

Survey on Anti-Fraud Messaging

Final Report



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**Report of IOSCO Committee 8 on Retail Investors:
Survey on Anti-fraud Messaging**

Table of Contents

Introduction

Executive Summary	1
Background	2
Format.....	3
1. General	
1.1 Types of fraudulent securities offerings.....	4
1.2 Common characteristics of fraudulent securities offerings	6
1.3 Characteristics of victims of investment fraud	9
2. Content of Anti-fraud Messaging	
2.1 Anti-fraud messages.....	10
2.2 Case Study: Persuasion tactics	11
2.3 Checking registration status of investment professionals	12
2.4 Checking registration status of investment products	14
3. Delivery of Anti-fraud Messaging	
3.1 Methods used to deliver anti-fraud messaging.....	15
3.2 Use of different communication channels to reach target audiences	18
3.3 Partnerships and other programs	19
3.4 Case Study: Evidence-based multimedia campaigns.....	19
3.5 Creative and innovative delivery methods	23
4. Research, Evaluation, and Effectiveness	
4.1 Goals and objectives	24
4.2 Use of complaint data	25
4.3 Evaluating effectiveness of anti-fraud strategies	26
4.4 Characteristics of effective messages	28
4.5 Characteristics of effective delivery methods.....	29
4.6 Barriers to effective fraud prevention.....	30
4.7 Surprises	31
5. Role of Anti-fraud Messaging in Investor Education and Overall Impact	32
6. Areas for Improvement	33

7. Conclusion	34
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Appendix A: Survey Questionnaire

Appendix B: Glossary

Appendix C: Research Cited

Appendix D: Acronyms and List of Website Resources for Anti-fraud Messaging

Introduction

Executive Summary

Losses from investment fraud cause severe financial and emotional harm to investors.¹ Given the magnitude of the harm, IOSCO Committee 8 on Retail Investors (C8) determined to poll its members on the strategies they use to educate individual investors about protecting themselves against investment fraud. The goal of the project is to provide information that may help IOSCO members identify methods of educating investors about investment fraud that resonate with individual investors and offer the most potential for behavior change.

The fact-finding survey presented to C8 members (Appendix A) inquired generally about a number of topics, including:

- types of fraudulent securities offerings or investment schemes in which investors had been victimized;
- common characteristics of such offerings or schemes;
- common characteristics of victims of investment fraud;
- content of anti-fraud messaging;
- communication channels used to deliver anti-fraud messages; and
- efforts to evaluate the effectiveness of anti-fraud messaging strategies.

This report summarizes the responses of the staffs of C8 members. Survey responses provided strikingly similar descriptions of the types of investment fraud prevalent in participating jurisdictions. Ponzi schemes, pyramid schemes, pump-and-dump frauds and a variety of other types of frauds were prevalent in nearly every jurisdiction, characterized by cold calls or unsolicited emails, unrealistic promised rates of return, and unregistered salespersons, entities and investment products.

¹ The Financial Fraud Research Center (FFRC), a joint project of the Financial Industry Regulatory Authority, Inc. (FINRA) Investor Education Foundation and the Stanford Center on Longevity, has estimated that losses from investment and consumer fraud in the United States total approximately \$50 billion annually. See FFRC, *Scams, Schemes & Swindles: A Research Review of Consumer Financial Fraud* (2012), online: FFRC at <http://fraudresearchcenter.org/wp-content/uploads/2012/11/Scams-Schemes-Swindles-FINAL-On-Website.pdf>. In the United Kingdom, annual losses from investment fraud are estimated at £1.2 billion. See <http://www.actionfraud.police.uk/news/financial-conduct-authority-FCA-has-launched-a-national-campaign-scamsmart-oct15>.

Losses from investment fraud are likely understated. A 2012 FINRA Investor Education Foundation study found that under-reporting of fraud is endemic. Although 11 percent of those surveyed lost money in a likely fraudulent activity, only 4 percent admitted to being a victim of fraud when asked directly—an estimated under-reporting rate of over 60 percent. See FINRA Investor Education Foundation, *Financial Fraud and Fraud Susceptibility in the United States: Research Report From a 2012 National Survey* (September 2013), at http://www.finrafoundation.org/web/groups/sai/@sai/documents/sai_original_content/p337731.pdf.

In addition to monetary losses, financial fraud victims experience non-financial costs, including severe stress, anxiety, and depression. See FINRA Investor Education Foundation, *Non-traditional Costs of Financial Fraud: Report of Survey Findings* (March 2015), at http://www.finra.org/web/groups/sai/@sai/documents/sai_original_content/p602454.pdf.

Survey responses provided research carried out in participating jurisdictions that indicates some common characteristics among victims of investment fraud. While wide ranges of individuals become victims of investment fraud, research suggests that the average fraud victim is male, middle-aged, and well-educated. These investors tend to be overconfident in their ability to make good investment decisions. Believing themselves invulnerable to investment fraud appears to make them more susceptible to being victimized. Other victims include the elderly and members of ethnic or religious affinity groups. Aging populations in most jurisdictions are increasingly targets of fraudsters who are attracted to the assets that seniors have amassed over a lifetime.

Survey responses also reflected a similarity of approach to methods of anti-fraud messaging. The content of messages and warnings to investors about fraud and how to avoid it differed very little, with most jurisdictions viewing anti-fraud messaging as broadly applicable to all demographics. Messages focused investors' attention on the characteristics of high-pressure sales tactics and the importance of checking the registration status of investment professionals and products. The vast majority of anti-fraud outreach is web-based. C8 members collaborate with other regulatory bodies and law enforcement agencies within and across jurisdictions and find collaboration helpful in leveraging resources and expanding outreach to investors.

