

Investment Swindles: How They Work and How to Avoid Them

National Futures Association is a Congressionally authorized self-regulatory organization of the United States futures industry. Its mission is to provide innovative regulatory programs and services that ensure futures industry integrity, protect market participants and help NFA Members meet their regulatory responsibilities.

While the vast majority of persons in the futures industry and other sectors of the investment community serve the investing public conscientiously and ethically, there are inevitably those few who seek to exploit the trust which others have labored so hard to earn.

This booklet has been prepared as a part of NFA's continuing public education efforts to assist you in recognizing and avoiding such individuals.

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The Multi-Billion Dollar Business of Investment Fraud

Americans are investors. We purchase stocks and bonds, contribute to savings programs, own real estate, participate in futures and options markets, acquire collectibles, provide start-up capital for new business ventures, buy franchises, and the list goes on. The strength of our economy is in large measure the product of our combined investments.

Perhaps more so than any people in the world, we enjoy an ever-expanding variety of investments to choose from, coupled with the freedom to make our own investment decisions. It's our money and we can invest it as we wish.

Unfortunately, some unscrupulous promoters abuse our freedom to choose by concocting investment schemes that have zero possibility of making money for anyone other than themselves. Such persons promise investment rewards they cannot possibly deliver and have no intention of delivering.

They are swindlers. And many of them are very successful. Their annual take through lying and deceit is estimated to run in the billions of dollars.

How do they do it? Successful investment swindlers use every trick in the book, and some that aren't even recorded, to convince you that none of the descriptions and precautions in the following pages applies to them. After all, they are offering you a once-in-a-lifetime opportunity to make a lot of money quickly and you do trust them, don't you? As will be seen, some of their methods of gaining your trust are truly ingenious.

Who are the Investment Swindlers?

They are a faceless voice on a telephone. Or a flashy web site on the Internet. Or a friend of a friend. They may perform surgery on their victims' savings from a dingy back office or boiler-room or from the vast reaches of cyberspace or from an opulent suite in the new bank building. They may wear three-piece suits or they may wear hard hats. They may have no apparent connection to the investment business or they may have an alphabet-soup of impressive letters following their names. They may be glib or fast-talking or so seemingly shy and soft-spoken that you feel almost compelled to force your money on them.

The first rule of protecting yourself from an investment swindle is thus to rid yourself of any notions you might have as to what an investment swindler looks like or sounds like. Indeed, some swindlers don't start out to be swindlers. There are case histories in which individuals who held positions of trust and esteem—accountants, attorneys, bona fide investment brokers and even doctors—have sacrificed their ethics for the fast buck of running an investment scam.

In still other cases, investment programs that began with legitimate intentions went sour through happenstance or poor management, leading the promoter to mishandle or abscond with investors' capital. Whether an investment is planned as a scam or simply becomes one, the result is the same.

This is why protecting your savings against fraud involves at least three steps. Carefully check out the person and firm you would be dealing with. Take a close and cautious look at the investment offer itself. And continue to monitor any investment that you decide to make. No one of these precautions alone may be sufficient.

Who are the Victims of Investment Fraud?

If you are absolutely certain it could never be *you*, the investment swindler starts with a big advantage. Investment fraud generally happens to people who think it couldn't happen to them.

Just as there is no typical profile for swindlers, neither is there one for their victims. While some scams target persons who are known or thought to have deep pockets, most swindlers take the attitude that everyone's money spends the same. It simply takes more small investors to fund a large fraud. In fact, some swindlers deliberately seek out families that may have limited means or financial difficulties, figuring such persons may be particularly receptive to a proposal that offers fast and large profits. A favorite pitch is that small investors can become rich only if they learn and employ the investment strategies used by wealthy persons. Naturally, the swindler will teach them!

Although victims of investment fraud can differ from one another in many ways, they do, unfortunately, have one trait in common: Greed that exceeds their caution. They also possess a willingness to believe what they want to believe. Movie actors and athletes, professional persons and successful business executives, political leaders and internationally famous economists have all fallen victim to investment fraud. So have hundreds of thousands of others, including widows, retirees and working people—people who made their money the hard way and lost it the fast way.

How Investment Swindlers Find (or Attract) Their Victims

Swindlers attempt to mimic the sales approaches of legitimate investment firms and salespersons. Thus, the fact that someone may contact you in a particular way—by phone, mail, electronic mail or even a referral—should not in itself be viewed as an indication that the investment is or isn't shady. Many totally reputable firms also use the same methods to effectively and economically identify individuals who may have an interest in their investment products and services.

