



Averting Financial Frauds and Scams

May 7, 2024

**Alabama Council on Economic
Education**

Rob Mascio

FINRA Investor Education Foundation

Who is FINRA



FINRA

- Not-for-profit regulator authorized by Congress
- Mission: investor protection and market integrity



FINRA Foundation

- Research and outreach
- Financial capability for all Americans
- Cultivates unique partnerships inside and outside FINRA

>2.5 Million
reports of fraud

Losses top
\$10 Billion

Scams in 2023

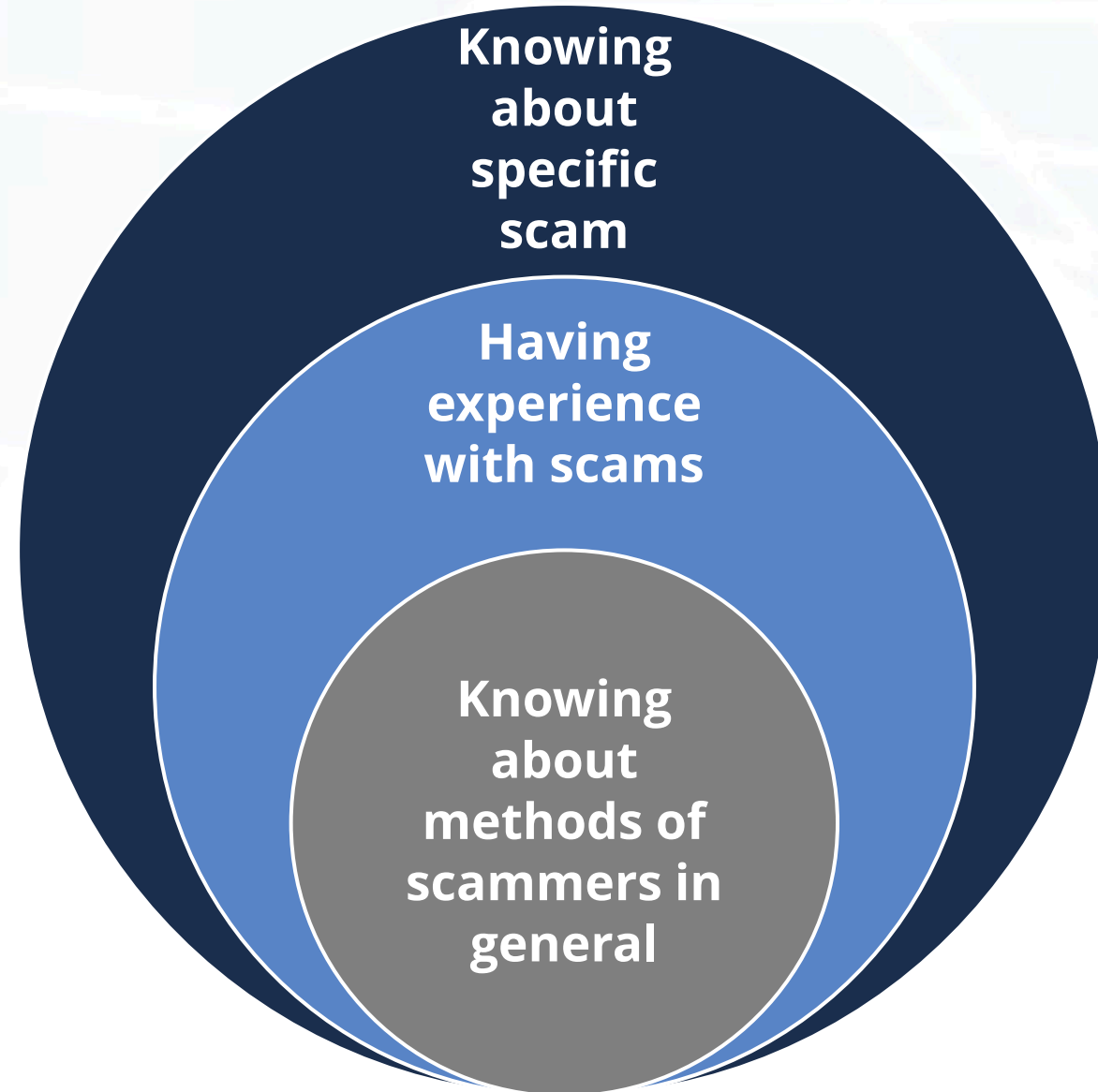
Top Reported Scam:
**Imposter
Scams**

\$4.6 Billion
lost to investment
related scams

>1 Million
identity theft
reports

Build Your Scam Defenses

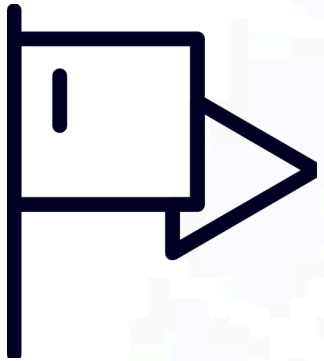
**Prior knowledge
reduces
engagement with
scammers.**





Spotting and Avoiding Fraud

Common Signs of Investment Fraud



- ✓ Unverifiable Claims
- ✓ Guarantees of High Returns
- ✓ Little or No Risk
- ✓ Limited Opportunity
- ✓ Unregistered Salesperson / Firm

SEC Charges Four in Fraudulent “Free Dinner” Scheme

FOR IMMEDIATE RELEASE
2016-63

solicited at “free dinner” investment seminars in Florida.

April 28, 2016 — The Securities and Exchange Commission today announced charges against four individuals in a fraud whose victims included seniors who were solicited at investment seminars in Florida.

The SEC alleges that Philadelphia residents Joseph Andrew Paul and John D. Ellis, Jr. lied about the track record of their investment advisory firm and recruited James S. Quay of Atlanta and Donald H. Ellison of Palm Bay, Florida, to lure potential victims with promises of returns.

promises of lofty returns

created fraudulent marketing materials...performance numbers that were “cut and pasted” from another firm’s website

Paul and Ellis created fraudulent marketing materials and performance numbers that were “cut and pasted” from another firm’s website. They used these materials to mislead potential victims through an e-mailing offer of a free dinner at a Tampa restaurant.

