



North Carolina

Department of the Secretary of State

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North Carolina Securities Division

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North Carolina Department of the Secretary of State

(800) 688-4507

What does the North Carolina Securities Division do?

The Securities Division is charged with regulating the offer and sale of securities in the state of North Carolina. Major responsibilities include:

- Administering and enforcing the North Carolina Securities Act, North Carolina Investment Advisers Act, and the North Carolina Commodities Act;
- Screening/registering securities offerings;
- Screening/licensing brokerage firms and representatives;
- Registering investment advisers and their representatives;
- Conducting on-site examinations of brokerage and investment adviser firms and their representatives;
- Reviewing consumer complaints;
- Protecting and educating consumers through the Division's Investor Education Program.

What does the Investor Education Program do?

The program's goal is to promote the principles of sound investing and help investors recognize and avoid scams, frauds and investor abuses.

Where can I find further information about scams, fraud and abuse?

Visit the Department of the Secretary of State Web site at: www.sosnc.gov, and "follow the links for the Securities Division." You will learn how to find out if your stockbroker or investment adviser is properly registered, the latest securities-related news, alerts and tips, and you can browse our investor education resources or order free copies of our brochures. If you need further information or would like to host an investor education workshop or seminar for your civic group or classroom, please contact the Securities Division at (800) 688-4507, or by email to secdiv@sosnc.gov. Please put "Speaker Request" in the subject line.

How can I investigate a seller of an investment product?

By law, broker-dealers and investment advisers must be registered in North Carolina to do business here. Dealing with an unregistered seller or adviser greatly increases the risk of harm to you as an investor. Also, the investments they offer to you should be registered as well. To learn whether a specific investment professional is licensed in North Carolina or has any known history of violations or complaints, call us at (919) 733-3924, or toll-free (800) 688-4507.

What do the titles and designations mean?

Financial services professionals often have impressive-sounding titles or include lots of initials after their names. While some of these titles or designations accurately reflect the person's experience, many are little more than marketing tools designed to convey the impression that the holder has more knowledge or experience than (s)he actually has. For instance, each of the following is either a generic term or job title, and could be used by people who may not possess any formal training in investments:

Financial Analyst
Financial Adviser (or Advisor)

Financial Consultant
Financial Planner

Wealth Manager
Investment Consultant

Some titles include terms like "**Certified**", "**Professional**", or "**Registered**", when, in fact, no official regulatory body has issued the designation. **Do not rely solely on a person's title or certification when making an investment decision**. Always contact the NC Securities Division (800-688-4507), the Financial Industry Regulatory Authority (FINRA, at 800-289-9999), or the Securities and Exchange Commission (SEC, at 800-732-0330) and check the registration status of both the person offering the investment and the investment itself **before** buying anything. If the person is selling insurance products, like annuities, contact the NC Department of Insurance (855-408-1212) to verify the person's insurance license. To learn what all the letters after a person's name mean, visit FINRA's Website (www.finra.org). Search for "Professional Designations".

Is there such a thing as a "free lunch"?

If you have ever received an invitation for a free meal at a nice restaurant in exchange for attending a financial seminar, you are not alone. A 2007 study by FINRA found that 78% of senior citizens received at least one such invitation, while 60% received six or more invitations during a three-year period. The study also found that one-third of the seminars reviewed contained misleading statements or outright fraud. Finally, despite assurances that "nothing would be sold" at the programs, the report found that every single program was a sales presentation, thus proving the old adage that "there is no such thing as a free lunch." While the offer of a free meal is legal, investors are warned not to buy anything or provide any personal information to anyone at such seminars until that person's registration status, credentials and business claims can be verified with the proper regulatory bodies. State securities regulators and AARP have teamed up to produce a worksheet called, "What to Listen for at Free Lunch Investment Seminars." For a free copy of the worksheet, contact the Securities Division at (800) 688-4507 or at secdiv@sosnc.com. Please put "Free Lunch Worksheet" in the subject line.

What are the warning signs of a potential investment fraud?

Financial criminals may be among the smartest people we will ever meet. The "successful" con artist is a marketing expert who understands human nature, and preys upon our fears or desires by unleashing a variety of psychological tactics against us, hoping to find the right combination that will get us to lower our natural defenses and give him what he wants – our money! The key, then, to avoid becoming an investment fraud victim is to recognize the pressure tactics and remember that **it is OK to say "NO"** to an unsolicited sales pitch! Although not complete, here are the most common psychological tactics con artists employ against their victims:

Promises of Wealth – The salesperson dangles the promise of wealth in a short period of time, often "guaranteed" with "little or no risk" involved. **Remember: All investments carry risk.**

Trappings of Success – The salesperson projects the image of success or offers testimonials, "proving" he and the offer are "legitimate." **Remember: Credibility can be faked.**

The "Lemming" Effect – The salesperson tells you that others are investing and that you should too or risk losing out on a good deal. **Remember: If everyone jumped off a cliff, would you?**

Favors – The salesperson gives you something (like a free meal or a discount) hoping you will feel obligated to give him something in return (like your money). **Remember: You have no obligation to return any business-related favor.**

Act Now – The salesperson pressures you to "act fast" because the offer will only be available "for a limited time." **Remember: Do not feel pressured to make a quick investment decision.**