



Arkansas Securities Department

NASAA Highlights

Top Investor Threats for 2023

April 20, 2023

The North American Securities Administrators Association (NASAA) has released its annual list of top threats to retail investors. This year, the most critical threats include financial scams tied to emerging technologies, marketing tactics designed to play on emotions, and further attempts to capitalize on changes in the economy.

Regulators cited digital asset frauds (62%) as the scheme that currently presents the most danger to the public. Pig-butcher schemes (46%) were the second most-cited threat to investors. Regulators selected social media and internet schemes (41%) as the third greatest threat to retail investors. NASAA developed the list by surveying state and provincial securities regulators in the United States and Canada.

NASAA's survey of state and provincial securities regulators also shows that bad actors are attempting to capitalize on recent changes in the economy. More than 70% of responses indicated their agency was investigating or recently brought enforcement actions against malicious actors playing on fears of economic uncertainty.

"Fraudsters are continuing to leverage broad public interest in digital assets," said Andrew Hartnett, NASAA President and Deputy Commissioner of the Iowa Insurance Division.

"However, their pitches often have nothing to do with blockchain technology and instead play on fear of missing out or get rich quick schemes along with other emotions. In many cases, they are downplaying the need for due diligence and are pressuring investors to quickly part with their money."

Many of these schemes are affinity frauds that are also heavily tied to emotion. Perpetrators of pig-butcher schemes contact victims – oftentimes seemingly at random – and develop relationships before soliciting greater and greater investments. After draining the victim's bank accounts, the promoter simply disappears with the money. The name comes from the practice of fattening a pig before slaughter, and many modern pig-butcher schemes are associated with digital asset frauds.

"Pig-butcher schemes are effective because bad actors have become adept at using fear and anxiety as tools for disarming investors," said NASAA Enforcement Section Committee Co-Chair Brett Olin. "Skepticism and caution are the best defenses to pig-butcher schemes. Investors should take the time to independently investigate promoters and products before sending their funds."

Schemes using digital platforms are effective because scammers can use online communications to reach many potential victims quickly and efficiently. Although their

promotions often use slick professional imagery and professional videos to tout lucrative financial instruments, the sellers are often not registered or licensed by state regulators to deal in securities.

“State registration laws are critical to the protection of investors,” said NASAA Enforcement Section Committee Co-Chair Amanda Senn. “Registered parties must typically demonstrate their qualifications, satisfy background checks, and even open their books and records to periodic state inspection. Investors should always research the registration status of parties before purchasing investments promoted over the internet or in social media.”

Although legitimate firms sell products that may function as a hedge against inflation or that are not correlated with the stock markets, bad actors often claim to provide safety by removing all economic risk from their investments. Investors should remember that all investments bear risk.

“Remember, if something sounds too good to be true, it probably is,” said President Hartnett. “Do your research and obtain as much information as possible about potential investments, advisers, and investment adviser firms before deciding to invest your hard-earned money. Being pressured to act is a huge red flag.”

To learn more about top investor threats [visit NASAA’s Fraud Center](#) and [The Arkansas Securities Department](#) if there are any doubts regarding the legitimacy of an investment or adviser.

Investors are encouraged to contact the Arkansas Securities Department with questions about any investment opportunity or the persons offering it for sale before investing in the product. Contact 1-800-981-4429 to report suspected fraud, inappropriate securities business practices or to obtain consumer information.