As we allege in our complaint, a large portion of the money was never invested but instead was split among these self-described investment experts whose only real expertise was stealing other people’s money,” said the SEC.

According to the SEC’s complaint, Quay used his previous conviction for securities fraud in a 2012 SEC enforcement action.

conceal his true identity from potential victims....previously convicted of tax fraud ...and found liable for securities fraud in a 2012 SEC enforcement action.

not registered as an investment professional during the relevant period of fraudulent conduct...also was not registered for the majority of that period.

Quay was not registered as an investment professional during the relevant period of fraudulent conduct and was not registered for the majority of that period. Investors should be aware of the disciplinary history of investment professionals listed on the SEC’s Investor.gov website.

The SEC’s investigation was conducted by Lisa M. Candra and Brendan P. McGlynn and supervised by G. Jeffrey Boujoukos. David L. Axelrod and Mark R. Sylvester will lead the SEC’s litigation. The examination that led to the investigation was conducted by Michael K. Nally, William M. Lavin, and John Cajulis, under the supervision of Steven R. Dittert.



The Con's Playbook

Get them "Under the Ether"

Source: AAU Washington, Shadel



Phantom Riches



**Assess the pitch.
Is the salesperson dangling incredible
returns or guarantees?**



Source Credibility



**Credibility can be faked.
Can the claims be independently verified?**



Social Concensus



**Does the pitch focus
on how many others are interested?**

Reciprocity



Was the pitch preceded by a free meal, book, or video? Do you feel obliged to return a favor?

