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ARKANSAS SECURITIES DEPARTMENT ANNOUNCES TOP INVESTOR THREATS FOR 2021

Little Rock, AR — The Arkansas Securities Department, in recognition of Consumer Protection Week in the United States, today reminded 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 by the North American Securities Administrators Association (NASAA), of which the Arkansas Securities Department is a member. The survey includes responses of enforcement officials with state and provincial securities regulators throughout the United States, Canada and Mexico.

The survey found fraudulent 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. In particular, enforcement officials expect to see a resurgence of high-yield foreign exchange and cryptocurrency-related schemes targeting investors this year disguised as membership or investment programs.

The NASAA survey also indicated that 82% of state and provincial securities regulators anticipate that bad actors will continue to attempt to leverage investor fear and anxiety related to changes in financial markets and the economy due to COVID-19 to illegally sell securities this year.

“Bad actors always try to leverage vulnerabilities wherever they can be found. 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,” said Securities Commissioner Eric Munson.

Investment offers that sound “too good to be true” often share similar characteristics. The most common telltale sign of an investment scam is an offer of guaranteed high returns with no risk. All investments carry the 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,” Munson said. “Investing is a long-term proposition. Get-rich schemes are built on empty promises and empty pockets.”

Commissioner Munson recommends that investors should always ask if the salesperson and the investment itself are properly licensed or registered. This information can be 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 the Arkansas Securities Department at ASDInfo@arkansas.gov or (501) 324-9260 for more information.

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