

ALABAMA SECURITIES COMMISSION

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What Scams Are Knocking on Your Front Door This Halloween? Turn Off the Lights on these Tricksters!

Montgomery, AL (October 28, 2022) - Goblins, ghouls and witches- oh my! You'll likely see a few of those appear at your front door this All Hallows Eve. The real danger this season is failing to spot con artists- whose costumes are not so obvious. To help protect your money, the ASC is providing information on scams so you can spot con artists in disguise.

Affinity fraud refers to investment scams that prey upon members of identifiable groups (ethnic communities, social clubs, religious groups, etc.). Often, the scammers either are (or pretend to be) members of the communities they are defrauding. Affinity fraudsters take advantage of the tight-knit, insulated nature of communities by exploiting the trust amongst members. Sometimes, fraudsters will recruit well-respected, prominent members of a community to recruit additional new members. Stay alert and use caution when approached with an investment opportunity. Scammers often disguise themselves and embellish the offer. Always ask questions! Investors are entitled to have all the information about an investment, and before making an investment, check with the ASC to make sure the product and the person selling it to you are registered.

Imposter scams are a very effective technique con artists use to disguise themselves as others. The imposters may use the identity of a grandchild in trouble, Publishers Clearing House, IRS, Social Security, and other government agencies. Government agencies will never call, text, or email you threatening messages or request payment by gift card or cryptocurrency. If the person is threatening you or promising a big reward, do not disclose any personal or financial information, hang up, and do not respond. Always verify that the information is from a legitimate source by calling the agency at the number listed on the official website. To help verify a website's legitimacy, look for a padlock symbol and "https" at the beginning of the web address.

Ponzi schemes take place when funds from new investors are used to pay off earlier investors, rather than being invested. Ponzi schemes require a constant stream of new investors to continue operating. When the stream of new funds run dry, the scheme collapses, and investors lose their money. Warning signs of potential Ponzi schemes include overly consistent returns, promises of "guaranteed" or "risk-free" investments, unregistered investments or brokers, confusing/vague business models, and difficulty withdrawing investment funds. Remember, if something sounds too good to be true, it most likely is.

Crypto investment scams have increased significantly over the last two years. Chainalysis, a block chain analytics firm, estimates that cryptocurrency scammers stole roughly \$14 billion in cryptocurrency last year. Crypto fraudsters tell tales of outrageous success stories. This makes many investors believe they can achieve wealth and success quickly. However, the cryptocurrency market has as much potential for tricks as it does for treats.

"As with all investments, the key to un-masking a cryptocurrency scam is keeping a clear mind and level head. Remember, all investments involve an element of risk. A time-tested safeguard against market downturns is diversification of assets," said Chief Deputy Director Amanda Senn. "Other good protection measures against crypto fraud include ignoring suspicious links and unprompted messages regarding cryptocurrency investments.

When considering a crypto project, be sure to research the team behind the project and understand the risks associated with cryptocurrency.”

The ASC cautions investors to thoroughly research any investment opportunity. Call the ASC at 1-800-222-1253 and ask for the registration department to check out persons offering investment opportunities, investment advice for a fee and any products they offer. Contact the ASC to report suspected fraud, inappropriate securities business practices, or to obtain consumer information. Free investor education and fraud prevention materials are available at www.asc.alabama.gov .

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For further information contact 1-800-222-1253 and ask for Public Affairs.

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