

NEWS RELEASE | **FOR IMMEDIATE RELEASE** | April 13, 2020

COVID-19-RELATED INVESTMENT SCHEMES ANTICIPATED: State Securities Regulators Outline Fraud Expectations, Provide Investor Protection Guidance

Bismarck ND – Amid the ongoing COVID-19 pandemic, securities regulators continue to urge investors to be on guard against an anticipated surge of fraudulent investment schemes.

“Financial criminals attempt to exploit and monetize fear and uncertainty, and will try to capitalize on recent developments in the economy and prey on investors who may be concerned about volatility in the regulated securities markets,” said Karen Tyler, North Dakota Securities Commissioner. “Their products and tactics will track recent economic and social trends, promising lucrative returns to investors concerned about their investments and retirement plans. Investors must remain vigilant to protect themselves from these schemes.”

In particular, regulators warn investors to be on the lookout for investments specifically tied to the threat of COVID-19. Bad actors can be expected to develop schemes that falsely purport to raise capital for companies manufacturing surgical masks and gowns, producing ventilators and other medical equipment, distributing small-molecule drugs and other preventative pharmaceuticals, or manufacturing vaccines and miracle cures. The schemes often appear legitimate because they draw upon current news, medical reports and social and political developments.

Securities regulators also caution that scammers will seek to take advantage of concerns with the volatility in the stock market to promote “safe” investments with “guaranteed returns” including investments tied to gold, silver and other commodities; oil and gas; and real estate. Investors also can expect to see “get rich quick” schemes that tout quickly earned guaranteed returns that can be used to pay for rent, utilities or other expenses. These schemes also target retirees and senior citizens, falsely claiming they can quickly and safely recoup any losses to their retirement portfolios.

INVESTOR BEWARE: Schemes to Watch for and How to Protect Yourself

- **Private placements and off-market securities.** Scammers will take advantage of concerns with risk and volatility in the regulated securities markets to promote off-market private deals. These schemes will continue to pose a threat to investors because private securities transactions are not subject to review by federal or state regulators. Investors must continue to investigate before they invest in private offerings and independently verify representations made in the solicitation.
- **Gold, silver and other commodities.** Scammers may also take advantage of the decline in the public securities markets by selling fraudulent investments in gold, silver and other commodities that are not tied to the stock market. These assets may also be attractive because they are often promoted as “safe” or “guaranteed” as hedging against inflation and mitigating stock market risks. However, scammers may conceal hidden fees and mark-ups, and the illiquidity of the assets may prevent retail investors from selling the assets for fair market value. The bottom line is there really are no “can’t miss” opportunities.
- **Recovery schemes.** Investors should be wary of buy-low sell-high recovery schemes. For example, scammers will begin promoting investments tied to oil and gas, encouraging investors to purchase working or direct interests now so they can recognize significant gains after the price of oil recovers. Scammers will also begin selling equity at a discount, promising the value of the investments will significantly increase when oil markets strengthen. Investors need to appreciate the risks associated with any prediction of future performance and recognize that gains in the markets may not correlate with the profitability of their investments.
- **Get-rich-quick schemes.** Scammers will capitalize on the increased unemployment rate. They falsely tout their ability to quickly earn guaranteed returns that can be used to pay for rent, utilities or other expenses. They also target retirees and senior citizens, falsely claiming they can quickly and safely recoup any losses to their retirement portfolios. Remember: if it sounds too good to be true, it probably is.
- **Replacement and swap schemes.** Investors should be wary of any unlicensed person encouraging them to liquidate their investments and use the proceeds to invest in what are promoted as more stable, more profitable products. Investors may pay considerable fees when liquidating the investments, and the new products often fail to provide the promised stability or profitability. Advisors may need to be registered with securities regulators before promoting these transactions and legally required to disclose hidden fees, mark-ups and other costs.

- **Real estate schemes.** Real estate investments may prove appealing because the real estate market has been strong and low interest rates have increased demand. Scammers often promote these schemes as safe and secure, claiming real estate can be sold and the proceeds can be used to cover other losses. However, real estate investments present unique risks, and changes to the economy and the real estate market may negatively impact the performance of the products.

HOW TO PROTECT YOURSELF: Securities regulators provide the following guidance to help investors avoid fraud.

- **Ask questions and research the investment and person offering it.** Investors should always ask if the salesperson and the investment itself are properly licensed or registered. This information can be confirmed by state and federal securities regulators. Contact the North Dakota Securities Department at ndsecurities@nd.gov, or visit their Website at ND.gov/securities. Investors also can check the [SEC's Investment Adviser Public Disclosure](#) database or [FINRA's BrokerCheck](#). Avoid doing business with anyone who is not properly licensed and registered.
- **Don't fall for phishing scams.** Phishing scams may be perpetrated by foreign or domestic parties claiming an association with the Centers for Disease Control and Prevention or the World Health Organization, or by individuals claiming to offer novel or expert medical advice or services. Con artists offering "opportunities" in research and development are scamming you. They may even be perpetrated by persons impersonating government personnel, spoofing their email addresses and encouraging their targets to click links or access malicious attachments. These emails may look real and sound legitimate, but any unsolicited emails that have attachments and web links can point to dangerous websites and malicious attachments that can steal information from your computer, lock it up for ransom, or steal your identity. Don't do it.
- **There are no miracle cures.** Scientists and medical professionals have yet to develop a vaccine or means to cure COVID-19. Not surprisingly, the vaccines being sold by purported online pharmacies are not real. You should not send money or make payments over the phone to anyone claiming they can prevent COVID-19, have a vaccine or other preventive medicine.
- **Avoid fraudulent charity schemes.** White-collar criminals may pose as charities soliciting money for those affected by COVID-19. Before donating, you should independently verify any charity that is raising money for the sick or securing donations to help uninsured persons pay for medical treatment. You should also avoid online

solicitations for cash and gift cards, as these schemes have become a popular way for scammers to steal money. If you want to donate to a cause, work with a legitimate, established organization.

- **Be wary of schemes tied to government assistance or economic relief.** The federal government will be sending payments to the public as part of an economic stimulus effort. It will not, however, require the prepayment of fees, taxes on the income, the advance payment of a processing fee or any other type of charge, or ask for verification of personal information through an email. Anyone who demands prepayment will almost certainly steal your money. And don't give out or verify any personal information either. Government officials already have your information. No federal or state government agency will call or email you and ask for personal information.

Additional Resources and Guidance

Investors must remain vigilant and protect themselves from new schemes tied to COVID-19 and recent economic developments. The North Dakota Securities Department urges investors to stay clear of anything sounding too good to be true, such as guarantees of high returns with no risk, and to question solicitors about their licenses and registrations. Investors should also contact the Department with questions about any investment opportunity or the person offering it before investing in the product. For more information, visit the Department website at ND.gov/securities.

#####

For More Information Contact:

North Dakota Securities Department
Kelly Mathias | 701-328-2910 | kmathias@nd.gov

Doug Burgum, Governor

Karen Tyler, Commissioner

North Dakota Securities Department

State Capitol | 600 E. Boulevard Ave., 5th Floor | Bismarck, ND 58505

PHONE: (701) 328-2910 | E-MAIL: ndsecurities@nd.gov

ND.gov/securities