Bearing in mind that “investigate before you invest” is good advice no matter how you are approached, these are some of the methods con men (and women) commonly employ to contact their victims-to-be.

Telephone

So-called telephone boiler-rooms remain a favorite way for swindlers and their sales squads to quickly contact large numbers of potential investors. Even if a swindler has to make 100 or 200 phone calls to find a mooch (one of the terms swindlers use for their victims), he figures that the opportunity to pocket thousands of dollars of someone's savings is still good pay for the time and cost involved.

Mail

Some sellers of fraudulent investment deals buy bona fide mailing lists—names and addresses of persons who, for example, subscribe to a particular investment-related publication, who have responded to previous direct mail offers, or who have other characteristics that swindlers look for. In the hope of avoiding notice by postal authorities, mail order swindlers may not make a direct or

immediate pitch for your money. Rather, they often seek to entice you to write or phone for more information. Then comes a call from the salesperson or the person who closes the deal. Some may phone even if you didn't respond to the mailing.

The Internet

Access to the Internet has increased dramatically in the past few years and consumers are becoming more comfortable conducting business (shopping, banking, even investing) online. But crooks also recognize the potential of cyberspace. The same scams that have been conducted by mail or phone can now be found on the Internet, and new technologies are resulting in new ways to commit crimes against consumers.

Advertisements

A newspaper or magazine ad may offer (or at least hint at) profit opportunities far more attractive than available through conventional investments. Once you've taken the bait, the swindler will then attempt to "set the hook." Even though investment crooks know that regulatory agencies regularly monitor ads in major publications, some nevertheless use such publications in the hope of being able to hit-and-run before an investigator shows up. Others advertise in narrowly circulated publications they think regulators may be less likely to see.

Referrals

One of the oldest schemes going involves paying fast, large profits to initial investors (actually from their own or other peoples' investments) knowing that they are likely to recommend the investment to their friends. And these friends will tell their friends. Soon, the swindler no longer needs to find new victims; they will find him.

The "Reputable" Business

Some swindlers go first class. Using profits from previous swindles, they rent plush offices, hire an interior decorator and professional-sounding receptionist and open what has the appearance (but not the reality) of a reputable investment firm. You may even have to phone for an appointment, and once there don't be surprised to be kept waiting (that's intended to make you all the more eager). This kind of swindler's success depends on how long he can keep his victims from knowing they are being cheated. Investors are assured that their large profits are being reinvested to earn even larger profits. Such a swindler may join local civic groups, contribute to charities, and generally play the role of solid citizen.

Techniques Investment Swindlers Use

Their techniques are as varied as their methods of establishing contact. What they all have in common, however, is their ability to be convincing. The skills that make them successful are essentially the same skills that enable any good salesperson to be successful.

But swindlers have a decided advantage: They don't have to make good on their promises. In the absence of this responsibility, they have no reluctance to promise whatever it takes to persuade you to part with your money. These are some of their techniques:

Expectation of Large Profits

The profits a swindler talks about are generally large enough to make you interested and eager to invest—but not so large as to make you overly skeptical. Or he may mention a profit figure he thinks you will consider believable and then, as a further enticement, suggest that the potential profit is actually far greater than that. The latter figure, of course, is the one he hopes you will focus on. Generally speaking, if an investment proposal sounds too good to be true, it probably is.

Low Risk

Some are so blatant as to suggest there's no risk—that the investment is a sure money maker. Obviously, the last thing a swindler wants you to think about is the possibility of losing your money. (If you ask how you can be certain your money is safe, you can count on a plausible-sounding answer. Besides, at this point, he figures you will believe what you want to believe.)

To make his pitch more credible, a swindler may acknowledge that there could be some risk—then quickly assure you it's minimal in relation to the profits you will almost certainly make. A con man may become impatient or even aggressive if the question of

risk is raised—perhaps suggesting that he has better things to do than waste time with people who lack the courage and foresight needed to make money! With this kind of put down, he hopes you won't bring up the subject again.

Urgency

There's usually some compelling reason why it's essential for you to invest right now. Perhaps because the investment opportunity can "be offered to only a limited number of people." Or because delaying the investment could mean missing out on a large profit (after all, once the information he has confided to you becomes generally known, the price is sure to go up, right?).

