

Investment Industry Regulators and Investment Protection

Facilitators Manual

Introduction

We hope this never happens to you: You are working from home today, so you decide to go online to check your brokerage account information. Something strange happened, your account balance is much lower than you expect - and you know that, at least for today, neither the market nor any of your securities fell in value. For your surprise, you noticed that there were several wire transfers of money from your account to a foreign bank account. But *you* never authorized those transactions - instead, an *identity thief* did, and that thief has now stolen your cash as well as your personal information. You do not have copies of your account cards. Now what?...

Like many investors, you may enjoy some of the conveniences of an online brokerage account, like checking your brokerage account information at any time of day or night, buying and selling securities, or even transferring money between your brokerage account and another account. But if you don't take steps to protect your personal information when you go online, you could be telling your own story of identity theft. This module will help you recognize the function of the investment industry regulators, some of the basic principles to protect your investment from fraud and recognize what to do to prevent identity theft.

Module Objectives

- Understand the importance of record keeping.
- Recognize the function of the investments industry regulators.
- Understand investment fraud protection basic principles.
- Understand what identity theft is and how to protect against it.
- Recognize steps to take in case of identity theft.

Recommended Time on Task by Lesson

Lesson No.	Lesson Title	Time Required
	Introduction	20 minutes
M7.1	Record keeping	30 minutes
M7.2	Protecting your investments	40 minutes
M7.3	Investment Fraud	40 minutes

Suggested Module Instructional Duration:

2.10 hours

About This Manual

This manual contains the same information provided in the instructional manual that the participants will have during the workshop. For each section, we provide specific suggestions and resources selected to help you deliver the classroom instruction. These include teaching tips, questions to generate classroom discussion, and a module PowerPoint presentation. In addition, every section or subject has additional reference materials that provide supplementary online instructional materials and resources. These were selected to provide the facilitator more information about the subject or materials, which could be used to enhance the delivery of instruction.

Before the workshop session:

- Before conducting the workshop, take time to familiarize yourself with the participant manual, exercises, additional learning resources, teaching tips and questions to generate discussion, and PowerPoint presentation.
- For classroom use, it is highly recommended to secure a flip chart, color markers, projector, and a laptop. Familiarize with setting up the equipment and with its operation.

At the workshop:

- Welcome the participants. Ask participants to introduce themselves and share what their expectations are for this program, and what they hope to get out of the seminar. Write these down on a flip chart as they share. (This activity will help participants get to know each other and feel more comfortable and will also give you an idea of what they are expecting from the session.)
- Review the objectives of the session and the agenda. If applicable, hand out materials to participants. Using the module PowerPoint presentation review the module objectives:



- Use this time to listen as well as to manage expectations as to what will be accomplished during the lesson. Let participants know that their specific personal situations may not be able to be addressed directly in the lesson but that the information should be valuable to them.
- Make sure to schedule breaks after 1.5 hours of instruction.
- Encourage participants to ask questions; try to create an interactive-participatory learning environment. If you do not have the answer to a question, be honest and say: *"I don't know the answer but I will research it for you"*. Bring the answer next day and explain where and how you found the answer.
- Do not ask personal questions to participants that could potentially disclose personal or confidential financial information. It is strongly recommended to always use hypothetical scenarios.
- Always use a flip chart to write down key concepts. At the end of the day, review the key learning concepts.

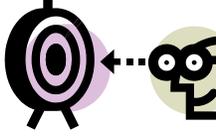
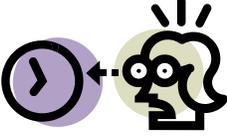
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Key Terms

Anti-Virus:	Antivirus component is designed to detect and destroy majority of the computer viruses and worms and many "trojan horses".
Baby Boomers:	Those born between 1946 and 1964, when birth rates rose sharply, and now a popular target group for marketers.
Browser:	Software program used to view and interact with various types of Internet resources available on the world wide web.
Cookie:	A small text file of information that certain Web sites attach to a user's hard drive while the user is browsing the Web site. A Cookie can contain information such as user ID, user preferences, archive shopping cart information, etc.
Credit Report:	A report outlining the credit history of an individual which includes current and previous debts, payment amounts, late payments and past due amounts and other related information on every credit source the individual has used.
Firewall:	A combination of hardware and software used to prevent access to private network resources.
Identity Theft:	The fraudulent act of collecting sufficient personal information about an individual in order that their identity can be assumed for the purposes of carrying out some other illegal or malicious activity.
Reverse Psychology:	The term "Reverse Psychology" describes the outcome where advocacy of one course of action persuades someone to do the opposite.
Scam:	A fraudulent business scheme.
Swindle:	To cheat or defraud of money or property.
Windows:	Microsoft Windows is a range of closed source proprietary commercial operating systems for personal computers and servers.

