Are You an Informed Investor?

Will the Real Adviser or Broker Please Stand Up?

January 2024

Scammers will go to any length to steal your money and personal information, including using technology and publicly available information to impersonate someone else. By taking information from a public database of brokers and investment advisers, a scammer could pretend to be a legitimate investment professional, earn your trust, and steal your identity or convince you to send them money. A little bit of research can prevent you from falling for their schemes.

What is an imposter scam?

An imposter scam, sometimes referred to as "spoofing," is when someone pretends to be someone else to trick their target into giving them personal information or money. These types of scams are not new but are becoming more complex as technology evolves. A simple imposter scam may involve a cold call where the imposter claims to be someone you might trust to trick you into giving them money for a "can't miss" investment. In reality, your "investment" is just paying for the scammer's lifestyle. More complex scams can use fake email addresses, websites, documents, etc., to create the appearance of legitimacy where none exists.

How imposter scams involving registered investment professionals work

Most investment advisers and brokers are required by federal, state, and provincial laws to register with regulatory authorities and provide information about their education, professional background, customer complaints, and past legal or regulatory issues.

Regulators publish this information for the public to research advisers and brokers before hiring a financial professional. The information allows investors to make informed decisions about whether any given registered professional is a good fit for their investing needs. In the United States, this information is free and available online via services called BrokerCheck and the Investment Adviser Public Disclosure (IAPD). In Canada, this information is free and available online at the National Registration Search.

Unfortunately, scammers have access to this information too. A scammer can do a registration search and find information about a well-educated professional with a sterling reputation, no customer complaints, and no regulatory issues. The scammer can then copy that professional's information and create a fake email address and website, along with forged registration documents using the real professional's name and likeness. Then the scammer will cold-call and email their targets, hoping that their fake website creates an appearance of legitimacy that tricks investors into handing over money and personal information.

What imposter scams look like

In a hypothetical scenario, Samantha Sterling has been an investment adviser and a broker for 25 years and is proud of her degree from a prestigious university, her numerous professional designations, spotless regulatory record, and the great work she has done for her advisory clients and brokerage customers.

Scooter Scamster is looking to pocket other peoples' hard-earned money by pretending to be someone else on the internet. Scooter thinks he can trick investors into sending him money by portraying himself as a real investment professional.

Scooter goes to BrokerCheck and finds Samantha Sterling's exceptionally sterling BrokerCheck and IAPD profiles and decides she's a perfect professional to impersonate. Scooter even looks up a photo of Samantha on her firm's real website and copies it. He gathers the information from her regulatory reports and her online presence and creates a fake, albeit convincing, email address, website,

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and doctored version of her BrokerCheck report. He replaces Samantha's real contact information with the fabricated email and website addresses, along with a street address he randomly chose hoping no one will notice.

Scooter sends emails to as many unsuspecting investors as he can, offering extraordinary returns on investments with absolutely zero risk. He also includes a doctored BrokerCheck report (which includes some careless spelling errors) and the stolen photo of Samantha to make the solicitations appear more legitimate.

June is an investor who receives one of Scooter's emails and is intrigued by the huge returns with no risk. Luckily, June attended an educational event put on by her securities regulator and knew that she should do some research before she gives "Samantha" any of her information or money.

June does a BrokerCheck and IAPD search to find Samantha Sterling's publicly available information and notices that some of the information doesn't match the email. June does an internet search for the address listed on the regulatory report included in the email and finds that the address is for a diner, not an investment firm. June then uses the contact information from the real BrokerCheck and IAPD reports to contact Samantha to ask if the investment from the email is real.

Samantha is shocked and informs June that she did not send the email, and must have been impersonated by a scammer. June and Samantha immediately report the scam to their securities regulator, who investigates and shuts down Scooter's fraud before it even gets off the ground. June is thankful that she paid attention in the investor education presentation that she attended, and even hires the real Samantha to help her invest for the future!

How to protect yourself from imposter scams

- Check legitimate registration sources and contact your state or provincial securities regulator to ensure you're investing with someone authorized to engage in the activity. Go to nasaa.org to find contact information for each state securities regulator.
- In the United States, use contact information available from BrokerCheck (https://brokercheck.finra.org) and IARD (www.adviserinfo.sec.gov) to independently verify the identity of someone who solicits you to provide personal information or investment funds. Make sure you're dealing with a bona fide securities professional.
- In Canada, investors can review information about investment professionals at the National Registration Search (https://info.securities-administrators.ca/nrsmobile/nrssearch.aspx) and information about disciplined persons at the Canadian Securities Administrators' Disciplined List (https://www.securities-administrators.ca/enforcement/disciplined-list).
- Look for typos, misspellings, and factual discrepancies that may appear in any investment solicitation. Does the contact information in the solicitation line up with the contact information available on BrokerCheck, the IAPD, or the Canadian National Registration Search? If not, that's a big red flag.
- Do independent research instead of trusting the information in the solicitation. June found out that the address from the solicitation was for a diner, not an investment firm. It could also have been a post office box, generic office building, or something less obvious than a diner. Reach out to the firm using the verified information from the real regulatory filing that you find independently.
- Remember: If something seems too good to be true, it probably is.

SCAMMERS CAN CREATE CONVINCING FACADES TO IMPERSONATE REAL PROFESSIONALS. DO INDEPENDENT RESEARCH TO MAKE SURE THAT YOU KNOW WITH WHOM YOU ARE DEALING.

The bottom line

Scammers can create convincing facades to impersonate real professionals. Do independent research to make sure that you know with whom you are dealing. Contact your state and provincial securities regulator if you have questions about the legitimacy of a purported securities professional. These agencies can provide information about whether your investment professional is registered to buy or sell securities or offer investment advice, and whether they have any regulatory actions or other disciplinary events in their past.

To learn more, contact the
Alabama Securities Commission
445 Dexter Avenue, Montgomery, AL 36104
ww.asc.alabama.gov | 1-800-222-1253