



Department of Business Regulation

Securities Division

1511 Pontiac Avenue, Bldg. 69-2

Cranston, Rhode Island 02920

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The Department of Business Regulation Securities Division Announces Top Investor Threats for 2021

In recognition of Consumer Protection Week in the United States, the State of Rhode Island's Department of Business Regulation (DBR) reminds investors to be on the lookout for investment schemes pitched through the internet and social media, particularly those involving precious metals, cryptocurrencies, promissory notes, and foreign exchange markets.

Schemes related to these products were identified as the top threats facing investors this year in a survey conducted by the North American Securities Administrators Association (NASAA), of which DBR is a member. The survey includes responses of enforcement officials from state and provincial securities regulators throughout the U.S., Canada, and Mexico.

The survey found internet- or social media-based frauds as the top threat to investors. Ranked second are cryptocurrency-related and precious metals-based investments, especially those purchased through self-directed individual retirement accounts, which lack the services and protection of traditional IRAs and can be fertile soil for scammers. Foreign exchange-related schemes rounded out the top three threats. Particularly, enforcement officials expect to see a resurgence of high-yield foreign exchange and cryptocurrency-related schemes targeting investors disguised as membership or investment programs.

NASAA's survey also indicates that 82 percent of state and provincial securities regulators forecast a continued effort by bad actors trying to swindle investors, leveraging the fear and anxiety related to changes in both the financial market and the economy due to COVID-19 by illegally selling securities.

"Bad actors always try to leverage vulnerabilities wherever they can be found," said Donald DeFede, Associate Director of Commercial Licensing and Chief of Securities at DBR. "We expect to see an uptick in complaints from investors lured into programs offering the promise of high returns as a way to supplement income lost as a result of the pandemic."

Investment offers that sound "too good to be true" often share similar characteristics. The most indicative sign of an investment scam is an offer of guaranteed high returns with no risk. All investments carry a risk that some, or all, of the invested funds could be lost. "Anyone who says their investment offer has no risk is not being honest," Mr. DeFede said. "Investing is a long-term proposition. Get-rich schemes are built on empty promises and empty pockets."



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Mr. DeFedele recommends that investors should always ask if the salesperson and the investment itself are properly licensed or registered. This information can be easily confirmed by state and provincial securities regulators. “Working with a properly licensed investment professional affords investors certain legal protections,” he said. “Offering to sell an investment without a license is against the law.”

Before making any financial decisions, ask questions, do your homework and contact DBR’s Securities Division at 401-462-9527 for more information.

Department or agency: Department of Business Regulation — Securities Division

Online: <http://www.dbr.ri.gov/divisions/securities/>

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