Scarcity



**Does the pitch claim limited supply?
Is the promoter urging immediate action?**

Tactics in Action

You're Invited...
COMPLIMENTARY GOURMET DINNER

You and a guest are cordially invited to join us for our **Complimentary** Gourmet Dinner & educational presentation on "Getting The Most Out of Your Retirement Plans"

Come hear facts, not theory. Nothing will be sold at this educational event. NO cost or obligation.
It will be fun and time well spent.

FREE ADMISSION, INFORMATION, DINNER AND FUN!

This is designed to chart your course for retirement and learn what steps you can take to "Get The Most Out of Your Retirement Plans"

Some of the topics discussed will include:

- ▶ How To **Eliminate Risk** In Today's Market Conditions
- ▶ How To **Avoid Common Mistakes** In Planning Your Retirement
- ▶ How Our **Clients Never Lose A Dime** During Market Declines
- ▶ Safe Money Strategies **Only 1%** Of People Know About
- ▶ Safe places to put your **IRA's, 401k's, CD's & Brokerage Accounts**

Please RSVP to 1 (800) [REDACTED]
Spouses urged to attend! Call now, seating is limited!

No Agents/Brokers/Advisors Allowed.
No one under the age of 40.

Reciprocity

Social Consensus

Scarcity

WHY NOT?

Phantom Riches



Today's Investment Scams

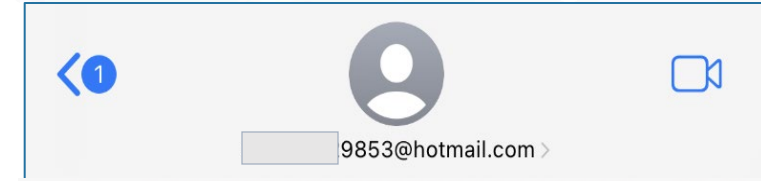
Imposter Scams



Imposter Scams were the top reported scam in 2023

Impersonations come in various forms

- ✓ Government impersonations
- ✓ Company impersonation
- ✓ Financial professional impersonation
- ✓ Celebrity impersonation
- ✓ Product impersonation




iMessage
Today 1:24 PM

Hi, I'm Marko [redacted] former Morgan Stanley U.S. equity strategist and investment officer in institutional securities and Wealth Management. I now have a Marko Equity strategy group where you can come in and talk and it's up over 300%. If you are interested you can contact my assistant WhatsApp: <https://wa.me/15302911170>.


The sender is not in your contact list.

[Report Junk](#)

Social Media Investment Club Scams


 **Jim Cramer**
Sponsored · 



✓ Check this out, folks –NVIDIA has take... See more



STOP TRADING: NVIDIA

WHATSAPP
Invest Smart with NVIDIA 👉 3
Best Artificial Intelligence Stocks...  WhatsApp

  2

 Like  Comment  Share

 **Cathie Wood**
Sponsored
Library ID: 398 

 "Stocks Ignited" — Cathie Wood Personally Unveils Investment Secrets!

 Want to truly master the essence of stock investing? Welcome to Cathie Wood's Exclusive Investment Community!

 Here, you're not just an investor; you're a future wealth creator. Let's venture into the mysteries of the stock world together.

 Our Commitment:...



**FORGET TESLA & NVIDIA
THESE 3 DIRT-CHEAP STOCKS
WILL 10X IN 2024**

FB.ME
 "Under Cathie Wood's Guidance, Unleash Your Stock Potential and Seize Tomorrow's... 

Scripted Attack

The image displays two screenshots of Telegram chat messages, illustrating a "Scripted Attack" on investors. Red arrows point from the left group to the right group, highlighting specific instructions. A black box highlights a paragraph in the left group.