Recordkeeping

Lesson No. M7.1					
	<p style="text-align: center;">Lesson Objectives:</p> <p>After completing this lesson participants should be able to:</p> <ul style="list-style-type: none"> • Recognize the importance of record keeping. • Identify documents to be maintained overtime. • Recognize documents to keep for tax purposes. 				
	<p>Time Required: 30 Minutes</p>				
	<p style="text-align: center;">Lesson Teaching Tips</p> <ul style="list-style-type: none"> • Make a list of the types of documents to keep. • Demonstrate how to make a file. • From an office supply catalog show the materials and supplies necessary to prepare a good file system, show a fire proof file box. 				
	<p style="text-align: center;">Questions to Generate Discussion</p> <ul style="list-style-type: none"> • Do you have to report to the IRS income from interest generated from investments? • What documents you have to keep as evidence of your investments? • What is a 1099 INT? • Where do you store important documents? 				
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left; width: 50%;">PowerPoint Slides Thumbnails</th> <th style="text-align: left; width: 50%;">Slide Notes</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">INVESTMENTS</p> <p style="text-align: center; color: yellow;">Recordkeeping</p> <p style="text-align: center; font-size: 0.8em;">A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • Why is important? <ul style="list-style-type: none"> – If you store your investment records efficiently, you'll have important information on hand when you need it—including when you file tax returns. And if something ever does go wrong with your account or you have problems with your brokerage firm, good recordkeeping means you'll have proof of the investments you made, when you made them, how much you invested, and other relevant details you may need to make your case. <p style="font-size: 0.8em;">FINRA  ASPIRA </p> </div> </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> • Discuss with participants the objectives of good record keeping? • Make a list of documents to keep. </td> </tr> </tbody> </table>	PowerPoint Slides Thumbnails	Slide Notes	<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">INVESTMENTS</p> <p style="text-align: center; color: yellow;">Recordkeeping</p> <p style="text-align: center; font-size: 0.8em;">A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • Why is important? <ul style="list-style-type: none"> – If you store your investment records efficiently, you'll have important information on hand when you need it—including when you file tax returns. And if something ever does go wrong with your account or you have problems with your brokerage firm, good recordkeeping means you'll have proof of the investments you made, when you made them, how much you invested, and other relevant details you may need to make your case. <p style="font-size: 0.8em;">FINRA  ASPIRA </p> </div>	<ul style="list-style-type: none"> • Discuss with participants the objectives of good record keeping? • Make a list of documents to keep.
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	<p>INVESTMENTS Tax Records A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • One of the most important reasons to keep good investment records is to simplify the process of preparing your federal income tax returns and state returns if they apply. • Keep a separate worksheet for each investment, showing when you bought it, how much you spent, how many shares or units you bought, and what commission you paid—remember, commissions are considered part of the investment cost. • If you receive an investment as a gift instead of buying it, you might also record the former owner's cost basis if you know this information. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> • Make sure participants understand that they might need to report interest income to the IRS. • Discuss what is a 1099 Int form.
	<p>INVESTMENTS Long-Term Storage Items A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • Long-term storage items should include: <ul style="list-style-type: none"> – End-of-year summary account statements from your brokerage firm, mutual fund company, or other financial institution where you have an investment account, plus statements from college savings plans and retirement savings plans. – Copies of your annual IRS Form 1099s, which show dividends, interest, and capital gains from your investments. – Transaction records confirming your purchase or sale of stocks, bonds, and other investments. Your brokerage firm is not required to keep such records indefinitely, so it's smart to hold onto this information yourself for at least three years after you've sold an investment. – Copies of your federal and state tax returns going back seven years, along with supporting documentation. – Copies of your IRA and 401(k) plan documents. At your death, your beneficiaries will need this information to determine how to take distributions from your account. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> • Go through the list and discuss the need to keep these documents.
	<p>Closure:</p> <ul style="list-style-type: none"> • Review lesson objectives with participants. • Discuss with participants where and how they should keep financial records (file systems, filing cabinets, fire proof boxes, etc.) 	
	<p>Learning Assessment:</p> <ul style="list-style-type: none"> • Ask participants to list documents to keep. • Ask for how long they need to keep documents. • Ask where and how they should keep investments records. 	
	<p>Reference Materials</p> <ul style="list-style-type: none"> • IRS – Record Keeping http://www.irs.gov/businesses/small/article/0,,id=98575,00.html • IRS – Keeping Good Records http://www.irs.gov/newsroom/article/0,,id=105111,00.html 	

When you invest, your accounts generate a great deal of paperwork, ranging from trade confirmations to monthly, quarterly, and annual account statements, and, of course, IRS Form 1099 tax records.¹

At times you might find the volume overwhelming, especially as your portfolio expands. But reviewing and managing your account information is essential. It's the only way you'll know that money you sent to your mutual fund or brokerage account was invested, that the instructions you gave were followed, and that no unauthorized transactions were made.

If you store your investment records efficiently, you'll have important information on hand when you need it—including when you file tax returns. And if something ever does go wrong with your account or you have problems with your brokerage firm, good recordkeeping means you'll have proof of the investments you made, when you made them, how much you invested, and other relevant details you may need to make your case.

In fact, you may generate a little paperwork yourself. It's a good idea to put certain details of your investment questions, expectations, and transactions in writing. For example, if you question a specific transaction, you can begin with a phone call, but you'll want to write a follow-up letter or email. This paper trail can be an important part of making a formal complaint and pursuing a resolution.

Tax Records

One of the most important reasons to keep good investment records is to simplify the process of preparing your federal income tax returns and state returns if they apply. Unless your investments are in a tax-deferred account such as an IRA or 401(k), you must pay income taxes if your stocks pay dividends, your mutual funds make distributions—even if the dividends and distributions were reinvested—or you collect interest income from your bonds and cash investments. You must also pay capital gains taxes if you sell your investments for more than you paid for them or if your mutual fund passes profits it makes from selling investments along to you as capital gains distributions.²

Whatever your tax liability, having the right information handy helps ensure that you pay what you owe—but not more. If you don't keep thorough investment tax records, you might find yourself spending hours at the last minute gathering

¹ Prepared for the FINRA Foundation by Lightbulb Press, Inc., December 2007

² Prepared for the FINRA Foundation by Lightbulb Press, Inc., December 2007

information that you could have compiled as you went along. Simply hiring an accountant is not the solution to bad recordkeeping because you still have to provide the details the accountant needs to prepare your returns.

One approach to recordkeeping is to keep a separate worksheet for each investment, showing when you bought it, how much you spent, how many shares or units you bought, and what commission you paid—remember, commissions are considered part of the investment cost. Keep that paperwork in a file with your monthly and end-of-year statements, which keep you up-to-date with what's happening in your account.

By maintaining records, you'll have your cost basis, which is what you originally paid for an investment when you bought it, plus the cost of making the investment, such as commissions you paid. Knowing your cost basis is important when you sell an investment since you will either owe capital gains tax on any profit you earn or be able to use capital losses to offset other gains or ordinary income.

If you receive an investment as a gift instead of buying it, you might also record the former owner's cost basis if you know this information. And if you eventually gift your investments to other people, they will need to know your original cost basis as well. If you inherit an investment, you'll want a record of its market value on the day your benefactor's estate was valued.

It's probably easiest to create your worksheets on a computer. Some software manufacturers sell computer applications designed specifically for recordkeeping. And popular money management programs can track your investments with minimal input from you, once you have set them up. If you do keep your records on a computer, though, be sure you back up those records electronically, and also consider keeping a printed backup in case there's a problem with your machine and your information is lost.

Storing Investment Records

In addition to the records you keep yourself, you'll want to keep certain statements and other information your brokerage firm, mutual fund company, and other financial institutions send to you.³

It's smart to divide your investment records into those you'll use for short-term reference and those that go into long-term files, or storage for three to seven years or longer. Once a year, it's a good idea to overhaul your records, discarding those that you no longer need. For example, if your mutual fund company sends an end-of-year summary detailing all your transactions, you can usually discard the monthly statements you received throughout the year.

Long-term storage items should include:

- End-of-year summary account statements from your brokerage firm, mutual fund company, or other financial institution where you have an investment account, plus statements from college savings plans and retirement savings plans.
- Copies of your annual IRS Form 1099s, which show dividends, interest, and capital gains from your investments.
- Transaction records confirming your purchase or sale of stocks, bonds, and other investments. Your brokerage firm is not required to keep such records indefinitely, so it's smart to hold onto this information yourself for at least three years after you've sold an investment.
- Copies of your federal and state tax returns going back seven years, along with supporting documentation.
- Copies of your IRA and 401(k) plan documents. At your death, your beneficiaries will need this information to determine how to take distributions from your account.