Urgency is important to a swindler. For one thing, he wants your money as quickly as possible with a minimum of effort on his part. And he doesn't want you to have time to think it over, discuss it with someone who might suggest you become suspicious, or check him or his proposal out with a regulatory agency. Besides, he may not plan on remaining in town very long.

Confidence

Swindlers sound confident about the money you are going to make so that you will become confident enough to let go of your savings. Their message is that they are doing you a favor by offering the investment opportunity. A swindler may even threaten (pleasantly or otherwise) to end the discussion by suggesting that if you are not really interested there are many other people who will be. Once you protest that you are interested, he figures your savings are practically in his pocket.

Although you can't necessarily spot a con man by the way he talks, most are strong-willed, articulate individuals who will dominate the conversation. The more they talk, the less chance you have to ask questions.

Specific Investment Swindles and How They Worked

There's a saying among swindlers that it's not the scam that counts, it's the sell. Judging from the number of arcane and often outlandish schemes that have been employed to separate otherwise prudent people from their money, the saying would seem to reflect reality. The evidence is that if people can be made believers, they can be sold practically anything. Here are just two of the ways in which hustlers of phony investments have won the confidence of persons whom they planned to victimize.

The Old-Fashioned Ponzi Scheme

It's become one of the oldest and most often employed investment schemes because it's proven to be one of the most lucrative. While there are innumerable variations, here is how a person we will call Frank C. practiced it. At the outset, Frank approached a relatively small number of influential persons in the community and offered them the opportunity to invest—with a guaranteed high return—in a computer-generated program of arbitrage in foreign currency fluctuations. To be sure, it sounded high tech and sophisticated but Frank had his eye on sophisticated and well-heeled victims.

Within a short period of time, he approached and sold the scheme to still other investors—then promptly used a portion of the money invested by these persons to pay large profits to the original group of investors. As word spread of Frank's genius for making money and paying profits, even more would-be investors anxiously put up even larger sums of money. Some of it was used to recycle the fictitious profit payments and, like a pebble in the water, the word of fast and fabulous re-

wards produced an ever-widening circle of eager investors. And more money poured in.

And Frank C. left town a wealthy man.

The Infallible Forecaster

Jim L. had a full-time job in the daytime, but with assets that consisted only of a phone, patience and an easy way of talking he managed to parlay a nighttime sideline into an ill-gotten fortune. The routine went like this.

Jim would phone someone we'll call Mrs. Smith and quickly assure her that, "No", he didn't want her to invest a single cent. "Never invest with someone you don't know," he preached. But he said he would like to demonstrate his firm's "research skill" by sharing with her the forecast that such-and-such a commodity was about to experience a significant price increase. Sure enough, the price soon went up.

A second phone call didn't solicit an investment either. Jim simply wanted to share with Mrs. Smith a prediction that the price of such-and-such a commodity was about to go down. "Our forecasts will help you decide whether ours is the kind of firm you might someday want to invest with," he added. As predicted, the price of the commodity subsequently declined.

By the time Mrs. Smith received the third call, she was a believer. She not only wanted to invest but insisted on it—with a big enough investment to make up for the opportunities she had already missed out on.

What Mrs. Smith had no way of knowing was that Jim had begun with a calling list of 200 persons. In the first call, he told 100 that the price of such-and-such a commodity would go up and the other 100 were told it would go

down. When it went up, he made a second call to the 100 who had been given the “correct forecast.” Of these, 50 were told the next price move would be up and 50 were told it would be down.

The end result: Once the predicted price decline occurred, Jim had a list of 50 persons eager to invest. After all, how could they go wrong with someone so obviously infallible in forecasting prices?

But go wrong they did, the moment they decided to send Jim a half million dollars from their collective savings accounts.

16 Questions That Can Turn Off an Investment Swindler

The first line of defense against investment fraud is your inalienable right to ask questions and—until you get the right answers—to say “no.” And mean no. Not surprisingly, this is usually an investment swindler’s first point of attack. To keep you from asking questions, he asks them! Invariably, the questions have “yes” answers, such as “You would at least be interested in hearing about such a fantastic investment opportunity, wouldn’t you?” or, “You would like to make a large amount of money in a short period of time with little or no risk, right?”