Left Screenshot: Gold membership group (32 members)

- Operation Christmas Madness
- Stock code: Y (M... Logistics Holdings Ltd)
- Purchase price: purchase at market price
- Purchase Amount Requirements: Buy All in cash
- Target price: US\$14.8 (more than three times the profit margin)
- No stop loss is set for the time being, this is a bottom-starting stock, and I will determine our final selling price based on its trend today. Be patient first.
- Holding period: within one week
- Requirement: After completing the order, please send your transaction record to the assistant Sherry, I need to know your cost price and purchase situation.
- Don't sell it blindly or you will miss out on big profits. Just be patient with it.
- Family, you are the best. Our group is very united. The stock pulled it up on

Right Screenshot: Internship ~ internal promotio... (44 members, 2 online)

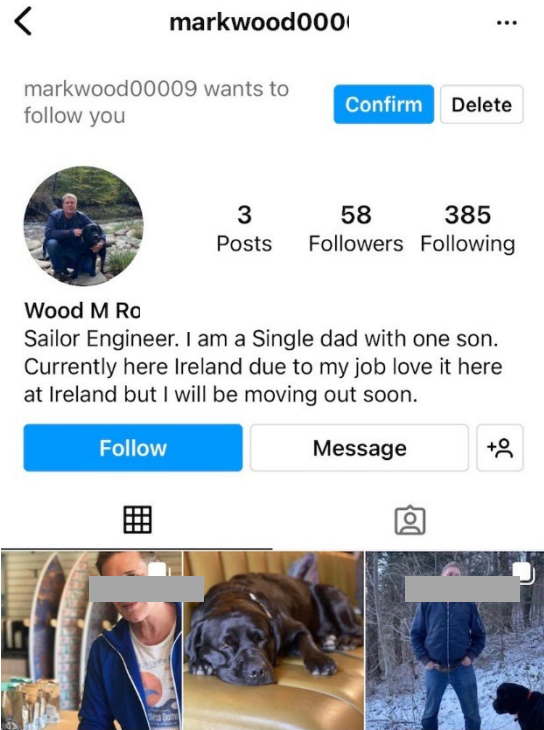
- Pinned Message #9: Attention everyone!! You can start to prepare for...
- The first transaction plan on May 1, 2023:
- Transaction code: B...
- Purchase price: purchase according to the market price (market order is executed immediately),
- Purchase Funding: 100%, using all cash in the account
- Target price: \$21.5, Short-term target profit: 70%
- There is no need to set a stop loss for now. This is a trend stock, relatively stable, but not lacking in explosive power. I will adjust our target price according to today's trend.
- Holding period: within a week
- Requirement: After the transaction is completed, send me a screenshot for verification. I will count everyone's purchases. I think we need a high degree of unity in order to attract more market funds into this stock.
- Squeeze the "chart" and the stock

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Charting the Dump



Romance Meets Crypto

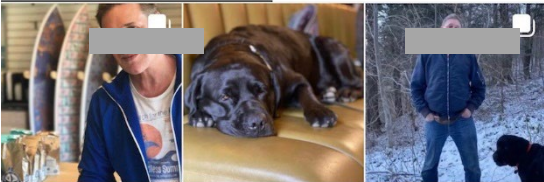


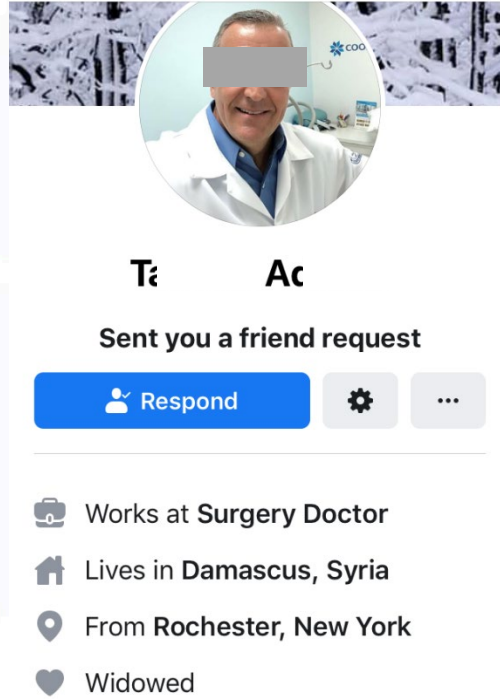
markwood0009 wants to follow you [Confirm](#) [Delete](#)


 **3** Posts **58** Followers **385** Following

Wood M Ro
Sailor Engineer. I am a Single dad with one son. Currently here Ireland due to my job love it here at Ireland but I will be moving out soon.

