PROTECT YOURSELF

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BEFORE YOU INVEST (#1)

INVESTOR'S BEST PRACTICES COMMON INVESTOR PROBLEMS AND HOW TO AVOID THEM

Listed here are the four most frequently reported problems made by investors:

- misrepresentation-untrue representations or omissions of material facts relating to the investment.
- cold-calling-unsolicited or unwanted phone calls using high-pressure, persistent tactics.
- unsuitability-an investment made by a broker that is inconsistent with the investor's investing objectives and profile.
- unauthorized trading-sale or purchase of securities without the investor's
- prior knowledge and authorization.

This page offers advice to help investors operate safely in the securities markets. For example, if you encounter any of the problems listed above or believe that you have been defrauded or treated unfairly by a broker in some other fashion, act immediately. Your first course of action is to contact the firm's branch manager and compliance department.
Arbitration or mediation may be appropriate if you are not satisfied with your broker's response or if the problem cannot be resolved to your satisfaction through the firm. And, in conjunction with arbitration and mediation, you may file a complaint at FINRA's Investor Complaint Center. It is also important to be aware of your responsibilities as investors and the regulator's role in the investor complaint process.

MISREPRESENTATION THE PROBLEM

Misrepresentation can occur when a broker purposefully makes untrue representations of material facts or omits material information. This can happen in any security in any account, but this problem is commonly found with low-priced, speculative securities because of their increased risk.

HOW PROBLEM IS DETECTED

- Investor loses money on investment.
- Investor has trouble liquidating (selling) investments.
- Investor conducts independent research (e.g., Standard & Poor's (S&P), Annual 10K and/or Quarterly 10Q Reports, Value Line, Wall Street Journal, etc.) and obtains information which contradicts statements made by the broker.
- Upon review of the prospectus, confirmations, account statements or other documents, the investor discovers information that does not coincide with representation made by the broker.

- Investor calls broker to check on status and learns about material information previously unknown.
- Ask the broker to send you information that will back up his/her representations.
- If you rely on your broker, make sure the investment meets your objectives; and make sure you understand and are comfortable with the risk, costs and liquidity of the investment. Never invest in a product you don't understand.
- Ideally, you should independently verify information by thoroughly reading a prospectus, research reports, offering materials, annual reports (10K), quarterly reports (10Q), brochures or other documentation.
- Keep contemporaneous notes of your conversations with the broker.

HIGH-PRESSURE SALES CALLS(COLD-CALLING) THE PROBLEM

High-pressure sales calls (sometimes referred to as cold-calling) occur when an investor receives unsolicited or unwanted phone calls-using high-pressure, persistent tactics soliciting the purchase of securities. This is most frequently found with low-priced, speculative securities.

HOW PROBLEM IS DETECTED

- Broker pressures investor to invest quickly to avoid missing out on a "once in a lifetime opportunity", indicates that the offer is "good today only", or makes claims that seem too good to be true.
- Investor receives frequent phone calls. Caller is badgering, insulting or claims to be an expert (has "inside information," etc.)
- Investor is subjected to the three-call system -(1) investor receives an introductory call; (2) broker calls again to touch base and to develop a comfort level with the investor; (3) call is a sales pitch or an enticement to buy.
- Investor may be asked to sell a listed or more well-known security for an obscure, broker-recommended product.

BEFORE YOU INVEST (#2)

HOW TO AVOID THIS PROBLEM IF YOU JUST WANT THEM TO STOP CALLING-

- Beware of sales pitches that make exaggerated claims about the expected profitability of a particular investment, or make specific price predictions, such as, "your money will double in six months." If it sounds too good to be true, it usually is.
- Never send money to a firm or broker that you are hearing from for the first time simply based on a telephone sales pitch. If you do so, be prepared to accept the risk of losing the entire investment.

- Meet with your broker and visit the firm, if possible. Investments are major financial undertakings and should be afforded the same degree of investigation and caution as any other major purchase you might make.
- When opening a new account, read the New Account Agreement carefully for all the terms and conditions, especially margin and credit terms. Fully understand what you are agreeing to.
- Ask for and review written material before buying.
- Make sure the broker knows and understands your financial profile and life circumstances.
- Check confirmations and account statements carefully. Look for evidence of unwanted credit or margin use.
- Take immediate action if you detect a problem. Time is critical. Contact the firm's branch manager. And, send a telegram, or registered or overnight letter to the compliance department of the firm refusing the purchase. Also, follow up with a phone call to the firm's compliance department.

