



Investing Online

Investment opportunities that claim to be low risk and high reward almost always are frauds. When researching investments, turn to unbiased sources, like:

- the **U.S. Securities and Exchange Commission**
- your **state securities regulator**
- securities industry **self-regulatory organizations** like the Financial Industry Regulatory Authority (FINRA), Amex, and Nasdaq

It's important to have updated security software and practice basic computer security on any computer you use to access financial accounts.

Avoid Investment Scams Online

Independently verify claims.

Never ever invest based solely on what you read in an online newsletter, bulletin board posting, or blog — especially if the investment involves a small company that isn't well-known. It's easy for a company or its promoters to make grandiose claims about new product developments, lucrative contracts, or the company's financial health. Before you invest, you must independently verify those claims. Use unbiased sources, such as the **U.S. Securities and Exchange Commission (SEC)**, your **state securities regulator**, and securities industry **self-regulatory organizations** (including FINRA, Amex, and Nasdaq).

Do your homework.

Many investment frauds, including online scams, involve unregistered securities — so always investigate before you invest. Offers to sell securities must be registered with the SEC or be eligible for an exemption, otherwise the offering is illegal. To see whether an investment is registered, check the SEC's **EDGAR database** and call your **state securities regulator** for more information about the company and the people promoting it.

Be skeptical of references.

Fraudsters falsely assure you that an investment is properly registered with the appropriate agency and then give you a phone number so you can verify that "fact." Sometimes they give you the name of a real agency, and sometimes make one up. But even if the agency does exist, the contact information they provide invariably is false. Instead of speaking with a government official, you'll reach the fraudsters or their colleagues, who will give high marks to the company, the promoter, or the transaction.

Thoroughly Check Out Promoters and Company Officials.

Many fraudsters are repeat offenders. When the SEC sues a person or an organization, the agency issues a "litigation release." For litigation releases going back to 1995, simply **run a search** for the promoter, his or her company or newsletter, the company being touted, and its officers and directors. You also can check out the person or entity promoting the opportunity by using FINRA's free **BrokerCheck** service or by calling your **state securities regulator**.



Find Out Where the Stock Trades.

Many small companies cannot meet the listing requirements of a national exchange. The securities of these companies trade instead in the "over-the-counter" (OTC) market and are quoted on OTC systems, like the OTC Bulletin Board or the Pink Sheets. Stocks that trade in the OTC market generally are among the most risky and most susceptible to manipulation.

Look out for high-pressure pitches.

Beware of promoters who pressure you to buy before you have a chance to think about and fully investigate an investment opportunity. Don't fall for the line that you'll lose out on a "once-in-a-lifetime" chance to make big money if you don't act quickly.

Consider the source and be skeptical.

Whenever someone offers you a hot stock tip, ask yourself a couple of questions: Why is this person giving me this tip? How might he or she benefit if I trade? The person touting the stock may well be an insider of the company or a paid promoter who stands to profit if you trade.

How to Report Online Investment Fraud

If you have problems with your online investment account — or if you suspect an investment scam:

File a complaint with the SEC using the agency's **Online Complaint Center**. Include as many details as possible: a summary of the problem and the names, addresses, telephone or fax numbers, and email addresses or websites of any person or firm involved.

For more information on investing wisely and avoiding costly mistakes, visit the SEC's **investor website**.

If you believe your personal information has been misused:

- file a report with the police
- file a complaint with the Federal Trade Commission at **www.ftc.gov/complaint**
- visit the FTC's **[identity theft website](#)** for steps you can take to minimize your risk of becoming a victim