[Follow](#) [Message](#) [+](#)










Ta **Ac**


Sent you a friend request

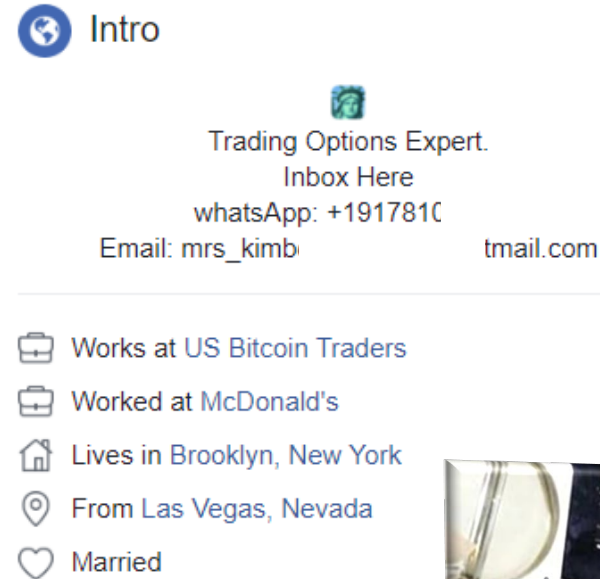
[Respond](#) [Settings](#) [More](#)


 Works at **Surgery Doctor**


 Lives in **Damascus, Syria**


 From **Rochester, New York**


 **Widowed**





 **Intro**


 **Trading Options Expert.**
Inbox Here
whatsApp: +1917810
Email: mrs_kimb [tmail.com](#)

 Works at **US Bitcoin Traders**

 Worked at **McDonald's**

 Lives in **Brooklyn, New York**

 From **Las Vegas, Nevada**

 **Married**





 **bitcoin** [Add Friend](#)

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New Friend?

Crypto Trading

Wallet Transfer

Protection Steps



Before You Invest, Ask and Check

Ask questions about...

- *Professionals*
- *Products*

Services and fees?

Licenses and registration?

What are the risks?

Conflicts of interest?

How liquid is it?

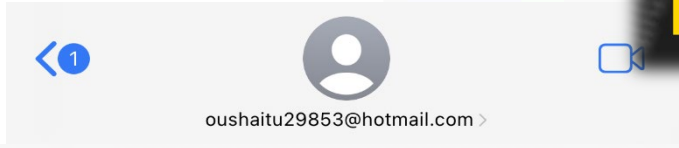
How does it make money?

What could go wrong?
Recourse options?

Independently verify information
(where possible)

Know Your Sources

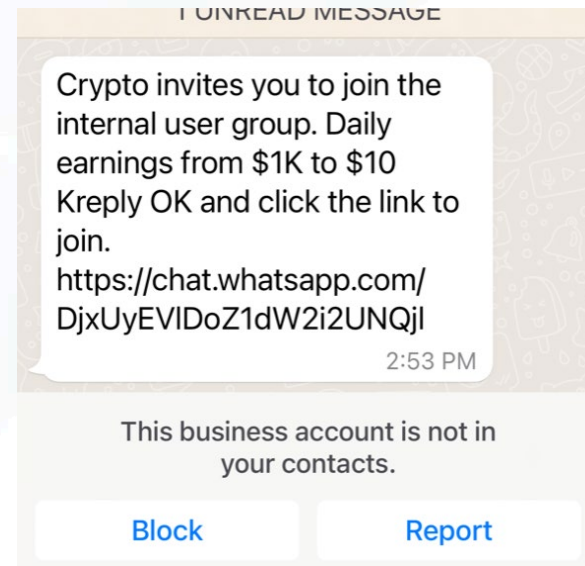
THE RISE OF THE "FINFLUENCER"



iMessage
Today 1:24 PM

Hi, I'm Marko, former Morgan Stanley U.S. equity strategist and investment officer in institutional securities and Wealth Management. I now have a Marko Equity strategy group where you can come in and talk and it's up over 300%. If you are interested you can contact my assistant WhatsApp: <https://wa.me/15302911170>.