UNSUITABILITY THE PROBLEM

A suitability problem can involve any security and occurs when an investment made by a broker is inconsistent with the investor's objectives and investing profile (e.g., age, financial status, long-term goals, income and net worth of the customer). For instance, the broker encourages an investor to purchase an investment that the broker wants vs. an investment that may be best suited to the investor. An example of such an investment would be a recommendation to make a significant investment in a highly speculative security to an investor with a fixed income or the need for monthly income.

HOW PROBLEM IS DETECTED

- In the course of reviewing the account, something is noticed which prompts the investor to ask more questions. This could be the inability to liquidate the investment, unexpected commissions, etc.
- Other brokers or securities and tax professionals point out suitability issues.
- Investor researches stocks, bonds, etc. through different sources which reveal that the investment does not fit the customer's investing profile.
- Investor reviews documents, such as offering memorandum, monthly statements or other sales materials which reveal that the investment does not fit the customer's investing profile.

HOW TO AVOID THIS PROBLEM

- Read and understand the terms of any new account agreement you may be asked to sign with the firm. Make an informed decision before agreeing to allow the broker to use discretion in buying or selling your investments. Also, fully understand how margin and other credit provisions work and the circumstances in which you could be asked to pay additional monies.
- Understand and agree to what is being purchased before the transaction occurs. If you can't explain it, don't buy it.

- Provide the firm with accurate information and don't inflate your net worth, income etc. Be candid about disclosing financial constraints. Doing so would help prevent running into a problem.
- Ask to review what is on file at the firm regarding your account, such as a new account form with client profiles, margin account agreement, options account agreement, discretionary account agreement, etc. You have the right to know what is on file about you, and information must accurately reflect your objectives-age, financial status, long-term goals, income, net worth, etc. These are the documents the brokerage firm's compliance staff uses to monitor broker's activities, and provide an opportunity for the firm to intervene early if any problems arise. If it gets to that point, regulators use this information as well when investigating a complaint.
- Do your homework, review prospectus material and conduct other research. Thoroughly read and retain your monthly account statements, confirmations and any other information you receive about your investment transactions.
- Be proactive, ask questions (How is this in line with my investment objectives? What is my risk of losing money on the investment? What has been the past performance of the investment? How liquid is this investment, and what are the costs of liquidating the investment and other barriers to sale?).
- Keep good records of communications with the broker. Contemporaneous notes of your conversations with the broker will help. Also, repeat your sense of the conversation to ensure you both have the same understanding. Be careful not to be the victim of miscommunication. For example, when a broker says "can I put you down for x shares" he really means can I purchase them for you.
- Can you afford to use margin or other credit? If you can, know exactly what to expect and under what conditions you may be required to pay additional funds should the price of the security drop.

BEFORE YOU INVEST (#3)

UNAUTHORIZED TRADING THE PROBLEM

Unauthorized trading involves the purchase or sale of securities in a customer's account without the customer's prior knowledge and authorization. This can occur with any security. For example, the broker may believe a transaction is in the investor's best interest but cannot or does not contact the investor, and then makes the trade anyway. Or, the broker attempts to convince the investor of the benefits to the transactions in the hopes that the investor ratifies trades after the fact. Remember, brokers generate commissions through executing transactions (sales or purchases). That is why you should pay close attention to activity in your account.

HOW PROBLEM IS DETECTED

In most cases, unauthorized trading is discovered through reading confirmations and regular account statements. This may occur when the customer receives a confirmation in the mail for an unknown trade. In many instances, these transactions involve existing assets in the account and do not require client payment. In some cases, an existing asset may be liquidated to fund the purchase of a new security.

HOW TO AVOID THIS PROBLEM

- Always repeat instructions to your broker to promote a clear mutual understanding of the transaction.
- Document (keep notes) all conversations with brokers.
- Thoroughly read and retain, in a timely fashion, your monthly account statements, confirmations and any other information you receive about your investment transactions.
- Take immediate action if you see a transaction you do not recognize. Time is critical. Reconcile any discrepancies at once. Contact the firm's branch manager. And, send a telegram, or registered or overnight letter to the compliance department of the firm refusing the purchase. Also, follow up with a phone call to the firm's compliance department. The longer the lag time, the less substance and credibility your argument has.