One difference between a reputable investment firm and a swindler is that reputable firms encourage you to ask questions, to obtain as much information as possible, to clearly understand the risks involved, and to be entirely comfortable with any investment decision you make. The only thing a swindler wants is your money. These are some of the questions that swindlers don’t like to hear:

1. Where did you get my name?

If the response is that you were chosen from a “select list of intelligent and prudent investors,” that select list may be the telephone directory, or a purchased list of persons who’ve bought certain types of books, subscribed to particular magazines, or responded to newspaper ads. If you have made ill-advised investments in the past, you can be pretty sure your name is on someone’s alumni list. It’s the list swindlers prize most: Easy preys who are eager to recoup (but are doomed to repeat) their earlier losses.

2. What risks are involved in the proposed investment?

Except for obligations of the U.S. Treasury, which are considered risk-free, all investments involve some degree of risk. And some invest-

ments, by their nature, involve greater risks than others. Keep in mind that if the salesman had knowledge of a sure-thing, big-profit investment opportunity, he wouldn't be on the phone talking with you.

3. Can you send me a written explanation of your investment so I can consider it at my leisure?

For someone peddling fraudulent investments, that can be a double turn-off. For one thing, most crooks are reluctant to put anything in writing that might cause them to run afoul of postal authorities or provide material that, at some point, might become evidence in a fraud trial. Secondly, swindlers don't want you to do anything at your leisure. They want your money now.

It's a good rule of thumb that any investment which "absolutely has to be made immediately" shouldn't be made at all.

4. Would you mind explaining your investment proposal to some third party, such as my attorney, accountant, investment advisor or banker?

If the answer goes something along the lines of "normally, I'd be glad to, but there isn't time for that," or if the salesman snaps back by asking "can't you make your own investment decisions," these are virtually certain clues that your final answer should be an emphatic "no."

5. Can you give me the names of your firm's principals and officers?

Although some persons who establish and operate dishonest firms change their own names as often as they change their firms' names, even the hint that you are the kind of investor who checks into things like that can be a fast turn-off for a swindler.

6. Can you provide references?

Not just another list of other investors who supposedly became fabulously wealthy (the

names you get may be the salesman's boss or someone sitting at the next phone), but reputable and reliable recommendations such as a bank or well-known brokerage firm that you can easily contact.

7. Do you have any documents such as a prospectus or risk disclosure statement that you can provide?

This may not be available in connection with all types of investments but in many investment areas—such as securities, futures and options trading—it's required. And there can be requirements that you be provided with this information and acknowledge in writing that you have read and understood it. Obviously, it's not the sort of information a swindler is likely to distribute.

8. Are the investments you are offering traded on a regulated exchange, such as a securities or futures exchange?

Some bona fide investments are and some aren't, but fraudulent investments *never* are. Exchanges have strict rules designed to assure fair dealing and competitive price determination. There are also mechanisms to provide for rule enforcement and to impose severe sanctions against those who fail to observe the rules.

9. What governmental or industry regulatory supervision is your firm subject to?

If the salesman rattles off a list that ranges from the FBI to the Boy Scouts, tell him you'd like to check the firm's good standing before making an important investment decision. Then verify the response. Few things discourage a swindler faster than the thought that his first visitor the next morning may be from a regulatory agency.

If, on the other hand, you are told his particular area of investment isn't subject to regulation (perhaps because everyone in *his* business is an ethical, upstanding citizen), take that ex-

planation for whatever you think it's worth. At the very least, keep in mind that any ongoing supervision which isn't being provided by a regulatory organization or agency will have to be provided to you.

10. How long has your company been in business?

In any kind of business activity, there can be advantages to dealing with a known, established company. This isn't to say that new businesses aren't starting up all the time or that the vast majority aren't perfectly reputable. But if you find yourself talking with someone who doesn't seem to have a past, it can be worthwhile to find out why. Many swindlers have been running scams for years but understandably aren't anxious to talk about it.

11. What has your track record been?

Before you accept a salesman's assurance that he can make money for you, you have the right to know what his performance has been in making money for others. And ask to have the information (if there is any) in writing. Boasting over the phone is one thing; putting it down on paper is quite another. In any case, even if you are able to obtain a documented performance record, don't lose sight of the fact that past performance in itself provides no assurance of future performance.

12. When and where can I meet with you or with another representative of your firm?

Chances are a crooked operator—particularly if he is operating out of a telephone boiler-room—isn't going to take the time to visit with you and even more certainly doesn't want you to see his place of business.

13. Where, exactly, will my money be? And what type of regular accounting statements do you provide?

In many investment areas, such as futures trading, firms are required to maintain their

customers' funds in segregated accounts at all times. Any mingling of investors' funds with those of the firm or its principals is prohibited. You might also want to find out what, if any, routine outside audits the firm's account records are subject to.