The sender is not in your contact list.
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Source? Unsolicited? Low Risk / High Reward?

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John Q Broker

at

Firm Name or CRD# (optional)

in

City, State or Zip (optional)

SEARCH

Show Filters 

We found 119 results



1 of 10 pages



 List View [Sort By Relevance](#) 


John Q. Broker
CRD# 123456789

Firm Name, Address & CRD

 Broker *Regulated by FINRA*

 Investment Adviser


 Disclosures 


 Years of Experience 49

MORE DETAILS >


Jane Q. Broker
CRD#: QQQQQQ

Currently Not Registered

 Previously Registered Broker

 Previously Registered Investment Adviser


 No Disclosures 

 Years of Experience 34


MORE DETAILS >

Joseph Q. Broker
CRD#: JQ1234

 BARRED

 Previously Registered Broker

 Disclosures 

 Years of Experience 14

MORE DETAILS >

John F. X. Broker
CRD# XXXXXXX

Firm Name, Address & CRD

 Broker *Regulated by FINRA*

 No Disclosures 

 Years of Experience 41

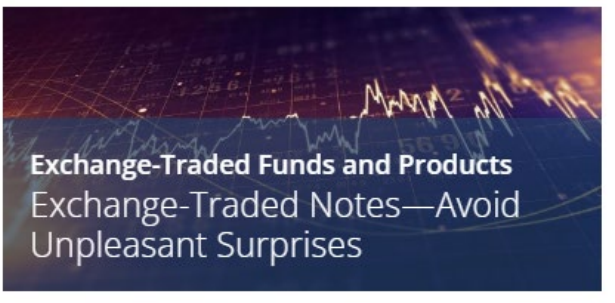
MORE DETAILS >



Keep a Watchful Eye



INVESTOR INSIGHTS



Exchange-Traded Funds and Products
Exchange-Traded Notes—Avoid
Unpleasant Surprises



Avoid Fraud
'Pig Butchering' Scams: What They
Are and How to Avoid Them



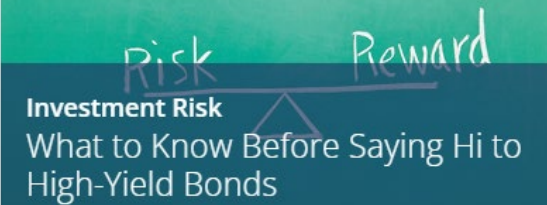
Brokers
What to Ask When Your Registered
Financial Professional Changes
Firms



Stocks
What a Corporate Bankruptcy
Means for Shareholders



Futures and Commodities
Physical Precious Metals



Investment Risk
What to Know Before Saying Hi to
High-Yield Bonds

“Don’t” Before You “Do”

DON'T

- ✗ Take action in the moment
- ✗ Engage with unsolicited outreach
- ✗ Click unexpected links (even if “from a friend”)
- ✗ Transfer assets w/o research
- ✗ Purchase gift cards or use crypto ATMs to pay for an investment or service/fee

DO

- ✓ Slow down & tell someone else
- ✓ Ask: If you didn’t solicit it, why did it solicit you?
- ✓ Be your own devil’s advocate
- ✓ **VERIFY, VERIFY**
- ✓ Ignore unsolicited calls, emails, texts & “friend” requests
- ✓ Report suspicions!

Report Concerns & Suspicious



SEC

www.sec.gov

FINRA

www.finra.org

Alabama Securities Commission

www.asc.alabama.gov

Federal Trade Commission

www.reportfraud.ftc.gov

Internet Crime Complaint Ctr (FBI)

www.ic3.gov

BBB Scam Tracker

www.bbb.org/scamtracker



www.finra.org/investors