INVESTORS' RESPONSIBILITIES

Before you make an investment, be prepared, do your homework and don't be caught off-guard. Investigate thoroughly any potential investment before you make it, as well as the broker and securities firm that are recommending it to you. Research all materials available to you, such as a prospectus, annual report and other offering information. Get to know the firm and the individual you are dealing with. Beware of exaggerated claims and high-pressure tactics. Become better informed about investing by attending classes, seminars or checking the business reference section of your public library. If you choose to rely solely on a broker, make sure the firm has correct information regarding your financial situation and investment objectives and hat the firm and broker fully understand your limits on risk. And, if you believe you have been wronged, act quickly. It is your responsibility as an investor to seek redress for any loss. Immediately question any transaction or entry that you do not understand or did not authorize with your broker. Keep good records the better records you retain, the more successful you will be in resolving your claim.

Organize your records logically so they provide a chronology of events. Following are a list of documents that could be useful in pursuing a potential problem:

- account statements
- confirmations of transactions
- notes of discussions with your broker
- copies of correspondence
- written material (e.g., prospectus or offering materials) provided to you by the broker
- any research material you may have received from the broker Don't be timid or ashamed to complain. The securities industry needs your help so it can operate successfully.

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Note: Investor Information includes other tools and information about investor protection and education.

REGULATORS' ROLE

While the involvement of a regulator in investigating your complaint may have some effect in its resolution, it is the responsibility of the investor to initiate any formal process to recoup potential losses. Do not wait for a regulator to complete its investigation to initiate a formal process, if you deem pursuit of other avenues of redress as an appropriate action.

The fact that your investment has decreased in value or you that you may have lost money does not in itself mean that your firm or broker has engaged in misconduct. Investments in most securities involve risks. Remember, there is no guarantee that investments will always be profitable, and there is no fund to compensate customers for losses they may have suffered as a result of a particular investment.

BEFORE YOU INVEST (#4)

PROHIBITED CONDUCT

You should be aware that certain types of conduct in the securities industry are prohibited, including the following:

1. Recommending to a customer the purchase or sale of a security that is unsuitable given the customer's age, financial situation, investment objective, and investment experience. Investment in a particular type of security may be unsuitable or the amount or frequency of transactions may be excessive and therefore unsuitable for a given customer.
2. Purchasing or selling securities in a customer's account without first contacting the customer and the customer did not specifically authorize the sale or purchase, unless the broker has received from the customer written discretionary authority to effect transactions in the account or the broker was given discretion as to price and time.
3. Switching a customer from one mutual fund to another when there is no legitimate investment purpose underlying the switch.
4. Misrepresenting or failing to disclose material facts concerning an investment. Examples of information that may be considered material and that should be accurately presented to customers include: the risks of investing in a particular security; the charges or fees involved; company financial information; and technical or analytical information, such as bond ratings.
5. Removing funds or securities from a customer's account without the customer's prior authorization.

6. Charging a customer excessive markups, markdowns, or commissions on the purchase or sale of securities.
7. Guaranteeing customers that they will not lose money on a particular securities transaction, making specific price predictions, or agreeing to share in any losses in the customer's account.
8. Private securities transactions between a broker and a customer that may violate FINRA rules, particularly where such transactions are done without the knowledge and permission of the sales representative's firm.
9. Trading for a firm's account in preference to a customer by trading ahead of a customer limit order, absent a valid exception.
10. Failure by a market maker to display a customer limit order in its published quotes, absent a valid exception.
11. Failing to use reasonable diligence to see that a customer's order is executed at the best possible price, given prevailing market conditions.
12. Purchasing or selling a security while in possession of material, non-public information regarding an issuer.
13. Using any manipulative, deceptive, or other fraudulent device or contrivance to effect any transaction in, or induce the purchase or sale of, any security.

