SCAMS & SWINDLES

NFA

No matter how an investment opportunity is presented, it is important to be cautious. Although many investment pitches may be legitimate offers, others are designed with the sole purpose of separating investors from their money.

BEWARE OF SCAMMERS AND FRAUDSTERS

Swindlers target individuals in varied financial situations. Swindlers seek out both wealthy investors and individuals facing financial difficulties, recognizing that investment proposals offering fast and large profits are enticing to most people.

Swindlers are skilled liars. They have the ability to sound like they represent legitimate businesses, so investors should never assume they'll recognize a scam when they hear or see one.

How can scammers reach their victims?

- **Phone calls and emails;**
- **Online ads and social media;**
- **Newspapers and magazines;**
- **Friends and acquaintances; or**
- **Television commercials.**

Scammers can easily falsify testimonials in an attempt to convey legitimacy.

It is common for swindlers to create fake websites and email addresses. More recently, they have even impersonated government and regulatory agencies.

COMMON CHARACTERISTICS OF INVESTMENT SCAMS

Swindlers know what to say to keep their targets interested. The oldest advice is still the best: if it sounds too good to be true, it probably is.

"It's a risk-free investment."

All investments have a degree of risk. If investments were completely risk-free with big profits assured, swindlers would likely not share that information.

"You'll never get rich without taking a chance."

Swindlers also make requests that decisions be made or money be transferred quickly—wire transfers, cash, picking up the money directly—in an attempt to receive funds before an investor catches on to the nature of the situation. Once a swindler has received money or financial information, unauthorized transactions will likely begin to appear.

"Trust me."

Swindlers can be very friendly when attempting to establish a network of victims. Unfortunately, those friendships soon end after they've received financial information or payments. Investors should be very cautious if they're urged to make an investment based on mutual trust.


Never make
an investment
you don’t fully
understand.

COMMON TYPES OF INVESTMENT FRAUD

Investment fraud can be presented in several different forms. For this reason, it is important to know the various approaches swindlers use to target victims.

Ponzi or pyramid schemes: Ponzi or pyramid schemes are some of the most frequently used fraudulent investment schemes. Initially, a swindler will approach a small group and convince them to participate in an investment opportunity. The swindler will then widen their network and use the additional funds to pay large profits to the original group. After seeing large profits, the network will continue to grow and the swindler will continue to collect more money. Then, the swindler will abruptly disappear, along with the investors' money.

Affinity fraud: Swindlers often target groups with common interests because people tend to trust others with similar interests as theirs. Even if an investment offer comes from someone who belongs to a known group, association, or religious or ethnic background, use sound judgment to evaluate the offer.

Pump-and-dump schemes: Pump-and-dump schemes are attempts to inflate prices through recommendations based on false or exaggerated statements. Customers should avoid pump-and-dump schemes that can occur in thinly traded products. Swindlers use false news reports, social media and chat rooms to manipulate customers through pump-and-dump schemes. Market manipulation is against the law and many participants end up losing money.

View the CFTC's Customer Advisory: Beware Virtual Currency Pump-and-Dump Schemes at www.cftc.gov.

NFA issues a quarterly Investor Newsletter in an effort to keep investors up-to-date on investor advisories, upcoming educational initiatives and helpful resources.

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Beware of firms or individuals not subject to regulatory oversight.

THE IMPORTANCE OF DUE DILIGENCE

Investor protection begins with investor education. It is important for investors to perform due diligence prior to making any investment decision. Investors should understand a potential investment's opportunities and risks and research the firm and individual doing the soliciting.

Questions to ask before opening an account:

- Is the firm and/or individual registered?
- How long has the firm and/or individual been in business?
- Where will funds be held?
- How does this investment work?
- What are the risks of the investment?
- What type of regular reports will be provided?
- What are the costs to buy, hold and sell the investment?
- How can the investment be liquidated?

Legitimate firms will have no objection to providing additional information on their product, service or investment.

ABOUT NFA

NFA is the industrywide, self-regulatory organization for the U.S. derivatives industry. Designated by the CFTC as a registered futures association, NFA strives every day to safeguard the integrity of the derivatives markets, protect investors and ensure Members meet their regulatory responsibilities.

Resources

BASIC is an online tool that provides important background information on firms and professionals in the derivatives industry.

Visit BASIC: www.nfa.futures.org/basicnet

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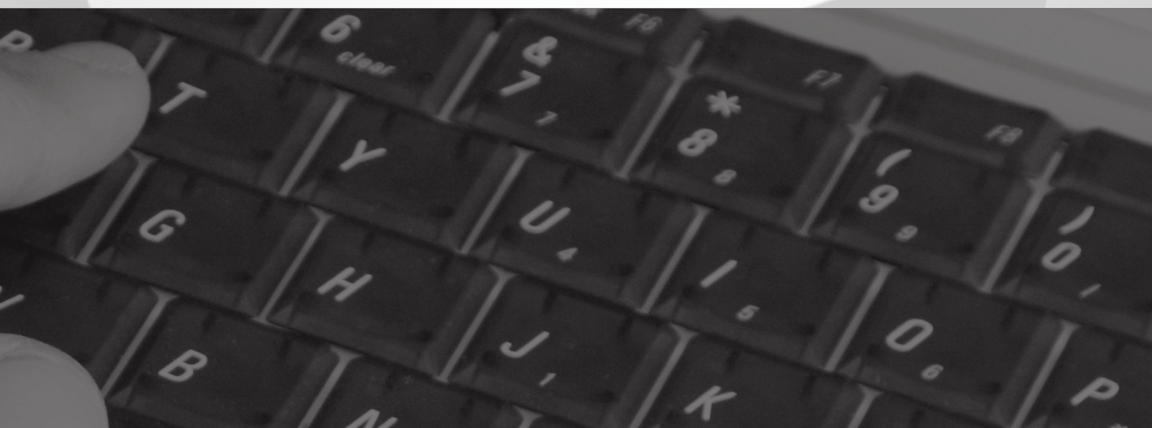

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