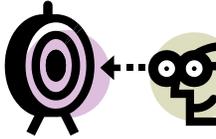
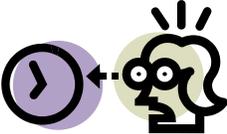
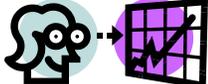
Long-term storage is particularly important for tax records, which, of course, are often affected by your investments' performance. Although the Internal Revenue Service can normally audit your income tax returns for just three years, it can investigate your tax records for up to seven years. It's also important to keep any records of purchase for as long as you hold an investment, even if it's 20 years or more. All long-term storage items should be in a fireproof box at home or a safe-deposit box at your bank.

³ Prepared for the FINRA Foundation by Lightbulb Press, Inc. December 2007

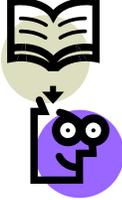
When you do discard investment records, be absolutely sure that they don't fall into the wrong hands—identity theft is a fast-growing crime. To reduce the chances of a stranger accessing your information, you can destroy investment papers with a shredding machine, available at stationery and office supply stores, usually for less than \$100. Shredding is particularly important for any records bearing your account numbers and personal identification numbers.

Protecting Your Investments

The Investment Industry Regulators

Lesson No. M7.2			
	<p style="text-align: center;">Lesson Objectives:</p> <p>After completing this lesson participants should be able to:</p> <ul style="list-style-type: none"> • Recognize the basic steps for protecting investments from fraud • Recognize the role of the investment industry regulators in relation to fraud • Understand what identity theft is and how to prevent it 		
	<p>Time Required: 40 Minutes</p>		
	<p style="text-align: center;">Lesson Teaching Tips</p> <ul style="list-style-type: none"> • If Internet access is available at your location, visit the SEC and FINRA Web sites to illustrate where fraud protection resources are located. • Using the classroom video projection, show your computer settings presenting the Windows control panel security center, the firewall, the Internet Explorer phishing filter, and pop-up blocker settings. 		
	<p style="text-align: center;">Questions to Generate Discussion</p> <ul style="list-style-type: none"> • Do you know how the investment industry is regulated? • Have you heard about SEC and FINRA? • Do you have a friend or relation which identity has been stolen? • How can you protect yourself from identity theft? 		
	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">PowerPoint Slides Thumbnails</p>  </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">Slide Notes</p> <ul style="list-style-type: none"> • Discuss what is the role of each of these organizations. • Visit their Web sites and familiarize participants with their resources, especially those related to fraud prevention. </td> </tr> </table>	<p style="text-align: center;">PowerPoint Slides Thumbnails</p> 	<p style="text-align: center;">Slide Notes</p> <ul style="list-style-type: none"> • Discuss what is the role of each of these organizations. • Visit their Web sites and familiarize participants with their resources, especially those related to fraud prevention.
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	 <p>INVESTMENTS Identity Theft A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • What is Identity Theft? <ul style="list-style-type: none"> - Identity theft occurs when somebody steals your name and other personal information for fraudulent purposes. • How to Reduce Your Risk <ul style="list-style-type: none"> - Don't give out your personal information to others unless you have a reason to trust them. - Check your financial information regularly. - Ask periodically for a copy of your credit report. - Maintain careful records of your banking and financial accounts. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> • Discuss what is understood by "identity." • Reducing risks just requires "common sense" practices in regards to your personal information.
	 <p>INVESTMENTS How to prevent identity theft A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • Protect Your Personal Information • Review Your Credit Reports • Protect Your Social Security Number • Place Passwords on All Your Accounts <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> • The message should be: do not share your personal information, periodically check your credit report, destroy (shred) any mail credit offers (they contain personal information). • A strong passcode will contain: minimum of eight characters, include letters (caps and lower case), numbers, and symbols.
	 <p>INVESTMENTS Practice Safe Computing A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • Use antivirus software and keep it updated. • Install security patches. • Use a firewall. • Secure your browser. • Take control of your e-mail. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> • Also recommend to install antispyware software on the computer, turn on the phishing filter on the browser. • Enable the Windows firewall option. • Do not open or answer suspicious e-mail.
	 <p>INVESTMENTS What to do if you become a victim? A RESOURCE TO REACH THE AMERICAN DREAM</p> <p>The Federal Trade Commission (FTC) is the federal consumer agency in charge of protecting the nation against identity theft. The following are steps that you can take to minimize the damage if a problem occurs:</p> <ul style="list-style-type: none"> • Report the crime – make a report at your local police department. Contact any federal or state police departments or agencies to include the FTC and the U.S. Postal Service. • Denounce the crime to the Federal Trade Commission at www.ftc.gov/idtheft and complete a Sworn Declaration of Identity Theft to be used when you question debts that you have not incurred. • Contact the Fraud Department of the three major Credit Report Agencies • Contact your creditors. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> • These are recommended basic steps to take if someone becomes a victim. • SEC has an extensive list of steps that are highly recommended. • Act promptly!
	<p style="text-align: center;">Closure:</p> <ul style="list-style-type: none"> • Review lesson objectives with participants. • Identity theft prevention is the most important step; invest a little time and money in taking the necessary steps, the cost 	

	<p>(financial and emotional) associated to identity theft are extremely high.</p>
	<p>Learning Assessment:</p> <ul style="list-style-type: none">• Ask participants to define what identity theft is.• Where can they find resources for learning how to protect themselves and their families against identity theft?• What needs to be done in order to cope if an identity has been stolen?
	<p>Reference Materials</p> <ul style="list-style-type: none">• Deter, defend, detect avoid identity theft – Federal Trade Commission http://www.ftc.gov/bcp/edu/microsites/idtheft/

Investing is not done in a vacuum. The securities industry is highly regulated. It's important to know that securities regulators are here to protect your investments.

The main players include the following:

- The Securities and Exchange Commission (SEC) is the government agency charged with protecting investors and maintaining the integrity of the securities markets. Among other activities, the SEC focuses on making sure securities players disclose information that investors need.
- FINRA (formerly the National Association of Securities Dealers) is the primary private sector regulator of the securities industry. FINRA is involved in writing rules, oversight, education, and arbitration.
- Industry associations also exist to oversee parts of the securities industry, including associations such as the International Association of Financial Planners (IAFP) and the Institute of Certified Financial Planners (ICFP). Neither of these are government organizations. Because they are industry-based overseers of the industry, some experts caution that they may protect their members more than the public.



