



## NEWS RELEASE

For Immediate Release

April 12, 2017

### Financial Fraud Forensics

*Hint: You'll Need a Microscope, Not a Looking Glass!!*

Boise, Idaho – The Idaho Department of Finance released tips today for avoiding financial fraud for Idahoans when they are shopping for financial services and products. Today's social media and internet environments require that investors be more vigilant than ever when assessing products and services – even when they appear to be from well-known providers. The theft and fraudulent use of well-known brands and images seem to be nearly as common as the too-good-to-be-true investment pitches. Accordingly, the Department warns Idahoans to be wary of and to carefully research promising investment opportunities.

#### Step One – Know What Fraudulent Tools Are Being Used

Unscrupulous promoters often will use social media, websites and written materials as a gateway to promote and disguise their illegal activities. Fraudsters pick and choose among many techniques to add legitimacy and to confuse or comfort interested consumers into parting with their hard-earned dollars. Some of these techniques include:

1. **Creating fake websites** that use fake or non-existent addresses while claiming legitimacy as a financial services provider. The Department recently issued a Cease and Desist Order against a fake escrow company that claimed to be operating in Idaho while engaging in an apparent fraudulent advance fee scheme involving time-share properties. In years past, another fraudulent promoter's website claimed to be a legitimate broker-dealer while operating from an address that coincided with a local cemetery.
2. **Misusing Trusted Symbols/Logos** to obtain consumers' trust and money. Fraudulent promoters often obtain and misuse the official logos of businesses and government entities as a means to fool consumers into parting with their money. The Department is aware of promoters doing such things as a) using the SIPC and FDIC<sup>1</sup> logos in the sale of fraudulent corporate notes, and b) invoking the name and symbols of the International Chamber of Commerce to validate fraudulent high-yield investments. Recent warnings from the international Financial Action Task Force (FATF), logo thefts and email-based phishing schemes imitating legitimate financial institutions reinforce the need for consumers to look deeper and verify exactly with whom they are dealing.
3. **Hijacking Testimonial and Rating Forums.** Promoters that are more sophisticated may plant phony testimonials and ratings by using fake usernames and publishing their own reviews that endorse the business, the promoter and the services or products being offered. Traditional fraudsters might even provide testimonials with phone numbers inviting a call – all the while knowing that the person being called is a proxy for the promoter.

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<sup>1</sup> SIPC is the Securities Investors Protection Corporation that insures the delivery of cash and securities held at broker-dealers if the dealer were to fail or go out of business. The FDIC is the Federal Deposit Insurance Corporation that provides deposit insurance at federal and state chartered banks.

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### **Step Two – Finding Clarity – How to Identify a “Poser”**

While sometimes difficult, there are many ways to identify or research whether a product or service offering may be fraudulent. The following are a few red flags of fraud and ideas on how to proceed.

1. Does the website or social media site have a professional-looking front page with lots of important sounding concepts or ideas, yet the subpages are blank, not working or “under construction?” Are there obvious misspellings or contradictory statements? If the answer is yes, be on alert and be certain to verify and authenticate the promoters and their products.
2. Very few financial products can be described as “insured” or “guaranteed.” Investment performance guarantees generally are prohibited and provide classic red flags. Hence, the claim of insurance or a guarantee should come with information about the type of insurance or guarantee being provided and by whom. You then should try to validate this claim by directly contacting the insurer/guarantor to validate that the product you are being pitched actually is covered by them. While sophisticated promoters might be able to fraudulently validate their claims, your inquiry could make them wary of further dealings with you.
3. Contact federal and local agencies that might regulate such products or services. The Department of Finance can tell you who is registered to offer and sell investments or investment advisory services in Idaho. The Department also will serve as a resource to help you find other avenues to verify your promoter or the product/service. Institutions such as the SIPC and the FDIC most likely can verify whether an entity is covered by their insurance.
4. Shop for local providers of the product or service being offered. The vast majority of legitimate financial products and services are available locally, which can make research and verification easier.
5. Hard-close sales tactics also can be a red flag. Is there some scarcity or event that makes an imminent investment decision necessary? Are you being threatened or made to feel guilty because you are not ready to write a check? Does the promoter want to send a courier by your home to pick up a check? Knowing that most products and services do not have an “expiration date” should make you feel better about saying no or asking for more information.

### **The Bottom Line**

Before making any decisions with your money, ask questions, do your homework, and contact the Idaho Department of Finance at (208) 332-8004 or by visiting <http://finance.idaho.gov> for more information.