14. How much of my money would go for commissions, management fees and the like?

And ask whether there will be other costs such as interest or storage charges, or whether the investment agreement involves any type of profit sharing arrangement in which the firms' principals participate. Insist on specific answers, not glib and evasive responses such as "that's not important" or "what's really important is how much money you are going to make." And, again, get it in writing, just as you would any other type of contract.

15. How can I liquidate (i.e., sell the item I'd be investing in) if and when I decide I want my money?

If you find that the investment is illiquid, or there would be substantial costs if liquidated, or that you are unable to get straight and solid answers, these are all things to consider in deciding whether you want to invest.

16. If disputes should arise, how can they be resolved?

Short of having to go to court to sue someone, does the company or regulatory organization provide a mechanism for resolving disputes equitably and inexpensively through arbitration, mediation, or a reparations procedure? Aside from seeking important information, you may be able to detect whether the salesperson is uncomfortable or impatient with this line of questioning. Swindlers generally will be.

Before You Invest — Investigate

Asking some or even all of the questions just suggested isn't likely to produce straight answers from a crooked investment promoter but, as indicated, the very fact that you are asking such questions can be a turn-off. Bear in mind, however, that no matter how persistently or skillfully you pose the questions, experienced con men are at least equally skilled in evading them, in providing downright dishonest answers, and in refocusing the conversation on your "tremendous profit opportunity."

Bear in mind also that, while separating you from your money is the swindler's primary goal, the very last thing he wants you to do is check him out. That could cause you not to invest or, worse still, alert regulators that someone they know well has set up shop in a new area or is running a new scam.

For this reason, most con men deliberately make themselves difficult to investigate: By tailoring their schemes to operate in regulatory cracks where federal or national regulatory organizations may lack clear-cut jurisdiction; by operating in states or communities where authorities are known to be short-staffed or occupied with more pressing criminal activities; by changing their names or modus operandi; by stressing the urgency of the investment so you won't have time to investigate; and by targeting victims who may not know how or where to check them out.

While there is no way to know for certain whether a particular investment will make money or lose money, there is one thing you can be certain of: Any money you hand over to an investment swindler is lost the moment you part with it. The question is, how do you check out someone who is offering what sounds like an irresistible investment offer? Here are some of the ways:

Find out whether the local police department or Better Business Bureau has complaints on file.

If so, you can make your investment decision accordingly. But be aware that the absence of local complaints doesn't necessarily mean a firm or individual is on the up-and-up. It may simply mean that investors haven't yet become aware that they've been bilked. Or it may mean you will have the distinction of becoming the first victim in town. It could also mean that other victims have been too embarrassed to report their losses. Regrettably, that's not uncommon.

Make a phone call to the financial editor of your local newspaper.

Although newspapers don't give endorsements or make investment recommendations, they may be aware of a swindler who is working a scam in the area—and may even have published a warning article that you happened to miss. Then too, if readers are being pitched with suspicious-sounding investment offers, that's something an investigative reporter might want to look into.

If the investment offer isn't local, don't be reluctant to make a long distance phone call or two.

It could be that the police, Better Business Bureau or newspaper in the community where the offer is coming from will be able to provide information. Again, however, even the absence of such complaints doesn't necessarily mean the firm is legitimate. Some swindlers—particularly telephone boiler-room operators—try to maintain a low profile in their local areas. That lessens the likelihood of their coming to the attention of local authorities; it prevents prospects from dropping by to see their operations; and it makes it more difficult for out-of-towners to

discover what they are up to.

Check to see if your city or state has a consumer protection agency.

Many do. If so, there may be information there about the person or firm that's offering the investment you are interested in. In any case, the agency should be able to provide names, addresses and phone numbers of other places you can check.

If you're not sure what agency to call, a good place to start is the National Fraud Information Center (NFIC), a service provided by the National Consumers League. The NFIC accepts reports about attempts to defraud consumers on the telephone or the Internet. When you call the NFIC's toll-free number (800-876-7060), a trained counselor will ask you some questions and direct you to the appropriate agency for more information.

Contact regulators.

The majority of individuals and companies offering investments to the public are subject to some sort of regulation—and may be subject to multiple regulation. Those which trade in futures contracts and options on futures contracts are regulated by the Commodity Futures Trading Commission, a federal agency, and by National Futures Association (NFA), an industrywide self-regulatory organization authorized by Congress. NFA maintains a database of futures-related disciplinary information which investors can access by calling the Disciplinary Information Access Line at 800-676-4NFA. You also can conduct background checks by accessing NFA's online Background Affiliation Information Center (BASIC) or NFA's web site www.nfa.futures.org.