HOW TO AVOID PROBLEMS WITH YOUR BROKER

The following steps may help you avoid future problems:

1. Thoroughly read and retain your monthly account statements, confirmations and any other information you receive about your investment transactions.
2. Immediately question any transaction or entry that you do not understand or did not authorize with your broker. If you are not satisfied with your broker's response, consult with the firm's branch manager or compliance department.
3. To allege improper business conduct or to make monetary claims, you should complain promptly in writing to the management of your brokerage firm's sales office, and then directly to the firm's compliance department. Retain a copy of your letter and of all other related correspondence with the broker/dealer. If the problem cannot be resolved through the firm, other alternatives, such as mediation or arbitration, may be appropriate. A delay in pursuing your complaint for whatever reason may lessen its credibility.
4. Follow up if you do not receive a satisfactory response to your complaint.
5. Beware of sales pitches that make exaggerated claims about the expected profitability of a particular investment, or make specific price predictions, such as, "your money will double in six months," especially if dealing with a broker who is new to you. If it sounds too good to be true, it usually is.

6. Beware of any broker who pressures you to invest quickly to avoid missing out on a "once in a lifetime opportunity." Investment decisions should be made only after deliberation and thought, and with the benefit of all the relevant facts take the time to learn them. Be suspicious of any broker who uses high-pressure sales tactics.
7. Never send money to a firm or broker that you are hearing from for the first time simply based on a telephone sales pitch.
8. When investing for income and yield, whether in stocks, bonds, mutual funds, etc., make certain that you understand fully the nature of the security in which you are investing - there normally are varying market and price risks associated with each type of security.
9. Investing in lower-priced, so-called "penny stocks" is inherently risky and should be done only after a thorough investigation is made of the company and of the market for its shares. Generally, you should not engage in such speculation unless prepared to accept the risk of losing your entire investment.
10. Investing your money is a major decision, similar to the purchase of a house or an automobile. Investigate thoroughly any potential investment before you make it, as well as the broker and securities firm that are recommending it to you. To do so, you should:
    - Request a prospectus, annual report and/or research information, and read them carefully. Discuss the potential risks, rewards and consequences with your broker, certified public accountant or independent adviser before taking any action.
    - Become better informed about investing by attending classes, seminars or checking the business reference section of your public library.

PROTECT YOURSELF AVOID INVESTMENT FRAUD (#1)

FIGHTING FRAUD: SMART TIPS FOR INVESTORS

Even if you have never been subjected to an investment fraudster's sales pitch, you probably know someone who has. Following the legendary Willie Sutton principle, fraudsters tend to go "where the money is" and that means targeting older Americans who are nearing or already in retirement. Fraudsters also have in their sites the millions of Baby Boomers who have been accumulating sizeable retirement nest eggs through company and personal accounts.

The truth is we're all at risk. Anyone with any money is bound to hear from a fraudster at some point. But you can help protect your family and friends by recognizing how investment fraudsters operate and reporting suspicious sales pitches and actual scams.

THE FACE OF INVESTMENT FRAUD

Recent research has shattered the stereotype of investment fraud victims as isolated, frail, and gullible. Do you know anyone who meets the following description?

- Self-reliant when it comes to making decisions
- Optimistic
- Above average financial knowledge
- Above average income

- College educated
- Experienced a recent health or financial setback
- Open to listening to new ideas or sales pitches

If so, you know someone who fits the profile of an investment fraudster's prime target.

THE PSYCHOLOGY OF A SCAM

We've all heard the timeless admonition "If it sounds too good to be true, it probably is" great advice, but the trick is figuring out when "good" becomes "too good." There's no bright line. Investment fraudsters make their living by making sure the deals they tout appear both good and true.

They're masters of persuasion, tailoring their pitches to match the psychological profiles of their targets. They look for your Achilles heel by asking seemingly benign questions about your health, family, political views, hobbies, or prior employers. Once they know which buttons to push, they'll bombard you with a flurry of influence tactics, which can leave even the savviest person in a haze. Some of the most common tactics include:

- The "Phantom Riches" Tactic-dangling the prospect of wealth, enticing you with something you want but can't have.
- The "Source Credibility" Tactic-trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience.
- The "Social Consensus" Tactic-leading you to believe that other savvy investors have already invested.
- The "Reciprocity" Tactic-offering to do a small favor for you in return for a big favor.
- The "Scarcity" Tactic-creating a false sense of urgency by claiming limited supply.

