

HOW TO PROTECT YOURSELF FROM FRAUD

Even experienced, diligent investors are susceptible to fraud. It can be hard to objectively analyze claims from financial advisors or firms when you're wrapped up in the excitement of an investment opportunity. To protect yourself or others close to you, it's essential to know the common tactics fraudsters employ. Use this checklist to help verify that the people you're working with and the products they're offering are in your best interest.

RECOGNIZE COMMON FRAUD TACTICS

- **Cold calling.** Someone you don't know calls or emails you about investment opportunities.
- **Online targeting.** You start seeing ads or posts in social media for investment opportunities from people or organizations you don't know.
- **Pressure and urgency.** You are urged to act right away because the offer is good for a limited time or available in a limited quantity.
- **Noting special status.** You were selected to be part of a special or elite group to receive the opportunity.
- **Offering favors.** You are promised a gift or favor, such as a special deal, in return for investing.
- **Promising huge returns.** You are promised or guaranteed unrealistically large gains with little or no risk.
- **Confusing jargon.** The investment sounds complicated and is not clearly explained. Questions aren't answered.
- **Selling credibility.** Superficial signs of success—such as titles, special recognitions, awards, and even expensive clothes, cars, and lifestyle—are used to persuade you.
- **Touting third-party endorsements.** Claims that a lot of famous people or people you know are investing in the opportunity, hoping to build trust by illustrating all the other people involved.

WHAT TO CHECK

- **Verify qualifications.** Ask what state and federal agencies regulate a financial professional's activities, and confirm the individual or firm is registered.
- **Registration status.** Most financial professionals and firms must be registered or licensed to conduct business. Visit cftc.gov/check for links and information about conducting registration checks on many financial professionals, firms, and products, including the National Futures Association's (NFA) BASIC search tool (nfa.futures.org/basicnet/) to make sure the broker or advisor is registered with the CFTC.

- **Disciplinary history.** If the person or firm is registered, review customer complaints, regulatory actions, and other infractions. You can also verify current employers and work histories.

The law requires people or firms that help you make commodity futures or options trades be registered with the CFTC and the NFA. Registration indicates that individuals have passed thorough background checks and meet certain proficiency requirements. Registered firms must meet financial and customer protection requirements.

Be cautious of unregistered firms or individuals when participating in products or markets that historically have seen a large number of fraud complaints, including commodity pools, precious metals, binary options, foreign exchange (forex), or digital currencies. Keep in mind that if you lose money to fraud or other bad practices, you are less likely to be protected if you do business with entities that are not registered with the CFTC.

IF YOU CHOOSE TO PROCEED, GET EVERYTHING IN WRITING

- **Request written materials.** Legitimate firms will not hesitate to provide thorough written information and required risk disclosures:
 - **Performance history.** Be sure to distinguish between actual history and “simulated results,” which must be disclosed if used.
 - **Risks.** These include general risks inherent to the type of instruments the firm sells, such as futures or options, and risks specific to the goals and objectives you’re trying to achieve.
 - **Conflicts of interest.** Some financial professionals work for firms that have ownership interest in other companies involved in financial transactions.
 - **Office location.** The full address of the firm’s headquarters office.
- **Get details on fees and commissions.** Verify whether financial professionals charge flat fees for their time or charge fees and commissions on the trades you make. Fees and commissions should be clear upfront and provided in writing.
- **Ask what recourse you have if you’re not satisfied.** Get any warranty or refund provision in writing.
- **Get a second opinion.** Before committing any money or supplying any personal or payment information, talk the investment over with your attorney, trusted financial advisor, or another trusted friend or family member.

IF YOU SUSPECT FRAUD OR HAVE BEEN VICTIMIZED BY FRAUD:

Visit: cftc.gov/complaint • **Email:** consumers@cftc.gov • **Call:** 866-366-2382

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