If you ever run into problems of unethical or illegal behavior when investing—or, more importantly, if you are able to spot potential problems before they happen—you might want to consider filing a complaint with the SEC (<http://www.sec.gov/>) or FINRA (<http://www.finra.org/index.htm>). Visit their web sites for more information on how to do this.

Identity Theft

According to a Federal Trade Commission survey, identity theft is the fastest growing crime in America; 9.9 MILLION victims were reported last year! Generally speaking, federal law says you—the victim of credit or banking fraud—are liable for only the first \$50 of your losses if you notify financial institutions within two days of learning of the loss. In the case of credit cards, many financial institutions will even waive that amount. In the case of credit cards, debit, and ATM cards liabilities are different and rely on the policies of each bank or financial institution.

What is identity theft?

Identity theft occurs when somebody steals your name and other personal information for fraudulent purposes. Identity theft is a form of identity crime, where somebody uses a false identity to commit a crime.

Reduce Your Risk

To reduce or minimize the risk of becoming a victim of identity theft or fraud, there are some basic steps you can take. For starters, just remember the word "**SCAM.**"

- S** - Be **stingy** about giving out your personal information to others unless you have a reason to trust them, regardless of where you are. If someone you don't know calls you on the telephone and offers you the chance to receive a "major" credit card, a prize, or other valuable item, but asks you for personal data — such as your Social Security number, credit card number or expiration date, or mother's maiden name — ask them to send you a written application form.
- C** - **Check** your financial information regularly, and look for what should be there and what shouldn't. If you have bank or credit card accounts, you should be receiving monthly statements that list transactions for the most recent month or reporting period. If you're not receiving monthly statements for the accounts you know you have, call the financial institution or credit card company immediately and ask for them.
- A** - **Ask** periodically for a copy of your credit report. Your credit report should list all bank and financial accounts under your name, and will provide other indications of whether someone has wrongfully opened or used any accounts in your name.
- M** - **Maintain** careful records of your banking and financial accounts. Even though financial institutions are required to maintain copies of your checks, debit transactions, and similar transactions for five years, you should retain your monthly statements and checks for at least one year, if not more. If you need to dispute a particular check or a transaction, especially if they purport to bear your signatures, your original records will be more immediately accessible and useful to the institutions that you have contacted.

How to prevent identity theft

It pays to prevent identity theft because once it happens to you it can take years to clean up the mess. There are several important things you need to pay attention for protecting yourself from identity theft, including:

Protect Your Personal Information

- The same way you protect your wallet from getting stolen you should buy a shredder to shred all mail containing personal or financial information.

Review Your Credit Reports

- Review periodically your credit reports as they are crucial to your ability to obtain credit, and it is very important to make sure all of the information your credit report contains is accurate.

Protect Your Social Security Number

- Do not carry your Social Security card in your wallet.

Place Passwords on Your Accounts

- All banks, credit card companies, and phone companies will allow you to password-protect your accounts. This way, if an identity thief tries to access information about your account by pretending to be you, they will be asked to provide the account password.
- **Choose a password that you will remember**, but cannot be easily guessed. Ideally your selected password will include some numbers as well as letters, and other special characters. Example: 1wdcVFR\$&23
- Take care when entering your password to ensure others cannot see what you are entering.
- **Change your password regularly.** If you ever believe someone may know your password then change it immediately. Your password is something that should be unique to you and your online financial service.
- **Never write your password down**, store it on your computer and/or mobile device or utilize any functionality offered that will automatically fill/complete the password field. Passwords should be committed to memory.
- Never tell anyone your password. Your password is yours and yours alone. Brokers or bank staff should never ask you for your password under any circumstances. **Never provide this information if requested.**

Practice Safe Computing

- **Use antivirus software and keep it updated.** You should check for new definition updates daily. Most antivirus software can be configured to do this automatically.
- **Install security patches.** Vulnerabilities in software are constantly being discovered and they don't discriminate by vendor or platform. It's not simply a matter of updating Windows; at least monthly, check for and apply updates for all software you use.
- **Use a firewall.** No Internet connection is safe without one. Firewalls are necessary even if you have a dial-up Internet connection - it takes only minutes for a non-firewalled computer to be infected.
- **Secure your browser.** If you use Internet Explorer, you will be able to take advantage of the security zones settings to ensure optimum browsing safety. Not only will you enjoy safer browsing, you'll be able to eliminate unwanted pop-ups as well.
- **Take control of your e-mail.** Do not answer e-mails that appear to be from a bank, investment firm, or credit card company asking for personal information or to log on to update their records. Legitimate companies don't do this, and it is best to not even respond. If you are curious about where the e-mail came from, you can call your investment consultant, bank, or credit card company to confirm (make sure to use the legitimate phone number from your paper account statement or from the back of your credit card – and not the phone number provided in the e-mail).

What To Do If You Become A Victim Of Identity Theft

The Federal Trade Commission (FTC) is the federal consumer agency in charge of protecting the nation against identity theft. It has set up a Web site as a one-stop national resource about the crime of identity theft.

The following are steps that you can take to minimize the damage if a problem occurs:

- **Report the crime to your local police or sheriff's department right away.** You might also need to report it to police department(s) where the crime occurred if it's somewhere other than where you live. Give them as much documented evidence as possible. *Make sure the police report lists the fraudulent accounts . Get a copy of the report, which is called an "identity theft report" under the FCRA.* Keep the phone number of your investigator handy and give it to creditors and others who require verification of your case. Credit card companies and banks may require you to show the report in order to verify the crime.
- **Denounce the crime to the Federal Trade Commission at www.ftc.gov/idtheft** and complete a Sworn Declaration of Identity Theft to be used when you question debts that you have not incurred.

FTC regulations define an "identity theft report" to include a report made to a *local, state, or federal* law enforcement agency. If your local police department refuses to file a report and your situation involves fraudulent use of the U.S. mail, you can obtain an identity theft report from the U.S. Postal Inspector. If your case involves fraudulent use of a driver's license in your name, you might be able to obtain a report from your state's Department of Motor Vehicles.

- **Fraud involving U.S. mail.** Notify the local Postal Inspector if you suspect an unauthorized change of your address with the post office or if the U.S mail has been used to commit fraud. Find out where fraudulent credit cards were sent. Notify the local Postmaster to forward all mail in your name to your own address. You may also need to talk with the mail carrier. Call the U.S. Postal Service to find the nearest Postal Inspector at (800) 275-8777 or visit its web site at www.usps.com/postalinspectors. The online complaint form is available at www.usps.com/postalinspectors/fraud/MailFraudComplaint.htm. Or you can mail your complaint to: U.S. Postal Service, Criminal Investigations Service Center, Attn: Mail Fraud, 222 S. Riverside Plaza Suite 1250, Chicago, IL 60606-6100.