REVERSE PSYCHOLOGY

If these tactics look familiar, it's because legitimate marketers use them, too. But one key difference is that real deals will still be there tomorrow. So always take the time to stop and think before making a decision.

Here are three key strategies you or anyone you know who fits the profile of a potential fraud target can use to help distinguish good offers from bad ones:

1. End the conversation: Practice saying "No." Simply tell a caller, "I am sorry, I am not interested. Thank you for calling. Goodbye." Or tell anyone who pressures you, "I never make investing decisions without first speaking with my ___. I will call you if I am still interested. Goodbye." Fill in the blank with whomever you choose a spouse, child, financial adviser, attorney, or accountant. Knowing your exit strategy in advance makes it easier to leave the conversation, even if the pressure starts rising.
2. Turn the tables and ask questions: A legitimate investment salesperson must be properly licensed, and his or her firm must be registered with BAPEPAM. In addition, with very few exceptions, companies must register their securities with the BAPEPAM before they can sell shares to the public. So, before you give out information about yourself, ask a few questions

first: To check out the seller, ask: Are you and your firm registered with BAPEPAM? IDX? A state securities regulator? If so, which one(s)? And then: Verify the answers. To check the background of a broker. Also, be sure to call your state securities regulator.

3. To check out the investment, ask: Is this investment registered with the IDX or with my state securities regulator? And then: call your state securities regulator to find out what they know about the company.
4. Talk to someone first: Be extremely skeptical if the salesperson says, "Don't tell anyone else about this special deal!" A legitimate seller won't ask you to keep secrets. Even if the seller and the investment are registered, it's always a good idea to discuss these sorts of decisions with family or a trusted financial professional.

AVOID INVESTMENT FRAUD (#2)

TAKE YOUR NAME OFF SOLICITATION LISTS

One easy step you can take to reduce the number of sales pitches you receive is to take your name off telemarketing and junk mail lists.

Most legitimate marketing firms will honor your request. So, if you receive a solicitation after taking the steps above, you should be all the more skeptical of the offer.

PROTECT YOUR SELF AVOIDING INVESTMENT SCAMS (#1)

TYPES OF INVESTMENT SCAMS

Investment scams can take many forms and fraudsters can turn on a dime when it comes to developing new pitches or come-ons for the latest fraud. But while the wrapper or hook might change, the most common securities frauds tend to fall into the following general schemes:

- Pyramid Schemes-where fraudsters claim that they can turn a small investment into large profits within a short period of time-but in reality participants make money solely by recruiting new participants into the program. The fraudsters behind these schemes typically go to great lengths to make their programs appear to be legitimate multi-level marketing schemes. Pyramid schemes eventually fall apart when it becomes impossible to recruit new participants, which can happen quickly as illustrated below.
  Stage Participants Notes
  Level 1 8 Each participant recruits 8 new investors
  Level 2 64 Level 2 pays off Level 1 and so on
  Level 3 512
  Level 4 4,096
  Level 5 32,768
  Level 6 262,144
  Level 7 2,097,152
  Level 8 16,777,216

Level 9 134,217,728
Level 10 1,073,741,824
More than triple the US population Level 11 8,589,934,592 More than the world's population

- Ponzi Schemes-in which a central fraudster or "hub" collects money from new investors and uses it to pay purported returns to earlier-stage investors-rather than investing or managing the money as promised. The scam is named after Charles Ponzi, a 1920s-era con criminal who persuaded thousands to invest in a complex price arbitrage scheme involving postage stamps. Like pyramid schemes, Ponzi schemes require a steady stream of incoming cash to stay afloat. But unlike pyramid schemes, investors in a Ponzi scheme typically do not have to recruit new investors to earn a share of "profits." Ponzi schemes tend to collapse when the fraudster at the hub can no longer attract new investors or when too many investors attempt to get their money out-for example, during turbulent economic times.

- Pump-and-Dump-in which a fraudster deliberately buys shares of a very low-priced stock of a small, thinly traded company and then spreads false information to drum up interest in the stock and increase its stock price. Believing they're getting a good deal on a promising stock, investors create buying demand at increasingly higher prices. The fraudster then dumps his shares at the high price and vanishes, leaving many people caught with worthless shares of stock. Pump-and-dumps traditionally were carried out by cold callers operating out of boiler rooms, or through fax or online newsletters. Now, the most common vehicles are spam emails or text messages.

