



Republic of Namibia

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AFFINITY FRAUD SCHEMES

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1. BACKGROUND

The Financial Intelligence Centre (FIC) has noted with great concern innocent members of the public increasingly becoming victims of “Affinity Fraud”.

This is a type of fraudulent investment scheme in which a fraudster targets members of a specific identifiable group based on characteristics such as their race, language, age, cultural background, minority status, religion, profession or occupation, place of employment, etc. These scams involve exploitation of the trust and friendship that exist in groups of people who have something in common.

Because of the tight-knit structure of many groups, it can be difficult for regulators or law enforcement officials to detect an affinity fraud. Once victims realize that they have been scammed, they are reluctant to notify authorities. They will try to resolve the problem within the group. Especially, in a case where the fraudsters have used respected community or religious leaders to convince others to join the investment.

2. HOW DOES AFFINITY FRAUD OPERATE?

To be successful, the affinity fraudsters pretend to be members of the group they prey upon. They do this to earn the trust of the members of the targeted group. They exploits the faith, love, trust and friendships that exist in groups of people who have something in common.

In some cases, they often recruit respected leaders from within the group to perpetrate their scheme. They may even pay these leaders to help them carry out their plan. At many times these leader's are not aware that they are promoting an illegitimate scheme. Below are the types of Affinity Fraud:

Investment Scams

Perpetrators offer fraudulent investment opportunities to members of a specific community. These scams may involve stocks, real estate or other types of investments and often promise high returns with minimal risk.

Pyramid and Ponzi Schemes

Pepetrators use funds from new investors to pay returns to earlier investors, creating the illusion of a profitable business. These schemes often target specific communities, using existing relationships to recruit new participants.

Charitable Donation Scams

Scammers exploit the generosity and goodwill of a targeted community by posing as representatives of a charity or cause and soliciting donations. In reality, the funds collected are used for the scammer's personal gain.

Fraudulent Business Opportunities

Pepetrators promote fraudulent business opportunities, such as franchises or distributorships to members of a specific community. These scams often involve exaggerated claims about potential earnings and the viability of the business.

3. WAYS TO AVOID BECOMING A VICTIM OF AFFINITY FRAUD

- ✚ Beware of investment opportunities that are based on or challenge a person's faith or obligation to donate, share or give because of religious beliefs, or interest in advancing a certain philosophy or group;
- ✚ Beware of testimonials or endorsements from other group members. Scam artists frequently pay high returns to early investors using money from later arrivals;
- ✚ Conduct research before you invest. Entities providing investment services should ideally be licensed with NAMFISA or such relevant foreign authority. Never make an investment decision that is based solely on the recommendation of a leader or member of an organization, or religious or ethnic group to which you belong. You should investigate offers thoroughly;
- ✚ Do not fall for investments that promise spectacular profits or "guaranteed" returns which are out of the norms. If an investment seems too good to be true, it probably is. Generally, the greater the potential return the investment offers, the greater the risk of losing money;
- ✚ Be skeptical of any investment that is not fully documented in writing. Avoid an investment if you are told there is insufficient time to reduce the details or terms to writing;
- ✚ Be very suspicious if you are told to keep an investment opportunity to yourself;
- ✚ Do not be pressured or rushed into an investment before you have a chance to think about it and investigate it. Watch out for investments that are pitched as "once-in-a-lifetime" opportunities; and