

NAPLES GLOBAL ADVISORS

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Trust, but Verify

A local venture capital firm, Accanito Capital Group, is accused of running a \$35-million Ponzi scheme that affected 60 investors (NBC2, 2023). The company, operated in the heart of Naples on 5th Avenue, appears to be a textbook example of a Ponzi scheme. Everyone likely recalls Bernie Madoff, mastermind of the largest Ponzi scheme in history, but Accanito’s alleged pilfering of investors literally hits close to home. The poignant lesson in all this is that it is crucial to verify, and background check, any money manager you may trust to oversee your investments. Ronald Reagan famously repeated the Russian Proverb, “trust, but verify.”



nbc-2.com

With any scheme of this ilk, there are indicators of potential fraud, and action steps investors can take to ensure their money does not fall into the wrong hands. The first step when investigating a new money manager is to validate the firm is registered with the Securities Exchange Commission (SEC). This step alone could have prevented the Accanito incident entirely. Accanito Capital Group was unregistered. On the SEC’s website, they urge investors to verify that a company is registered and licensed. Most Ponzi schemes occur through individuals or firms that are unregistered and unlicensed. The SEC provides a free and easy to use site, Investor.gov, with a search feature that identifies a firm’s registration status (SEC, 2020). As seen below, through the contrasts of Naples Global Advisors and Accanito, NGA appears as a registered firm while no match can be found for Accanito. In fact, a dialogue appears underneath Accanito’s search, warning of possible fraud (Investor, 2023).

Investor.gov

Additionally, the Investor.gov website provides a checklist to help identify investment fraud.

Step 1 of this checklist should have set off an alarm for potential clients of Accanito. Investors were promised double digit returns on their investments! More specifically, investors were promised “too good to be true” returns between 18%-48% (Unites States District Court Southern District of Florida, 2023).

Step 2 was also practiced at Accanito: the advisor would “guarantee” returns. Previous clients of Accanito stated he used the word “guarantee” when they were deciding to sign on with the firm (NBC2, 2023). Obviously, investment returns are never guaranteed (Investor, 2023).

Step 3 is important in this case. The principal of Accanito targeted people at the church he frequented and focused on the elderly population there. People trusted him – the “halo effect” – because they knew him through the church, (NBC2, 2023). Though you may trust an individual, it is still vital to make sure everything else checks out. Complete thorough background checks on the firm and the individuals involved (Investor, 2023).

Another security measure prospective investors may use is the BrokerCheck tool found on the Financial Industry Regulatory Authority (FINRA) website (BrokerCheck, 2023). This tool verifies if a person or firm is legally allowed to offer financial services. When using BrokerCheck, no data comes up in relation to “Accanito” or for the individual members of the firm – see the screenshot of the Accanito BrokerCheck search below. This of course would mean that Accanito was illegally providing financial services.

Red Flags of Fraud

What You Can Do To Avoid Investment Fraud

Researchers have found that investment fraudsters hit their targets with an array of persuasion techniques that are tailored to the victim's psychological profile. Protect your investments by watching out for these red flags:

- 1 It sounds too good to be true
- 2 "Guaranteed returns" (they don't exist)
- 3 The "halo" effect, which makes con artists seem likable or trustworthy
- 4 "Everyone is buying it" pitches
- 5 Pressure to send money right now
- 6 Small favors (free lunch or workshop)

[More Fraud Topics >](#)

Investor.gov

Why Use BrokerCheck?



BrokerCheck helps you make informed choices about brokers and brokerage firms- and provides easy access to investment adviser information.



BrokerCheck tells you instantly whether a person or firm is registered, as required by law, to sell securities (stocks, bonds, mutual funds and more), offer investment advice or both.



BrokerCheck gives you a snapshot of a broker's employment history, regulatory actions, and investment-related licensing information, arbitrations and complaints.

Brokercheck.finra.org

BrokerCheck by FINRA

INDIVIDUAL FIRM

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accanito in City, State or ZIP (optional) **SEARCH**

1 Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns. For more information read our [investor alert](#) on imposters.

Refine Results

No Results

Brokercheck.finra.org

The most serious red flag involved the method Accanito used to collect investors' money. Unlike Registered Investment Advisors acting as a fiduciary, Accanito did not use a third-party custodian to house clients' money. Where NGA employs well known and established custodians Fidelity or Schwab, the owner had clients send money to a bank account under the name "Surge" or "Accanito Capital Group." Investors were unaware the owner had complete control over the bank accounts, and he could withdraw money at his own discretion without impediment (United States District Court Southern District of Florida, 2023). The absence of a third-party custodian removed a crucial layer of protection for the investors' money. The lack of transparency and structure afforded by a custodian allowed the owner of Accanito to carry on this farce for multiple years until, in November 2022, his funds ran out and the clients' monthly payments halted. Suspicions were aroused, and it appears Accanito is nothing more than a Ponzi scheme (United States District Court Southern District of Florida, 2023).

All this illustrates that background checks and old-fashioned due diligence are truly important. Further investigation into Accanito would have uncovered historical fraudulent activity connected with the firm's principal. With some added due diligence, investors would have learned that he served time in jail for prior crimes related to fraud. None of those affected were aware of this fact, and one even stated that he "would've never invested a penny with the guy" if he had known that (NBC2, 2023).

The thought of falling prey to a Ponzi scheme is unsettling but normally preventable with proper due diligence and caution. In this instance, peoples' trust made them blind to the clear indicators of misconduct. When looking to hire a money manager, it is crucial to know the signs of fraud and to proactively conduct a proper background check. Remember, "trust, but verify!"

References

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