

North Carolina Department of the Secretary of State

NEWS

March 31, 2020

For Immediate Release

Contact: Tim Crowley (919) 814-5342

Liz Proctor (919) 814-5341

Elaine F. Marshall

Secretary of State

NC Secretary of State Offers Tips to Avoid COVID-19 Related Investment Scams

RALEIGH – NC Secretary of State Elaine Marshall is cautioning investors that the ongoing Coronavirus pandemic will likely spark a surge of investment fraud.

“Sadly, scam artists will seek to exploit rising concerns about COVID-19 to draw people into investment traps,” Marshall said on Tuesday. “Fraudsters often use the days’ headlines in their pitches, so expect to see them prey on the fear surrounding the unfolding Coronavirus pandemic and recent economic developments to promote sham investments.”

The North American Securities Administrators Association, of which the NC Secretary of State’s Office is a member, is joining state regulators in offering tips to keep investors safe in these uncertain times.

Bad actors may develop schemes falsely purporting to raise capital for companies manufacturing surgical masks and gowns, producing ventilators, distributing small-molecule drugs and other preventative pharmaceuticals, or manufacturing vaccines and miracle cures.

Scammers also will seek to take advantage of concerns with the volatility in the securities markets to promote “safe” investments with “guaranteed returns” including investments tied to gold, silver and other commodities; oil and gas; and real estate. Investors also can expect to see schemes touting quickly earned guaranteed returns targeting seniors worried about economic disruptions and losses to their retirement portfolios.

“From guarantees of high returns without risk to promises of miracle cures, if it sounds too good to be true, it probably is,” warned Secretary Marshall. “I urge North Carolinians to follow these tips to help protect your financial and physical health as you navigate these uncertain times.”

Investors are encouraged to call the NC Investor Hotline at (800) 688-4507 or email us at secdiv@sosnc.gov before signing over their money in any investment opportunity. If you suspect an investment opportunity is fraudulent you can report it at www.sosnc.gov. You can also find a wealth of investor education material at www.sosnc.gov/divisions/securities.

Schemes to Watch for:

- **Private placements and off-market securities.** Scammers will take advantage of concerns with the regulated securities market to promote off-market private deals. These schemes pose a threat to retail investors because private securities transactions are not subject to review by federal or state regulators. Retail investors must continue to investigate before they invest in private offerings and independently verify the facts for themselves.

- **Gold, silver and other commodities.** Scammers may also take advantage of the decline in the public securities markets by selling fraudulent investments in gold, silver and other commodities not tied to the stock market. These assets are often promoted as “safe” or “guaranteed” means of hedging against inflation and mitigating systematic risks. However, scammers may conceal hidden fees and mark-ups, and the illiquidity of the assets may prevent retail investors from selling the assets for fair market value. There are no “can’t miss” opportunities.
- **Recovery schemes.** Retail investors should be wary of buy-low sell-high recovery schemes. For example, scammers will begin promoting investments tied to oil and gas, encouraging investors to purchase working or direct interests now so they can recognize significant gains after the price of oil recovers. Scammers will also begin selling equity at a discount, promising the value of the investments will significantly increase when the markets strengthen. Never lose sight of the risks associated with any prediction of future performance and remember that market gains may not correlate with the profitability of their investments.
- **Get-rich-quick schemes.** Scammers will capitalize on the increased unemployment rate with false promises of quick guaranteed returns that can be used to pay for rent, utilities or other living expenses.
- **Replacement and swap schemes.** Investors should be wary of any unlicensed person encouraging them to liquidate their investments and use the proceeds to invest in more stable, more profitable products. Investors may pay considerable fees when liquidating investments, and the new products often fail to provide the promised stability or profitability. Advisors may need to be registered before promoting these transactions and legally required to disclose hidden fees, mark-ups and other costs.
- **Real estate schemes.** Real estate investments may be appealing because the real estate market has been strong and low interest rates have increased demand. Scammers often promote these schemes as safe and secure, claiming real estate can be sold and the proceeds can be used to cover any losses. However, real estate investments present significant risks, and changes to the economy and the real estate market may negatively impact the performance of these products.

How to Protect Yourself:

The NC Secretary of State’s Securities Division offers this guidance to help investors avoid investment scams:

- **Ask before you invest.** Investors in North Carolina should call the NC Investor Hotline at (800) 688-4507 or email us at secdiv@sosnc.gov to find out if the salesperson and the investment opportunity itself are properly registered. Investors also can check the [SEC’s Investment Adviser Public Disclosure](#) database and [FINRA’s BrokerCheck](#). Avoid doing business with anyone who is not properly licensed. If you suspect fraud, please report it to us at www.sosnc.gov.
- **Don’t get hooked by a phishing scam.** Phishing scams may be perpetrated by those claiming an association with the Centers for Disease Control and Prevention, the World Health Organization, or by individuals claiming to offer medical advice or services. Watch out for con artists offering “opportunities” in research and development. These scams may even be perpetrated by people impersonating government personnel, spoofing their email addresses and encouraging victims to click links or open malicious attachments. These emails may look real and sound good, but any unsolicited emails with attachments and web links may be

directing you to dangerous websites and malicious attachments that can steal information from your computer, lock it up for ransom, or steal your identity. When in doubt, don't click.

- **There are no miracle cures.** Scientists and medical professionals have yet to discover a medical breakthrough or develop a vaccine or cure for COVID-19. Don't fall for online pharmacies claiming to offer vaccines and don't send money to anyone claiming they can prevent COVID-19, through a vaccine or other preventive medicine.
- **Avoid fraudulent charity schemes.** White-collar criminals may pose as charities soliciting money for those affected by COVID-19. Fake charities will frequently use sound alike names that mimic established charities. Rather than clicking on the links or responding to the email addresses or phone numbers provided in a text, email or social media post, do an internet search to find the charity's website and reach out to them directly. A link in an unsolicited email could send you to an impostor site. Give generously but wisely to make sure your help is going to those who need it.
- **Be wary of schemes tied to government assistance or economic relief.** The federal government may send checks to the public as part of an economic stimulus effort. It will not, however, require the prepayment of fees, taxes on the income, the advance payment of a processing fee or any other type of charge. Anyone who demands prepayment will almost certainly steal your money. And don't give out or verify any personal information. Government officials already have your information. No federal or state government agency will call you and ask for personal information.

-30-