- **Handling problems with your existing credit or debit accounts.** *If your existing credit or debit accounts have been used fraudulently, report it in writing immediately to the credit card company.*

Request replacement cards with new account numbers. In addition to phoning the credit card company regarding the fraud, you will need to *follow up in writing* and will likely be asked to provide a fraud affidavit or a dispute form. Send the letter to the address given for "billing inquiries," *not* the address for sending payments. Carefully monitor your mail and bills for evidence of new fraudulent activity. Report it immediately. *Add secure passwords to all accounts*. These should not be your mother's maiden name or any word that is easily guessed.

Notify credit bureaus and establish fraud alerts. Immediately report the situation to the fraud department of the three credit reporting companies -- Experian, Equifax, and TransUnion. When you notify one bureau that you are at risk of being a victim of identity theft, it will notify the other two for you. Placing the fraud alert means that your file will be flagged and that creditors are required to call you before extending credit. Consider using a cell phone number if you have one.

<p>Equifax: P.O. Box 740250, Atlanta, GA 30374- 0241. Report fraud: Call (888) 766-0008 and write to address above. TDD: (800) 255-0056 Web: www.equifax.com</p>	<p>Experian: PO Box 9532 Allen TX, 75013 Report fraud: Call (888) EXPERIAN (888-397-3742) and write to address above. TDD: Use relay to fraud number above. Web: www.experian.com/fraud</p>	<p>TransUnion: P.O. Box 6790, Fullerton, CA 92834-6790. Report fraud: (800) 680-7289 and write to address above. TDD: (877) 553-7803 E-mail (fraud victims only): fvad@transunion.com Web: www.transunion.com</p>
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- **ATM cards.** *If your ATM or debit card has been stolen or compromised, report it immediately. Contact your bank and fill out a fraud affidavit. Get a new card, account number, and password. Do not use your old password. Closely monitor your account statements. You may be liable if the fraud is not reported quickly. Start with a phone call and immediately follow up in writing. Be sure to read the debit card contract for information about liability. Some cards are better protected in cases of fraud than others.*

ATM and debit card transactions are subject to the Electronic Fund Transfer Act. (15 USC §1693) Even if you are a victim of identity theft, your liability for charges can increase the longer the crime goes unreported. For more on EFTA, see the Federal Reserve Board's guide, www.federalreserve.gov/pubs/consumerhdbk/electronic.htm.

Also read the FTC's guide on electronic banking,
www.ftc.gov/bcp/online/pubs/credit/elbank.htm

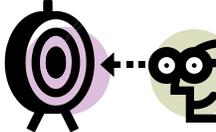
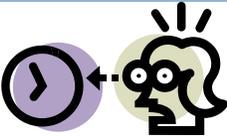
- **Driver's license number misuse.** You may need to change your driver's license number if someone is using yours as ID on bad checks or for other types of fraud. Call the Department of Motor Vehicles (DMV) to see if another license was issued in your name. Put a fraud alert on your license if your state's DMV provides a fraud alert process. Go to your local DMV to request a new number. Fill out the DMV's complaint form to begin the investigation process. Send supporting documents with the completed form to the nearest DMV investigation office.
- **Social Security number (SSN) misuse.** The Social Security Administration (SSA) does *not* in most cases provide assistance to identity theft victims. But be sure to contact the SSA Inspector General to report Social Security benefit fraud, employment fraud, or welfare fraud.
 - a) Social Security Administration online complaint form:
www.socialsecurity.gov/oig
 - b) SSA fraud hotline: (800) 269-0271
 - c) By mail: SSA Fraud Hotline, P.O. Box 17768, Baltimore, MD 21235

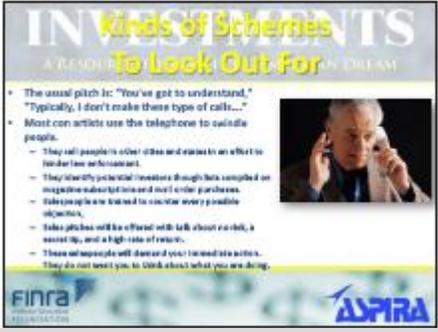
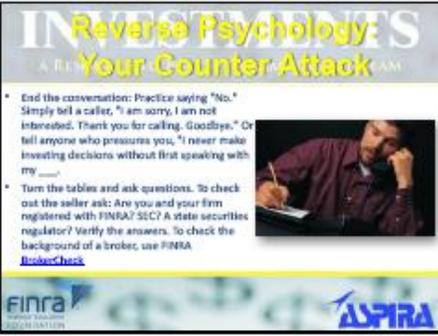
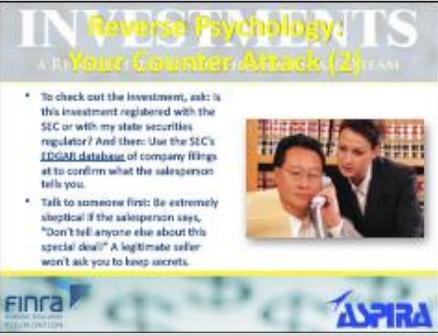
As a last resort, you might try to change your number, although we *don't recommend it except for very serious cases*. The SSA will only change the number if you fit their fraud victim criteria. See the Identity Theft Resource Center's Fact Sheet 113 for more information, www.idtheftcenter.org/vg113.shtml

If your SSN card has been stolen or lost, order a replacement. Complete the SSA's application available at www.socialsecurity.gov/online/ss-5.html or by calling the SSA at (800) 772-1213, or by visiting your local SSA office. You will need to provide the required documentation such as birth certificate and government ID at your local SSA office to get a replacement card.

- **Passports.** Whether you have a passport or not, write to the passport office to alert them to anyone ordering a passport fraudulently. Contact:
 - a) U.S. Dept. of State, Passport Services, Consular Lost/Stolen Passport Section, 1111 19th St., NW, Suite 500, Washington, DC 20036.
 - b) Website: www.travel.state.gov/passport/lost/lost_849.html
- Contact your creditors.

