Wisconsin Department of Financial Institutions

Division of Securities

Preventing Investment Fraud
Department of Financial Institutions
Division of Securities

• Tell you what we do
• Give you a briefing on some of the most current threats to Wisconsin investors and show a short DVD
• Share some suggestions on how you can protect yourself
• Close with an update on a hot topic from Washington
Wisconsin Department of Financial Institutions

Division of Securities

- Product Registration
- Professional Registration
- Enforcement
“Elder Financial Fraud”

- “A National Epidemic” DVD
- Identifying the Causes
Investment Fraud

Victim Profiles:
Who are the most vulnerable?

• Seniors
• Women
• Widowed Persons
• Those living alone
• Those who have been defrauded before
Am Mr. Sanusi, Governor Apex Bank of Nigeria (CBN). My office monitors and controls the affairs of all other banks and financial institutions in Nigeria. I am the final signatory to any transfer within banks both on local and international levels. I want to have a deal with you.

- CBN office
Affinity Fraud
Bernard Madoff Ponzi Scheme
Religious and Social Affinity Group
Affinity Fraud
Bernard Madoff Ponzi Scheme

• Madoffmap.com  Identifying the victims
Affinity Group of the Deaf

• Imperia Invest took over $7 million from more than 14,000 investors located in different parts of the world with the promise that they would earn returns of just above 1% a day.

• More than half of the money raised came from deaf investors in the US.

• Imperia solicited investors through its Web site, which stated that returns could only be accessed through a Visa credit card and purchased from Imperia for a few hundreds dollars. In fact, Imperia did not have a business tie with the credit card company.

• Investors were allegedly led to believe that their money would be used to purchase Traded Endowment Policies that involved owners selling their polices prior to maturity at a discount from face value price (but at an amount that is more than the current surrender value).

• One investor who had paid $500 in July 2007 received statements reporting that his account was valued at almost $44 million.

• Imperia allegedly tried to hide its identity by having an anonymous browser host its Web site. Payments were processed through offshore PayPal-like bank accounts in Panama, Costa Rica, and the British Islands and then funneled to accounts in New Zealand and Cyprus.
Affinity Fraud
Ken Hackbarth

Church Affinity Group

• Kenosha based church elder and owner of “Homestead Investments”.

• “There are lessons I've learned however, that can benefit others. Homestead Investments was started by Kenneth Hackbarth. I met him through his son, Mark, with whom I had become good friends. The idea was simple, give him a minimum of $30,000 for a period of at least three years and he would invest that money in real estate. You would earn 15% interest a year on your principal. One small problem, it was all a lie.”

• Hackbarth never bought any real estate but spent the money creating an impressive lifestyle.

• Over time, he took $6.3 million from 117 investors, most over the age of 60 and most fellow church members.

• He was convicted in 2003 of investment fraud and sentenced to 10 years in prison. Two investors were so financially devastated that they committed suicide.
Affinity Fraud

Summary

Ken Hackbarth victim: “First, trust no one”.

Free Lunch Seminars

• Invitations to New Stylish Restaurants
• Jane Bryant Quinn called “Free Lunch Seminars for Seniors... the Worst Deal in America”
• 100% will result in a sales pitch
• “Free Lunch Monitor” Program
Protecting Yourself from Investment Fraud

Seek information about common scams.
Stay informed.
Share the information with others.
Don’t be a “courtesy victim” Save your good manners for friends and family.
Ask tough questions and get everything in writing.
NEVER provide your credit card number, bank account, or social security number until you know that the offer is legitimate.
CALL US AT 608.266.2139 TO CHECK ON THE PRODUCT AND THE PROFESSIONAL.
Protecting Yourself From Investment Fraud

NEVER pay cash. Always pay by check and never make it out to an individual.

DON’T SIGN ANYTHING unless you have had sufficient time to review the documents.

Keep a record of all your contact with the person. Copy and file any documents that they send to you.

Don’t seek companionship from someone whose sole interest is getting their hands on your money.

CALL US AT 608.266.2139 TO CHECK ON THE PRODUCT AND THE PROFESSIONAL.
Protecting Yourself From Investment Fraud

Never make a withdrawal from your account on the request of a stranger or recent acquaintance.

Always ask for his/her license.

Always talk to your attorney or family before investing.

Compare the offer with products that are similar.

Review your bills, credit card statements, and bank statements every month.

CALL US AT 608.266.2139 TO CHECK ON THE PRODUCT AND THE PROFESSIONAL.
Protecting Yourself From Investment Fraud

Remember that there is never a reason to rush into investing.

Do not allow yourself to be pushed or pressured into a decision.

Read the fine print.

“Don’t call me, I’ll call you”.

Never buy anything that you do not fully understand.

Verify the identity of anyone claiming to be a government official or associated with a company.

CALL US AT 608.266.2139 TO CHECK ON THE PRODUCT AND THE PROFESSIONAL.
Hot Topic:
Fiduciary Duty

• What obligation does your financial adviser have when making an investment recommendation?

• Who is your financial adviser?

• SEC on January 29 released a study required by the Dodd-Frank financial reform law that looked at discrepancies in how brokers and investment advisers are regulated.

• The study called for a uniform fiduciary standard "no less stringent" than what investment advisers face to avoid conflicts of interest where they can, and disclose other conflicts in a manner that is clear for investors.
Hot Topic: Fiduciary Duty

- Investment Advisers are required to put their retail customers' best interests first.

- Brokers are only required to recommend products that are "suitable" to mom and pop investors.

- Brokers might offer certain products to investors because the brokers will make more money by selling those products - even if the products are not in an investor's best interest. The SEC study called for a uniform standard that would require brokers and advisers to live up to the same fiduciary standard: putting investors first.