

ALABAMA SECURITIES COMMISSION

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INVESTOR ALERT - Understanding high-risk investments

What you don't know CAN hurt you!

As our state's and the country's economy slowly improves, Alabama citizens could still be at risk for losing their hard-earned money to high-risk investment products that guarantee or promote unrealistically high rates of return with little or no exposure to loss. The **Alabama Securities Commission (ASC)** receives numerous inquiries about exotic-sounding, high-yield investment "opportunities" that, in many cases, are revealed to be unregistered investments touted by unlicensed individuals who employ vague or unrealistic trading strategies. And, with the rapid evolution and marketing potential of social media and the internet, investors may be lured by the illusion that most such opportunities are legitimate. The ASC alerts Alabama investors about two current, high-profile, high-risk investment opportunities that have the potential to seriously compromise their personal financial assets if not investigated thoroughly and carefully.

BITCOIN issues

Virtual or digital currencies, such as Bitcoin, have recently become popular as an alternative to cash or traditional lines of credit. Bitcoin and numerous other "crypto-currencies," may be traded on online exchanges for conventional currencies, including the U.S. dollar, or used to purchase goods and services, usually online. Unlike traditional currencies, virtual currencies' value can fluctuate radically according to user demand. In some cases, investors who trade on virtual currency exchanges have experienced trouble redeeming the digital currency or in cashing-out. The potential for fraudsters to use crypto-currencies to perpetrate financial scams is enticing due to the currencies not being issued by a governmental authority or financial institution, and having less regulatory oversight than transactions in conventional currencies. "The increasing prevalence of Bitcoin and other digital currencies has provided a fertile environment for financial criminals to make money on the increasing popularity and acceptance of these products," said ASC Director, Joseph Borg. "The value of Bitcoin and other crypto-currencies can be highly volatile and investors should be aware that investments that incorporate ambiguous money systems can lead to very real risks, including the potential to lose one's money!"

Iraqi Dinar issues

The Iraqi dinar "investment opportunity" is a scam that has existed for more than a decade and has regained some of its former popularity. As with many foreign exchange currency trading frauds, the dinar investment opportunity is often pitched as a "can't miss" method by which the interested investor can profit from a severely undervalued Iraqi currency that is "certain" to appreciate in value in just a short time. Fraudsters engaging in the dinar scam promise that extravagant profits can be realized if the investor buys the dinar at today's values, typically 1,000 or more dinars to one U.S. dollar. The investor then exchanges the dinars for dollars at a later date, once the dinar exchange rate has improved.

ASC Director Borg cautions that foreign exchange currency trading is very risky for main street investors. "Often, promoters of foreign exchange currency trading schemes, such as those involving the Iraqi dinar, lure investors with the promise of "control" over a large amount of foreign currency with a relatively small initial outlay. Fraudsters often predict inevitable increases in the currencies' value, which will supposedly lead to huge returns over a short time, with little or no downside risk." According to Borg, investors should not be fooled by

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the promise of easy money. “As with any traded commodity, investing in foreign currencies can be extremely risky and generally unsuitable for all but the most seasoned investors who can afford the high risk.”

Commodity trading platforms are subject to federal and state regulations; potential investors may contact the U.S. Commodity Futures Trading Commission (CFTC) at www.cftc.gov for more information; check registration status and disciplinary history of commodities at the National Futures Association (<http://www.nfa.futures.org/>) or call NFA at 800-676-4632; and contact the ASC at www.asc.alabama.gov or call 1-800-222-1253 to determine if an investment opportunity and the person making the offer are properly registered.

What you can do

The Alabama Securities Commission encourages all Alabama citizens to learn and incorporate sound and proven investment techniques as a means to grow and safeguard their personal financial assets:

- **Check and verify.** Before you buy, always independently verify with state and federal regulators who you are dealing with and whether the seller of the investment opportunity and the product is properly registered.
- **Exercise skepticism.** Be aware that many individuals who offer strategies for getting rich quickly make their money on the sales of their books or seminars. Ask yourself *why* they’re sharing their secrets with you instead of keeping it to themselves.
- **Beware of guarantees.** Be suspect of anyone who promises or guarantees an investment will perform a predictable way or will generate consistent or unreasonable returns.
- **Be suspect of complex strategies.** Avoid any investment opportunity that touts complex or exotic-sounding techniques to achieve unusual success. Investors should be able to clearly discern what kind of opportunity is being offered; who is offering it; how does it make money; what is required to get your money out of the investment; and what are the risks.
- **Avoid pushy salespeople and claims of urgency.** No reputable financial professional should pressure you or insist that you “act now” when considering an investment opportunity. If it is such a good deal today, it will be a good deal tomorrow—after you have had a chance to check and verify.

Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

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For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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