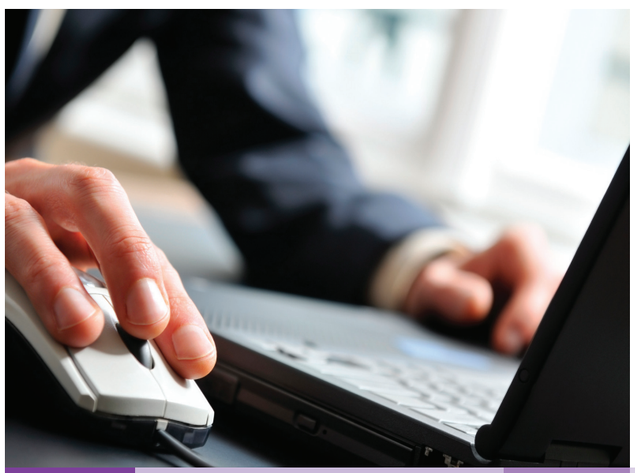
The convenience of the Internet — for staying in touch with old friends, conducting business with colleagues on the other side of the world within minutes and even monitoring and investing your hard-earned money over a mobile device — has skyrocketed within the last decade. However, just as it is important to keep your personal information safe and secure online, it's critical to make sure you keep your finances in the right hands. The laws governing investing and brokering online fall under the same state and federal statutes as investing in person or over the phone, but the anonymity of the Internet has developed an environment ripe with opportunity for scam artists to recruit you into fraudulent investments.



The Honorable Connie Lawson
Indiana Secretary of State

The Office of the Indiana Secretary of State
Securities Division

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Securities Commissioner

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Investor Education Coordinator

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INDIANA INVESTMENT WATCH

Investment Fraud Over the Internet

www.IndianaInvestmentWatch.com

KNOW WHERE TO GO

There are numerous nationally recognized brokerage firms that offer online investing options that could provide a convenient way for you to invest. No matter the opportunity, make sure the investment is in your best interests for your particular situation. With each investment tip presented online from a broker or even a friend, it's important to keep in mind the basics of smart investing:

- **No level of return on investment is "guaranteed."** This should raise an immediate red flag.
- And in general, **if it sounds too good to be true, it probably is.** Do your research and report activity to the Secretary of State's office if something doesn't seem right.
- **As with any securities brokerage, all online brokerage firms and investments must be registered and licensed,** both with the state in which the broker resides and the state in which the security is being purchased.
- **Get to know the person with whom you're dealing.** This can be more difficult because of Internet anonymity, but just as you wouldn't give your personal information and hard-earned cash to a stranger on the street, you wouldn't want to do the same with someone online. If the broker you're working with won't provide proof of license and legitimacy, walk away from the deal.

CASE EXAMPLE

In 2009, Johnson County, Ind., resident Wanda Robertson solicited investors through the website Craigslist, claiming to offer a business opportunity where individuals would be given ownership in her company, Real Estate Paper Chase, but have no control over the operations of the business. Robertson's scheme involved using investors' credit histories to apply for loans and credit cards on behalf of the business. Robertson promised to pay any debt incurred under the investor's name and provide a 4 percent return on investment. She also offered opportunities to become officers in "shelf corporations" and to then invest in real estate through these companies and make even more money.

Ultimately, Robertson used the investors' money for personal expenses. After discovering the egregious fraudulent activities, the Office of the Indiana Secretary of State conducted an investigation and charged her with nine separate felony counts in Johnson County involving violations of Indiana's Securities Act. Robertson eventually pleaded guilty to Securities Fraud and two other charges involving her failure to properly register with the Indiana Secretary of State before doing business in Indiana – all Class C felonies. In addition to her prison sentence of four years executed in prison and four years suspended, she was also ordered to repay all three victims, an amount totaling more than $170,000.

WHEN IN DOUBT, CHECK IT OUT

- **Meet with a broker in person.** If this isn't possible, at least discuss the investment opportunity at length over the phone.
- **Ask questions.** The broker should be comfortable answering them or finding the answer for you quickly. If he or she brushes off the question, that's a red flag.
- **Guard your personal information.** Don't give out your name, address or other personal data unless you have verified that the company and/or individual is legitimate.
- **Get written information — not just via e-mail, but in hard copy.** Every investment should have details in writing.
- **Investigate before you invest.** Visit www.IndianaInvestmentWatch.com to use the searchable database, or call 1.800.223.8791 to ensure that your broker is licensed and a product is registered with the Securities Division of the Office of the Indiana Secretary of State. If the broker is from another state, the Secretary of State's office can connect you with the other state securities regulators.

The laws governing online investments are no different than those of governing investing in person.

FOR MORE INFORMATION

U.S. Securities and Exchange Commission
www.investor.gov

"Nigerian E-mail Scams" and Spam E-mail
Federal Trade Commission – Computers & The Internet
ftc.gov/bcp/menus/consumer/tech.shtm
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Internet Crime Complaint Center (IC3)
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North American Securities Administrators Association (NASAA) Investing Online
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