- Advance Fee Fraud-which plays on an investor's hope that he or she will be able to reverse a previous investment mistake involving the purchase of a low-priced stock. The scam generally begins with an offer to pay you an enticingly high price for worthless stock in your portfolio. To take the deal, you must send a fee in advance to pay for the service. But if you do so, you never see that money or any of the money from the deal again.

- Offshore Scams-which come from another country and target U.S. investors. Offshore scams can take a variety of forms, including those listed above. Many involve "Regulation S," a rule that exempts U.S. companies from registering securities with the Securities and Exchange Commission (SEC) that are sold exclusively outside the U.S. to foreign or "offshore" investors. Fraudsters can manipulate these types of offerings by reselling Reg S stock to U.S. investors in violation of the rule. Whatever form an offshore scam takes, it can be difficult for U.S. law enforcement agencies to investigate fraud or rectify harm to investors when the fraudsters act from outside the U.S.

PSYCHOLOGY OF A SCAM

The common thread that binds these different types of fraud is the psychology behind the pitch. We've all heard the timeless admonition "If it sounds too good to be true, it probably is"which is great advice, but the trick is figuring out when "good" becomes "too good." There's no bright line.

Investment fraudsters make their living by making sure the deals they tout appear both good and true.

Some of the most common tactics include:

- The "Phantom Riches" Tactic-dangling the prospect of wealth, enticing you with something you want but can't have. "These gas wells are guaranteed to produce $6,800 a month in income."
- The "Source Credibility" Tactic-trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience. "Believe me, as a senior vice president of XYZ Firm, I would never sell an investment that doesn't produce."
- The "Social Consensus" Tactic-leading you to believe that other savvy investors have already invested. "This is how ___ got his start. I know it's a lot of money, but I'm in and so is my mom and half her church and it's worth every dime."
- The "Reciprocity" Tactic-offering to do a small favor for you in return for a big favor. "I'll give you a break on my commission if you buy now half off."
- The "Scarcity" Tactic-creating a false sense of urgency by claiming limited supply.

"There are only two units left, so I'd sign today if I were you." If these tactics look familiar, it's because legitimate marketers use them, too. However, when we are not prepared to resist them, these tactics can work subliminally. Little wonder that victims often say to regulators after they have been scammed, "I don't know what I was thinking" or "it really caught me off guard." That's why an important part of resisting these common persuasion tactics is to understand them before encountering them.

AVOIDING INVESTMENT SCAMS (#2)

RED FLAGS OF FRAUD

To stay on guard and avoid becoming drawn into a scam, look for the warning signs of investment fraud:

- Guarantees: Be suspect of anyone who guarantees that an investment will perform a certain way. All investments carry some degree of risk.
- Unregistered products: Many investment scams involve unlicensed individuals selling unregistered securities ranging from stocks, bonds, notes, hedge funds, oil or gas deals, or fictitious instruments, such as prime bank investments.
- Overly consistent returns: Any investment that consistently goes up month after month or that provides remarkably steady returns regardless of market conditions should raise suspicions, especially during turbulent times. Even the most stable investments can experience hiccups once in a while.

- Complex strategies: Avoid anyone who credits a highly complex investing technique for unusual success. Legitimate professionals should be able to explain clearly what they are doing. It is critical that you fully understand any investment you're seriously considering including what it is, what the risks are and how the investment makes money.
- Missing documentation: If someone tries to sell you a security with no documentation that is, no prospectus in the case of a stock or mutual fund, and no offering circular in the case of a bond he or she may be selling unregistered securities. The same is true of stocks without stock symbols.
- Account discrepancies: Unauthorized trades, missing funds or other problems with your account statements could be the result of a genuine error or they could indicate churning or fraud. Keep an eye on your account statements to make sure account activity is consistent with your instructions, and be sure you know who holds your assets. For instance, is the investment adviser also the custodian of your assets? Or is there an independent third-party custodian? It can be easier for fraud to occur if an adviser is also the custodian of the assets and keeper of the accounts.
- A pushy salesperson: No reputable investment professional should push you to make an immediate decision about an investment, or tell you that you've got to "act now." If someone pressures you to decide on a stock sale or purchase, steer clear. Even if no fraud is taking place, this type of
- pressuring is inappropriate.

