

ALABAMA SECURITIES COMMISSION
Post Office Box 304700
Montgomery, Alabama 36130-4700
Telephone: (334) 242-2984 or 1-800-222-1253 Fax: (334) 242-0240
Email: asc@asc.alabama.gov Website: www.asc.alabama.gov

CONSUMER ALERT!

Alabama Securities Commission Warns of Dangers of Lottery and Sweepstakes Scams

MONTGOMERY, ALABAMA (Apr. 11, 2012) Alabama Securities Commission Director Joseph Borg today issued a consumer alert to increase awareness about potential lotteries and sweepstakes scams being conducted via the internet, through the mail and by telephone. The investor alert is being publicized due to recent incidents and an increase in inquiries from Alabama citizens who have been contacted about participation in these illicit activities. Borg warned that international lotteries are illegal in Alabama under both federal and state laws and that anyone contacted with unsubstantiated claims of large monetary winnings should be skeptical of the too-good-to-be-true offer and cautious about giving out personal details to unknown individuals.

The Upfront Fee Lottery or Sweepstakes Scam: A citizen may be contacted by a financial con artist by email or regular U.S. mail and informed that they have won an international lottery or a sweepstakes. The consumer is asked to provide upfront fees, ostensibly to cover federal income taxes, legal fees or other expenses in order to receive the winnings. Scammers offer their intended victims options for transferring the fees. In some cases, victims are sent a bogus check appearing as a cashier's or bank check in an amount larger than the fee and are instructed to use a portion of the money to pay the fees. The victim cashes the check against their personal account and sends the requested fees via Western Union, or open an account with an unverified third-party banking institution that requires a large initial deposit to open an account. Typically, the winnings check bounces and the victim's initial deposit is lost. Some victims have traveled to various foreign countries to claim their lottery or sweepstakes prizes only to be required to pay a release fee in cash; they then receive their supposed winnings in counterfeit funds. The Alabama Securities Commission has been made aware that Alabama investors have fallen victim to an international lottery scam this year such as one Alabamian wiring over \$200,000 to a third-party entity in the U.S., and to overseas accounts in Europe and the Middle East.

The Identity Theft Lottery or Sweepstake Scam: In this scam, a financial con artist contacts consumers, typically via email, to congratulate them on winning an international lottery or sweepstakes conducted by a major corporation. The intended victim is encouraged to contact a claims agent at a provided email address. The bogus claims agent then may send a "verification" form to verify the victim's identity. Some victims are asked to supply copies of their driver's licenses or passports as proof of identity. Scammers often also ask for bank account numbers into which lottery winnings may be deposited. Director Borg said, "All citizens should guard their personal information vigorously and never offer it to a stranger, no matter how attractive the chance to win large amounts of money may seem. Once your personal information has been gathered, you could discover that money has been withdrawn from your accounts or unauthorized expenditures charged to your credit cards." According to Borg, the criminals who promote these type scams are difficult to locate once they have made off with their victims' funds. "Using the internet, thieves can send out thousands

- more -

of communications to people all over the world by using sophisticated software. The con artists never stay in one place too long in order to avoid detection, and should they get caught, victims' money is usually gone!"

Borg also cautioned that seniors may be especially vulnerable to these type of schemes as a result of a long term economic recession, the increase of medical costs and overall inflation. A number of reasons make seniors a target for scam artists which include: continued increases in the senior population; a large accumulation of wealth from saving and investing over a life time; and a generation that was taught to be friendly at all times. Borg said, "Recent studies from Baylor College of Medicine indicate that some seniors who appear to be functioning well in most life activities may have a mild cognitive dysfunction that can impede their ability to make financial decisions. This, in turn, could make them easily intimidated by fast-talking fraudsters bent on exposing them to risky financial behaviors."

Alabama consumers are strongly cautioned to avoid responding to lotteries or sweepstakes with claims that sound too good to be true. Should anyone receive communications by email, regular mail or in any manner concerning winnings from international lotteries or sweepstakes, they should immediately contact the Alabama Attorney General's Consumer Affairs Office, 1-800-392-5658 or 334-242-7334. Additionally, consumers can contact the Federal Trade Commission (FTC), to file a complaint or to request free information on consumer issues. Visit ftc.gov, or call, toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC works to prevent fraudulent, deceptive and unfair business practices and to provide information to help consumers identify, avoid and stop fraudulent consumer activity. The FTC maintains a secure online database of consumer complaints that provides an important investigative tool used by hundreds of law enforcement agencies in the U.S. and abroad.

Should consumers suspect that they or members of their family have been victimized by illegal international lotteries or sweepstakes, they should immediately contact local law enforcement to file a report and also contact their banking institutions to make them aware that possible fraud may be occurring.

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

ALABAMA SECURITIES COMMISSION

Post Office Box 304700

Montgomery, Alabama 36130-4700

Telephone: (334) 242-2984 or 1-800-222-1253 Fax: (334) 242-0240

Email: asc@asc.alabama.gov Website: www.asc.alabama.gov