Investment Fraud

Lesson No. M7.3			
	<p style="text-align: center;">Lesson Objectives:</p> <p>After completing this lesson participants should be able to:</p> <ul style="list-style-type: none"> • Recognize what is investment fraud • Understand investment fraud fighting basic principle • Recognize the basic types of investment scams • Understand the psychology of a scam • Understand what to do if you become a victim of an investment scam 		
	<p>Time Required: 40 Minutes</p>		
	<p style="text-align: center;">Lesson Teaching Tips</p> <ul style="list-style-type: none"> • Remind participants of a simple fraud prevention rule: “if it looks too good to be true, it probably is.” 		
	<p style="text-align: center;">Questions to Generate Discussion</p> <ul style="list-style-type: none"> • How can you recognize a fraud scam? • Have you heard of anybody affected by an investment fraud scam? What was all about? 		
	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">PowerPoint Slides Thumbnails</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center; font-weight: bold; color: yellow;">INVESTMENTS</p> <p style="text-align: center; font-weight: bold; color: yellow;">Investment Fraud</p> <p style="text-align: center; font-size: small;">A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • Types of Investment Scams <ul style="list-style-type: none"> - Pyramid Schemes - Ponzi Schemes - Stock swindles - Affinity Fraud - Precious Metal Fraud - International Investing - Currency Fraud <p style="font-size: x-small; margin-top: 10px;">FINRA ASPIRA </p> </div> </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">Slide Notes</p> <ul style="list-style-type: none"> • Present the list of common fraud types. </td> </tr> </table>	<p style="text-align: center;">PowerPoint Slides Thumbnails</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center; font-weight: bold; color: yellow;">INVESTMENTS</p> <p style="text-align: center; font-weight: bold; color: yellow;">Investment Fraud</p> <p style="text-align: center; font-size: small;">A RESOURCE TO REACH THE AMERICAN DREAM</p> <ul style="list-style-type: none"> • Types of Investment Scams <ul style="list-style-type: none"> - Pyramid Schemes - Ponzi Schemes - Stock swindles - Affinity Fraud - Precious Metal Fraud - International Investing - Currency Fraud <p style="font-size: x-small; margin-top: 10px;">FINRA ASPIRA </p> </div>	<p style="text-align: center;">Slide Notes</p> <ul style="list-style-type: none"> • Present the list of common fraud types.
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 <p>INVESTMENTS A RESOURCE TO REACH THE AMERICAN DREAM</p> <p>Kinds of Schemes To Look Out For</p> <ul style="list-style-type: none"> The usual pitch is: "You've got to understand," "Typically, I don't make these type of calls..." Most con artists use the telephone to isolate people. <ul style="list-style-type: none"> They call people in their offices and strive to an effort to hinder law enforcement. They identify potential investors through their compiled on magazine subscriptions and mail order purchases. Take people one by one to discuss every possible objection. Take pitches will be offered with talk about a high, a secret tip, and a high rate of return. These salespeople will demand your immediate action. They do not want you to think about what you are doing. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> Consider the following: a serious investments corporation won't call you to lure you into an investment "opportunity." Do not accept this type of call.
 <p>INVESTMENTS A RESOURCE TO REACH THE AMERICAN DREAM</p> <p>The Psychology of a Scam</p> <p>We've all heard the timeless admonition "if it sounds too good to be true, it probably is" — great advice, but the trick is figuring out when "good" becomes "too good." There's no bright line. Investment fraudsters make their living by making sure the deals they tout appear both good and true.</p> <ul style="list-style-type: none"> Some of the most common fraud tactics include: <ul style="list-style-type: none"> The "Phantom Richer" Tactic The "Source Credibility" Tactic The "Social Consensus" Tactic The "Reciprocity" Tactic The "Scarcity" Tactic <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> Advice: do not give any type of personal information to the caller.
 <p>INVESTMENTS A RESOURCE TO REACH THE AMERICAN DREAM</p> <p>Reverse Psychology: Your Counter Attack</p> <ul style="list-style-type: none"> End the conversation: Practice saying "No." Simply tell a caller, "I am sorry, I am not interested. Thank you for calling. Goodbye." Or tell anyone who pressures you, "I never make investing decisions without first speaking with my _____" Turn the tables and ask questions. To check out the seller ask: Are you and your firm registered with FINRA? SEC? A state securities regulator? Verify the answers. To check the background of a broker, use FINRA BrokerCheck. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> Cut the call as soon as possible. Do not answer any of their questions. If you want, turn the table around.
 <p>INVESTMENTS A RESOURCE TO REACH THE AMERICAN DREAM</p> <p>Reverse Psychology: Your Counter Attack (2)</p> <ul style="list-style-type: none"> To check out the investment, ask: Is this investment registered with the SEC or with my state securities regulator? And then: Use the SEC's EDGAR database of company filings at to confirm what the salesperson tells you. Talk to someone first: Be extremely skeptical if the salesperson says, "Don't tell anyone else about this special deal!" A legitimate seller won't ask you to keep secrets. <p>FINRA ASPIRA</p>	<ul style="list-style-type: none"> To turn the table around, follow these recommendations, but make sure you do not give away any personal information.

Americans lose billions of dollars every year to fraudulent investment schemes that promise no risk ways to increase your money in a hurry. Unfortunately little of this money can be recovered. Swindlers use greed and fear to cheat people from their money, but with a sound investment plan for the future you will have a stronger defense against their cons.

The North American Securities Administrators Association, an association of state investment regulators, estimates that unwary investors lose about \$1 million every hour to investment fraud promoted over the telephone. All sorts of Americans are defraud, first-time investors, senior citizens, doctors, professors, and lawyers.

It can be difficult to check out investments, there are no tires to kick or goods to inspect, also the terms of the investment deal may be hard to understand, and key facts may be left out or false statements made by cheating salesmen. Con artists will often rush to take an investor's money before the investor has had a chance to think about what they are doing.

These swindlers are professionals; they move from city to city under different names, they have a gift for talking people into trusting them with their hard earned money. These con artists will sound like reputable business people, their materials may look professional, they may seem knowledgeable, but they are only concerned with cheating you out of your money.



Investments Fraud Fighting Basic Principles

Even if you have never been subjected to an investment fraudster's sales pitch, you probably know someone who has. Following the legendary Willie Sutton principle, fraudsters tend to go "where the money is" — and that means targeting older Americans who are nearing or already in retirement. Fraudsters also have in their sites the millions of Baby Boomers who have been accumulating sizeable retirement nest eggs through company 401(k)s and personal accounts.⁴

The truth is we're all at risk. Anyone with any money is bound to hear from a fraudster at some point. But you can help protect your family and friends by recognizing how investment fraudsters operate and reporting suspicious sales

⁴ Source: FINRA – Investors Information, Fraud Fighting 101:

<http://www.finra.org/InvestorInformation/InvestorProtection/p019140>

itches and actual scams. The following presents some of the most common investment scams.

Types of Investment Scams⁵

Pyramid Schemes: A pyramid scheme is a fraudulent system of making money based on recruiting an ever-increasing number of investors. The initial promoters recruit these investors, who in turn recruit more investors, and so on. The scheme is called a pyramid because the number of investors increases at each level. The small group of initial promoters at the top require a large base of later investors to support the scheme by providing profits to the earlier investors. In all pyramid schemes, the selling of a product itself is much less important than the recruiting of new investors.