WHO GETS VICTIMIZED?

Almost anyone who invests is a potential fraud target, though you can reduce your vulnerability if you know what to guard against. A survey by the FINRA Foundation examined how known investment fraud victims differed from non-victims. Among its key findings, the survey identified several investment fraud risk factors, including:

1. Owning high-risk investments, including penny stocks, promissory notes, futures, options or private investments in foreign currency;
2. Relying on friends, family, co-workers for advice (for example, one-third of the national sample but 70 percent of victims made an investment based primarily on advice from relative or friend);
3. Being open to new investment information (for example, three times as many victims went to a free investment seminar than the national sample);
4. Failing to check the background of an investment or broker (for example, one in eight victims failed to check whether an investment professional had a criminal background, and one in seven did not check their licensing or registration); and
5. Inability to spot persuasion tactics used by fraudsters.

HOW CAN I PROTECT MYSELF?

In addition to paying attention to the red flags of fraud and learning to spot and avoid the persuasion tactics fraudsters use, it is critical that you ask questions about investments and the people who pitch them and then verify the answers. Here's how:

• Check Out Investment Professionals-Always ask whether the promoter of an investment opportunity is licensed to sell you the investment and confirm which regulator issued that license, and if and when the license has ever been revoked or suspended. A legitimate securities salesperson must be properly licensed, and his or her firm must be registered with a state securities regulator depending on the type of business the firm conducts.

• Check Out Investments-Ask whether the investment is registered and, if so, with which regulator. Most investors will want to buy securities products that are registered with the state regulators. With very few exceptions, companies must register their securities before they can sell shares to the public.

PROTECT YOURSELF AFTER YOU INVEST

UNDERSTANDING THE BROKERAGE ACCOUNT TRANSFER PROCESS

At times, investors transfer their securities accounts between broker-dealers. While the process generally runs smoothly for the vast majority of the thousands of accounts transferred each year, there are times when delays occur and investors pose questions. In an effort to help investors better understand the account transfer process, we are issuing this educational information to provide some basic facts about the account transfer process.

HOW ARE ACCOUNTS TRANSFERRED BETWEEN BROKER-DEALERS?

Most customer accounts are transferred between broker-dealers through an automated process. Transfers involving the most common assets, for example, cash, stocks and bonds of domestic companies, and listed options.

WHAT IS INVOLVED IN THE ACCOUNT TRANSFER PROCESS?

Although automated, the account transfer process is somewhat complicated and is impacted by certain factors and regulations.

TIME FRAMES

Once the customer account information is properly matched, and the receiving firm decides to accept the account, the delivering firm will take some days to move the assets to the new firm. This is called the delivery process.

Factors that may result in additional time needed to transfer an account Generally, transfers where the delivering entity is not a broker-dealer (for example a bank, mutual fund, or credit union) will take more time. In addition, transfers of accounts requiring a custodian, like an Individual Retirement Account or a Custodial Account for a minor child, may take additional time.

WHAT CAN A CUSTOMER DO TO ENSURE THAT THE ACCOUNT TRANSFER IS SUCCESSFUL?

Prior to moving accounts from one firm to another, it is always a good idea to review and understand the transfer process. In addition, communicate with the new firm and determine

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whether any specific policies or constraints might impact the transfer of your account. For example, if you have a margin account, you should ask if the new firm will accept a margin account and, if so, what are its minimum requirements. In short, make sure the intended new firm is a good fit for you before you attempt to transfer the account.

In addition, investors can become familiar with the account transfer process by discussing it with the new firm. Ask questions, like the anticipated length of the transfer process given the specific type of account (such as cash, margin, custodial) and the assets held (such as stocks, bonds, options, limited partnership interests). Inquire about anything that may cause a delay during the account transfer process. Ask how the firm informs customers that the transfer process is complete?

Investors should also consider that buying and selling securities during the account transfer process often complicates and delays the transfer. Some firms may even "freeze" an account that is in the process of being transferred, meaning that no trades will be permitted until the transfer is complete; an important point to discuss with the firms prior to initiating the transfer. As a result, investors are best served if they avoid trading during the transfer process. For example, if ABC security is a volatile stock and you are concerned about not being able to sell your stock during the transfer process, you should consider selling ABC before entering the transfer request.