

Covid-19

Tips to Avoid Investment Scams



The Covid-19 pandemic has created an environment where scammers can exploit fear, social isolation and uncertainty. Consumers need to be aware of con artists looking to profit from the nationwide pandemic.

Here are some common Covid-19 financial scams to watch out for:

Fraudulent stock promotions and market manipulation – Be careful of investing in companies especially in micro-cap or penny stocks, be skeptical of claims that the products or services of such companies can prevent, detect, or treat Covid-19 or help to solve issues resulting from the current pandemic.

Be aware of stock promotions, including online and through unsolicited phone calls, making claims that the products and/or services offered by these companies, will dramatically increase the value of the stock of these companies.

Rumors on social media may hype these stocks' claims that may emphasize that converting operations to Covid-19 related support, legislative stimulus packages and other related industries that supposedly benefit from the current pandemic. Investors can lose all of their money based on investing because of inaccurate or unreliable information.

Pump and Dump Schemes – In a pump and dump scam, fraudsters usually spread false or misleading information to create a buying frenzy that will push or “pump” up the price of a stock and then “dump” shares by selling their own shares at an inflated price. The fraudsters will then stop hyping the stock, the price of the stock will fall and investors lose money. Misleading information can be spread through

social media and websites. Often it is easier to spread false information about low priced stocks.

Fraudulent unregistered offerings – Under the federal securities laws, a company may not offer or sell securities unless the transaction has been registered with the U.S. Securities & Exchange Commission (“SEC”) or an exemption from registration applies.

Many companies legitimately use unregistered offerings as a way to raise funds from investors. However, fraudsters can use these type of unregistered offerings to conduct investment schemes. Beware of high pressure sales tactics or being promised unrealistically high rates of return and the “guarantees of no risk”.

Affinity Frauds – Community-based financial frauds also known as affinity frauds, target members of identifiable groups, including people with common ties based on ethnicity, nationality, religion, sexual orientation, military service, and age. These scams exploit the trust and friendship that exist within groups.

Fraudsters may be or pretend to be, part of the group they are trying to cheat. They may enlist members of the group to pass along information about the scam. The group leaders may not realize the investment is actually a fraud, which could mean they are also the victims.

continued

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Bogus Certificates of Deposit (“CDs”)

Offering High Returns – During times of economic turbulence and market volatility, many investors seek safe investments, which are less subject to risk and price fluctuation. There may be fraudulent promoting of phony CDs through internet advertising and “spoofed” websites. Spoofed websites may use URL addresses similar to those of legitimate firm websites or legitimate sounding names or URLs.

Investors should be aware amongst other things, if high rates of interest are offered with no penalties for early withdrawals, promotion of only CDs, require high minimum deposits, direct investors to accounts abroad, or claim that deposits are FDIC-insured and claim clearing partners are registered with the SEC.

Many of these scammers will try to use these tactics to get your money and attention:

A friendly voice – today many people are in social isolation. A friendly voice reaching out by phone or a friendly message through social media can make people more willing to believe their lies through being showered with compliments and the seeming bonds of friendship.

Sources that are Official Sounding – scammers may falsely identify themselves as being from the IRS or the Centers for Disease Control and Prevention. They may make up or misquote advice from experts.

Providing Help in Desperate Times – scammers will try to get people to help by discussing ways to help others through fake charities, or helping grandchildren or others marooned away from home. News around such matters as job losses and travel restrictions can make scammers stories seem more plausible.

Public Anxiety – Many people have fear around the risk of catching the virus, stock market volatility which create uncertainty. This can make them more vulnerable to invest in get rich quick schemes, fake work-at-home offers, bogus investment schemes and ways to buy fake masks, hand sanitizer, coronavirus tests and fake remedies.

You Have to Act Now – Con artists will pressure you to make fast decisions citing scarce resources or missed opportunities. Scammers know that this will encourage people who are fearful or stressed to make impulsive decisions.

Ways that consumers can protect themselves:

- **Take care on sharing personal and financial information.** Hang up on unsolicited offers or callers you do not recognize through call ID.
- **End suspicious online friendships.** Do not trust strangers or anyone you do not know asking for your personal or financial information.
- **Stay in Touch with Real Friends and Family.** These people can be sounding boards on unusual offers and help you stay in touch with how much social isolation and distancing is affecting your mental and physical health.
- **Do Your Homework** – investigate and verify if someone claims they are from the IRS or a bank.

Protecting Investors is our Priority



**New Jersey Office of the Attorney General
Bureau of Securities**

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