In a typical pyramid scheme, new investors must pay a fee for the right to sell the products or services as well as for the right to recruit others into the pyramid for rewards unrelated to product sales or services. Very often the products or



services the victim must buy are unsalable, and the pyramid's promoters refuse to repurchase them. On the other hand, legitimate multilevel marketing companies will buy back unsold merchandise, although often at a discount from the original price.

Pyramid schemes are doomed to fail because their success depends on the ability to recruit more and more investors. Since there are only a limited number of people in a given community, all pyramid schemes will ultimately collapse. The only people who make money are those few who are on the top of the pyramid.

Ponzi Schemes: Ponzi schemes are a type of pyramid scheme named for Charles Ponzi, who duped thousands of New England residents into investing in a postage stamp speculation scheme. Ponzi told investors that he could provide a 40% return in 90 days by manipulating differences in international markets. At the high point of his success Ponzi took in \$1 million during a single three hour period. The early investors were paid off in order to make the scam look legitimate and then Ponzi took the rest of the money. Ponzi schemes promise large returns in little time, they tell you they have a new scheme that others have

⁵ Source: New York State Attorney General Office –Protection Against Fraud.
http://www.oag.state.ny.us/investors/invest_5.html

overlooked, the scheme collapses when the number of investors seeking a return exceed the number of new investors to pay them off.

Stock swindles: The most common fraud today are stock swindles. In the past investors have lost billions in "penny stock" fraud, where investors were sold small dollar shares in a company about to make an important discovery or enter into a huge business deal. Today, microcap deals, also with small investment amounts work much the same way, investors are conned into believing that they are investing in a good solid company, when actually the company is small, weak, about to go bankrupt, or may not exist at all.

Affinity Fraud: Affinity fraud has become an increasingly large problem in New York, as well as throughout the United States. But just what exactly is affinity fraud? The concept is simple, but what leads up to the fraud tends to be more complex. Everyone, in some way or another, is connected to a group or association. Our interests, backgrounds and other factors will naturally lead us to those organizations or affiliations that serve our needs. Race, culture, a common language and religious beliefs also play a role in identifying us as members of unique groups that we often come to trust — sometimes to our detriment. In a world of increasing complexity, many people feel the need for a short-hand way of knowing who to trust. This can be especially true when it comes to investing money. Unfamiliar with the financial markets, too many people don't know how to thoroughly research an investment and its salesperson. So, many fall prey to affinity group fraud in which a con artist is, or seems to be, a member of the same ethnic, religious, career, or community-based group. In fact, the con artist may even be a member of the family or someone else who the investor has known for a long time. "You can trust me," says the scamster, "because I'm just like you. We share the same background and interests. And I can help you make money," an equally effective pitch, if the con artist is not a member of the group, is to lull members into a misplaced trust by first selling to a few prominent members, then pitching the scam to others by using the names of those previous purchasers. The effect is the same: once the connection to the group is established, the natural skepticism of the individual member is overcome, and one more group name is added to the sales column.

Once a victim realizes that he or she has been scammed, too often the response is not to notify the authorities but instead to try to solve problems within the group. Swindlers who prey on affinity groups often play the loyalty angle for all its worth and discourage complaints.

Precious Metal Fraud: Gold and silver seem like good investments, especially in hard times, you can see the asset and not worry about the value of cash. Swindlers may sell consumers coins that are said to be gold but are not or they may never deliver the goods at all. Other scams may promise precious metals directly from the mines where new technology is allowing gold to be found that

was unreachable before. Most of these investors never see a dime in return for their investment.

International Investing: Many people are interested in investing in foreign countries, con artists have responded by offering scams with an international edge.

Currency Fraud: Many people are fraudulently promoting investments in foreign currency — specifically "spot" currency. Even legitimate foreign-currency investments are, however, risky.

The Face of Investment Fraud

Recent research has shattered the stereotype of investment fraud victims as isolated, frail, and naive. Do you know anyone who meets the following description?

- Self-reliant when it comes to making decisions
- Optimistic
- Above average financial knowledge
- Above average income
- College educated
- Experienced a recent health or financial setback
- Open to listening to new ideas or sales pitches

If so, you know someone who fits the profile of an investment fraudster's prime target.



Kinds of Schemes to Look Out for

"You've got to understand," said the voice on the other end of the telephone, "typically, I don't make these kinds of calls. I've got people to do that. I've got 11 years in this business and worked my way up to senior vice president with 400 clients and \$40 million dollars under management. I don't need this account, but I want it." This caller was attempting to close a deal for an unknown microcap stock by trotting out some of his most impressive facts. But it was all a lie. In fact, he had been on the job for less than a month and was reading from a script supplied by his employer.

Most con artists use the telephone to swindle people. They set up giant rooms in rented offices where they train salespeople to find victims. These "boiler rooms" have certain common characteristics.

- They call people in other cities and states in an effort to hinder law enforcement.
- They identify potential investors through lists compiled on magazine subscriptions and mail order purchases. They trade lists of investors they think will be especially good targets.
- Salespeople are trained to counter every possible objection, they are taught never to take no for an answer and to keep you on the telephone line as long as possible.
- Sales pitches will be offered by talking about no risk, a secret tip, and a high rate of return.
- These salespeople will demand your immediate action. They do not want you to think about what you are doing, they may go so far as to have someone come pick up a check from you.
- Con artists will avoid the use of mail; they don't want you or the government to be able to find them.
- They will lull investors who suspect fraud by stalling with letters and explanations while they pack up and leave town.

The Psychology of a Scam

We've all heard the timeless admonition "If it sounds too good to be true, it probably is" — great advice, but the trick is figuring out when "good" becomes "too good." There's no bright line. Investment fraudsters make their living by making sure the deals they tout appear both good *and* true.

They're masters of persuasion, tailoring their pitches to match the psychological profiles of their targets. They look for your Achilles heel by asking seemingly benign questions — about your health, family, political views, hobbies, or prior employers. Once they know which buttons to push, they'll bombard you with a flurry of influence tactics, which can leave even the savviest person in a haze. Some of the most common fraud tactics include:

- **The "Phantom Riches" Tactic** — dangling the prospect of wealth, enticing you with something you want but can't have. "These gas wells are guaranteed to produce \$6,800 a month in income."
- **The "Source Credibility" Tactic** — trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience. "Believe me, as a senior vice president of XYZ Firm, I would never sell an investment that doesn't produce."
- **The "Social Consensus" Tactic** — leading you to believe that other savvy investors have already invested. "This is how ___ got his start. I know it's a lot of money, but I'm in — and so are my mom and half her church — and it's worth every dime."

