variations have been promoted by different individuals, based both in Saskatchewan and other provinces or countries.

The basic premise is always the same:

- There is an exclusive market in which the world’s richest families and largest banks trade in debt instruments.
- Unusually high rates of return are promised ranging from 30% to 1000% in one year.
- In all cases the money must be sent offshore, usually to countries such as the Bahamas, Nevis, Belize, Latvia, Switzerland. (The laws in these countries make it difficult for enforcement agencies to obtain banking information.)
- There is frequently a requirement to sign a confidentiality agreement to keep the investment secret except to a few lucky people.
- There are promises that the investment is low risk and that the money never leaves the control of the investor.

Recently aspects of a Ponzi scheme has been added to this scam. A Ponzi scheme uses new investors' money to pay off old investors. In the most recent case the perpetrators are paying referral bonuses and monthly interest payments to current investors if they bring in new investors.

These ploys have the effect of convincing people that the scheme is legitimate and convinces people to invest greater amounts. It is also an incentive to promote this scheme to their friends and relatives with a view to earning these bonuses. The payment of these sums in the short term only enhances the profits of the fraud artist in the long run, and delays the reporting of the scam to officials.

If you are approached to invest in such a scheme seek independent advice from an accountant, lawyer, financial advisor, or banker. Also report it to the Commission.

The Commission has issued following cease trade orders in connection with prime bank debt instruments and other offshore investment schemes. You can see these orders under Enforcement Orders on our Web site at [www.ssc.gov.sk.ca](http://www.ssc.gov.sk.ca).

October 28, 1993	Komax International Inc.
April 7, 1994	Lenzburg Capital Corporation
May 20, 1994	Coronation International Marketing Inc.
February 11, 1997	Myron Benedict Derow
October 14, 1998	David Peter Zerff
July 9, 1998	Harold Gerhart Foundation Inc.
July 9, 1998	Robert Edwin Gough
January 25, 1999	Table Top Billboards
January 25, 1999	Asset Management Associates Inc.
February 8, 1999	Ann H. Hanson
February 8, 1999	David M. Voth
March 10, 1999	Canadian Residents Umbrella Plan
October 19, 1999	International Financial Privacy Association, Limited
May 2, 2000	Cashew de Oro Industrias y Pocesamiento
March 1, 2001	Tri-West Investment Club

April 3, 2001

Contact:

Vic Pankratz  
Deputy Director, Enforcement  
(306) 787-5645