

Securities Fraud Awareness & Prevention Tips

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Securities Fraud—A Basic Overview

The nation's economy is increasingly dependent on the success and integrity of the securities and commodities markets. As a result, the FBI diligently investigates criminal activity in the markets and against investors whenever it arises.

Definition

The term Securities Fraud covers a wide range of illegal activities, all of which involve the deception of investors or the manipulation of financial markets.

- High Yield Investment Fraud
- Ponzi Schemes
- Pyramid Schemes
- Advanced Fee Schemes
- Foreign Currency Fraud
- Broker Embezzlement
- Hedge Fund Related Fraud
- Late Day Trading

Common Scams—Be on the Lookout for Fraud

High Yield Investment Frauds

- Characterized by promises of high rates of return with little or no risk.
- May involve various forms of investments (e.g. securities, commodities, real estate, precious metals, etc.)
- "Too good to be true" investment opportunities.
- Perpetrators may contact victims by telephone, e-mail, or in person.
- The offers are generally unsolicited.

Ponzi & Pyramid Schemes

- Use money collected from new victims to pay the high rates of return promised to earlier investors.
- Payouts give the impression of a legitimate, money-making enterprise behind the fraudster's story.
- In reality, investors are the only source of funding.

Advance Fee Schemes

- Victims advance relatively small sums of money in the hope of realizing much larger gains.
- Gains never materialize because there is no legitimate underlying investment.
- To participate a particular investment opportunity, victims must first send funds to cover "taxes" or "processing fees."
- After victims send the "fees," the perpetrators appropriate the funds and never deliver on the investment.

Protect Yourself—How You Can Avoid Becoming a Victim

Identify the warning signs

- Does the offer sound too good to be true?
- Is the seller using high pressure sales tactics?
- Was the investment offer unsolicited?
- Did the seller ask for information that is usually considered personal (e.g. social security number, credit card information, etc.) over the phone or Internet?
- If you answer "yes" to any of the above questions when considering an investment opportunity, you may be the target of a scam artist.

Take action to avoid fraud

- Don't believe everything you are told by the seller. Take the time to do your own research on the investment's potential.
- Don't assume the solicitor is who he or she claims to be.
- Check with federal and state securities regulators to find out if there have been any complaints against the company.
- Ask the promoter whether—and how much—he or she has been paid to tout the opportunity.
- Ask where the company is incorporated and then call that state to ensure that the company has a current annual report on file.
- Request written financial information, such as a prospectus, annual report, offering circular, or financial statements, then compare the written information to what you were told.
- Get offers in writing and save a copy for your records.
- Check with a trusted financial advisor, your broker, or an attorney about any investments you are considering.

Report scams when they occur

- Don't be embarrassed.
- File a complaint with the Securities and Exchange Commission, state securities regulator, or a law enforcement agency.
- Report the crime promptly—you'll have a better chance of getting your money back if you do.

Most Wanted

- Ten Most Wanted
- Fugitives
- Terrorism
- Kidnappings / Missing Persons
- Seeking Information
- Bank Robbers
- ECAP
- ViCAP

FBI Jobs

- Submit a Tip
- Crime Statistics
- History
- FOIPA
- Scams & Safety
- FBI Kids

News

- Stories
- Videos
- Press Releases
- Speeches
- Testimony
- Podcasts and Radio
- Photos
- Español
- Apps

How We Can Help You

- Law Enforcement
- Victims
- Parents and Caregivers
- Students
- Businesses
- Safety Resources
- Need an FBI Service or More Information?

What We Investigate

- Terrorism
- Counterintelligence
- Cyber Crime
- Public Corruption
- Civil Rights
- Organized Crime
- White-Collar Crime
- Violent Crime
- WMD

About

- Mission & Priorities
- Leadership & Structure
- Partnerships
- Community Outreach
- FAQs

Contact Us

- Field Offices
- FBI Headquarters
- Visit the FBI Experience
- Overseas Offices

Additional Resources

- Accessibility
- eRulemaking
- Freedom of Information / Privacy Act
- Legal Notices
- Legal Policies & Disclaimers
- Privacy Policy
- USA.gov
- White House
- No FEAR Act
- Equal Opportunity