- **The "Reciprocity" Tactic** — offering to do a small favor for you in return for a big favor. "I'll give you a break on my commission if you buy now — half off."
- **The "Scarcity" Tactic** — creating a false sense of urgency by claiming limited supply. "There are only two units left, so I'd sign today if I were you."

Reverse Psychology

If these tactics look familiar, it's because legitimate marketers use them, too. But one key difference is that real deals will still be there tomorrow. So always take the time to stop and think before making a decision.

Here are three key strategies you — or anyone you know who fits the profile of a potential fraud target — can use to help distinguish good offers from bad ones:

1. **End the conversation:** Practice saying "No." Simply tell a caller, "I am sorry, I am not interested. Thank you for calling. Goodbye." Or tell anyone who pressures you, "I never make investing decisions without first speaking with my _____. I will call you if I am still interested. Goodbye." Fill in the blank with whomever you choose — a spouse, child, financial adviser, attorney, or accountant. Knowing your exit strategy in advance makes it easier to leave the conversation, even if the pressure starts rising.
2. **Turn the tables and ask questions:** A legitimate investment salesperson must be properly licensed, and his or her firm must be registered with FINRA, the Securities and Exchange Commission, or a state securities regulator — depending on the type of business the firm conducts. In addition, with very few exceptions, companies must register their securities with the SEC before they can sell shares to the public.

So, before you give out information about yourself, ask a few questions first:

To check out the seller, ask: Are you and your firm registered with FINRA? SEC? A state securities regulator? If so, which one(s)?

And then: Verify the answers. To check the background of a broker, use FINRA [BrokerCheck](#) or call toll-free (800) 289-9999. For an investment adviser, use the SEC's [Investment Adviser Public Disclosure Web site](#). Also, be sure to call your state securities regulator. You can find that number in the government section of your local phone book or by contacting the [North American Securities Administrators Association](#) or (202) 737-0900.

To check out the investment, ask: Is this investment registered with the SEC or with my state securities regulator?

And then: Use the SEC's [EDGAR database](#) of company filings to confirm what the salesperson tells you. Also call your state securities regulator to find out what they know about the company.

3. **Talk to someone first:** Be extremely skeptical if the salesperson says, "Don't tell anyone else about this special deal!" A legitimate seller won't ask you to keep secrets. Even if the seller and the investment are registered, it's always a good idea to discuss these sorts of decisions with family or a trusted financial professional.

Take Your Name Off Solicitation Lists

One easy step you can take to reduce the number of sales pitches you receive is to take your name off telemarketing and junk-mail lists. Here's how to cut the clutter:

- **Telemarketing Calls** — visit www.donotcall.gov or call toll-free (888) 382-1222
- **Direct Mail and E-mail Offers** — visit www.dmaconsumers.org
- **Credit Card Offers** — visit www.optoutprescreen.com
- **Online Cookie Collecting** — visit <http://www.networkadvertising.org/>

Most legitimate marketing firms will honor your request. So, if you receive a solicitation after taking the steps above, you should be all the more skeptical of the offer.

If a Problem Occurs

If you believe you have been defrauded or treated unfairly by a securities professional or firm, please send FINRA a written complaint. If you suspect that someone you know has been taken in by a scam, be sure to give FINRA that tip. Here's how:

Online

[File a Complaint](#) (for you)

[Send a Tip](#) (for others)

Mail or Fax:

FINRA Complaints and Tips
9509 Key West Avenue
Rockville, MD 20850
Fax: (866) 397-3290

Arbitration and Mediation

When you file a complaint, bear in mind that neither FINRA, the SEC, nor your state regulator can act as your personal attorney. If your primary goal in filing a complaint is to get your money or securities back, you might need to take matters into your own hands, either through the courts or by considering arbitration or mediation.

When you opened your brokerage account, you likely signed an account agreement requiring that you resolve any disputes with your broker or the firm through arbitration. FINRA administers the largest forum in the U.S. for resolving disputes between brokers and investors. The first step in filing for arbitration or mediation is to visit the “Arbitration and Mediation” section of FINRA’s Web site at www.finra.org.

With arbitration, your case goes to an individual arbitrator or a panel of arbitrators that is assembled to decide the outcome. Many people hire an attorney to help them with an arbitration case because the brokerage firm will almost certainly have legal representation. In addition, an arbitration decision is binding, which means you cannot appeal or take the case to court. In some cases, you may be present at the arbitration. However, if your loss is less than \$25,000, you can choose not to appear before an arbitration panel. Instead, you can request that the panel use a method called simplified arbitration and base its ruling on documents and on written explanations from you and your broker. FINRA’s Web site provides links to law schools in several states that provide guidance to investors free of charge through arbitration clinics.

With mediation, you, your brokerage firm, and a neutral third party try to resolve the case. This method of working out a dispute is usually less costly and less confrontational than other ways, but it’s also voluntary and nonbinding. That means that at any point one participant can walk away, effectively ending the negotiation. In addition, you and the firm must agree to the terms of a settlement before it becomes final.

For more information about arbitration and mediation, go to FINRA’s Web site at www.finra.org.

Additional Learning Resources

Investment industry regulators

Web sites:

- The Financial Industry Regulatory Authority (FINRA) is the largest nongovernmental regulator for all securities firms doing business in the United States. Web site: <http://www.finra.org/index.htm>
- U.S. Securities and Exchange Commission (SEC). The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. Web site: <http://www.sec.gov/index.htm>



Fraud Protection

- Federal Bureau of Investigation (FBI): Fraud Target – Senior Citizens <http://www.fbi.gov/majcases/fraud/seniorsfam.htm>
- NASAA - CSA Investment Fraud Awareness Quiz. The North American Securities Administrators Association (NASAA) and the Canadian Securities Administrators have collaborated on a quiz to help you identify your vulnerability to fraud. Take their 12-question quiz and learn what you can do to avoid becoming a victim of investment fraud. http://www.nasaa.org/investor_awareness_quiz/index.cfm

Safe Computing Practices

- US Securities and Exchange Commission: Online Brokerage Accounts: What You Can Do to Safeguard Your Money and Your Personal Information. <http://www.sec.gov/investor/pubs/onlinebrokerage.htm>
- STOP-THINK-CLICK: 7 Practices for Safer Computing – On Guard – On Line <http://onguardonline.gov/stopthinkclick.html>
- Resources to manage spyware: available from ASPIRA's Community Technology Center resource page <http://ctc.aspira.org/toolkits2.html#spyware>