In the securities and securities options business, the federal regulatory agency is the Securities and Exchange Commission. There is also an industry self-regulatory organization, the National Association of Securities Dealers

Regulation (NASDR). NASDR operates a Public Disclosure Program which investors can access by calling 800-289-9999 or by visiting their web site (www.nasdr.com).

By contacting the appropriate regulatory organization, you can generally find out whether the firm or person is properly registered to engage in that type of business and whether any public disciplinary actions have been taken against them.

Write or phone law enforcement agencies.

Whether or not a person or firm is subject to the scrutiny of a regulatory organization, the fact is that fraud is against the law in every state of the nation. And if it involves interstate commerce—including the use of the mails or phone lines—federal criminal statutes apply. If an investment sounds suspicious, check with the appropriate agency. They may be able to furnish information or conduct an investigation of their own. The following are some you could contact:

The office of the local public prosecutor, the state attorney general, and the state securities administrator. Someone in the location courthouse should be able to give you names, addresses and phone numbers.

If the mails are used in promoting or operating a phony investment scheme, federal Postal Inspectors want to know about it. The postmaster in your community can put you in touch with them. Fraud involving any form of interstate commerce is also of interest to the Federal Bureau of Investigation. The nearest office should be listed in your phone directory.

Sure it can take some time, effort and possibly expense to check out an investment proposal thoroughly, but if you have any doubt about whether it's worth the trouble, talk with people who didn't and wish they had!

Finally, Don't Lose Touch with Your Money

The need to exercise good financial sense doesn't stop once you've decided to invest. It's important to continuously monitor your investments and to be alert for any telltale signs that things aren't quite the way they should be. The person who sold you the investment, for example, may suddenly become inaccessible—continuously tied up on the telephone or unwilling to return your calls, busy with clients, or out-of-town on important business matters. Or various documents or accounting statements you were promised don't arrive. Or information you do receive is vague or different than what you had been led to expect. Or money that was supposed to have been paid to you isn't received, and instead of checks you get excuses.

If you become suspicious of an investment you've made—and if you are unable to totally resolve your concerns, the best thing you can do is try to get out of it as quickly as possible. That means demanding your money back, accompanied, if necessary, by threats to contact authorities.

You might or might not get it. The best you can hope for, if indeed there's fraud involved, is that the swindler may decide to refund your money rather than risk having you blow the whistle while he is still on the prowl for new investors. If that happens, consider yourself more fortunate than most.

Be aware, if you decide to try and get a refund, that the person who was smooth-talking enough to get your money in the first place will unleash all his skills to persuade you to leave it with him. No doubt, he will have some answer for all of your concerns, as well as some explanation for all apparent irregulari-

ties. And, no doubt you will be told that backing out now would be anything from contractually illegal to a terrible financial mistake. Swindlers figure that every once in a while some of their more fidgety investors simply have to be reconvinced. He may tell you that you are so close to making really big money, or the investment now looks even more profitable than originally expected.

Believe him at your own peril.

If you do insist on a refund of your investment, insist on it immediately. Ask to pick it up yourself, or offer to pay the cost of having it sent by overnight mail or wired directly to your bank. Don't settle for "it will take a week or two" or "the check is in the mail." As everyone knows, checks seem to be lost more often than any other type of mail!

If you don't get your investment back (and chances are you won't), or even if you do and still suspect a swindle, report it promptly to the appropriate authorities and regulatory officials. They may be able to conduct an investigation and, if called for, seek legal action to impound whatever funds the firm still has.

Bottom line, the unfortunate reality is that very few victims of investment fraud ever again see a cent of their money. It's also a reality that the business of swindling will continue to flourish as long as unwary investors provide prey for unscrupulous promoters. Hopefully, the information in this booklet—if heeded—will help to assure that a swindler's next fortune won't be made at the expense of your misfortune.

For More Information

These are some of the government agencies and business organizations that register, regulate, investigate or monitor companies or individuals who offer investment opportunities. If you have questions about a company or an individual, or wish to make a complaint, contact one or more of these offices, as appropriate. When you seek information, understand that the absence of complaints filed with governmental and private agencies does not mean that a company or an investment is necessarily sound.

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