Survey responses indicated that educational content is abundant and generally accessible. The challenge is to attract investors to the information and persuade them to internalize and act on it. Many jurisdictions reported that the use of personal stories from real-life fraud victims in TV and radio campaigns is helpful in motivating investors to learn about and act on anti-fraud messaging. Common obstacles to effective anti-fraud strategies were identified as (i) investors' belief in their invulnerability to fraudulent schemes, limiting their interest in learning about fraud, and (ii) the sophistication and technological agility of fraudsters.

Complaint data is the primary source of information used to inform anti-fraud messaging in most jurisdictions. There is limited focus on analyzing victim demographics from the data to tailor anti-fraud messaging to particular investor segments, set measurable goals and objectives, or define desired behavior change. Across jurisdictions, survey respondents are struggling to understand how to better evaluate their anti-fraud investor education programs.

Background

The primary mandate of C8 is to conduct IOSCO's policy work on retail investor education and financial literacy. C8's Strategic Framework for Investor Education and Financial Literacy (Framework) established three initial areas of focus: (a) investment knowledge and understanding; (b) financial skills and competence; and (c) program design, delivery and measurement. Within each area of focus, the Framework identified topics for possible future investor education and financial literacy initiatives. One of the topics identified within the "investment knowledge and understanding" area of focus was avoiding fraud, hence this project.²

² Strategic Framework on Investor Education and Financial Literacy (FR09/14) (October 2014), available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD462.pdf>.

The purpose of this report is to share information regarding C8 members' investor education efforts in the area of anti-fraud messaging as a way of identifying methods that may increase the impact and effectiveness of anti-fraud messaging strategies.

Format

This report presents information about the survey results in two ways. Generally following the structure of the survey questionnaire, each section begins with a short, high-level summary of survey responses, followed by excerpts from individual responses. This choice of format is intended to highlight key information, while also providing access to more detailed survey responses.

1. General

1.1 *Types of fraudulent securities offerings*

Respondents described a variety of fraudulent securities offerings or investment schemes to which investors in their jurisdictions had fallen victim.³ Many respondents indicated that Ponzi and pyramid schemes are among the most common types of investment fraud within their jurisdictions.⁴ Advance fee fraud is another common type of fraudulent securities offering.⁵ Other common types of fraudulent securities offerings noted by respondents included high-yield investment programs, pump-and-dump schemes, affinity fraud, share sale or boiler room fraud, and online scams involving binary options and foreign currency exchange.⁶

³ The focus of the survey was investment-related fraud. Scams such as lottery schemes, schemes involving coins, sweepstakes, travel, and credit card scams, as well as mis-selling by financial professionals or others, were not within the scope of the project.

⁴ A **Ponzi scheme** is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. Ponzi scheme organizers often solicit new investors by promising to invest funds in opportunities claimed to generate high returns with little or no risk. In many Ponzi schemes, the fraudsters focus on attracting new money to make promised payments to earlier-stage investors to create the false appearance that investors are profiting from a legitimate business. With little or no legitimate earnings, Ponzi schemes require a consistent flow of money from new investors to continue. Ponzi schemes tend to collapse when it becomes difficult to recruit new investors or when a large number of investors ask to cash out. See <http://www.sec.gov/answers/ponzi.htm>.

A **pyramid scheme** is an investment fraud in which participants profit almost exclusively through recruiting other people to participate in the program. Fraudsters try to make the program look like a legitimate multi-level marketing program, but, despite their claims to have legitimate products or services to sell, these fraudsters simply use money from new recruits to pay off earlier-stage investors. At some point, the schemes become too big, the promoter cannot raise enough money from new investors to pay earlier investors, and investors lose their money. See <http://www.sec.gov/answers/pyramid.htm>.

⁵ In an **advance fee fraud**, an investor is asked to pay a fee before receiving any of the proceeds, money, stock or warrants involved. The fee may be in the form of a commission, regulatory fee or tax, or other incidental expense. Advance fee frauds are similar to boiler room operations, except that advance fee frauds generally target investors who have already purchased underperforming securities, perhaps through an affiliated boiler room, offering to arrange a lucrative sale of those securities, but first requiring the payment of an “advance fee.” See <http://www.sec.gov/answers/advancefeefraud.htm>. These scams are also referred to as “reload” schemes.

⁶ **High-yield investment programs** are unregistered investments typically run by unlicensed individuals – and they are often frauds. The hallmark of a high-yield investment program scam is the promise of incredible returns at little or no risk to the investor. Some of these scams may use the term “prime bank” program. See <http://www.sec.gov/answers/highyield.htm>.

Pump-and-dump schemes involve the touting of a company’s stock (typically small, so-called microcap companies) through false and misleading statements to the marketplace. Often promoters will claim to have inside information about an impending development or use an “infallible” combination of economic and stock market data to pick stocks. In reality, they may be company insiders or paid promoters who stand to gain by selling their shares after the stock price is “pumped” up by the buying frenzy they create. Once the fraudsters “dump” their shares and stop hyping the stock, the price typically falls, and investors lose their money. See <http://www.sec.gov/answers/pumpedump.htm>.

In Nigeria, Ponzi schemes and high-yield investment programs (termed “wonder banks”) are rampant. In Australia, in addition to other fraudulent schemes, investors have been targeted by fraudulent off-market transfer offers, where they are cold-called and invited to buy listed shares at a discount because the purported seller urgently needs to sell to meet a commitment. The purchaser transfers the funds to the fraudster, but the securities are never delivered. In Sweden, a fraudster may contact an investor under the guise of trying to buy old unlisted shares of U.S. companies, but requires the investor to pay a fee in advance to receive the proceeds of the sale of the securities. Fraudulent offerings in Japan and South Africa frequently involve unlisted stocks or collective investment schemes.

In the United States, free meal seminars are sometimes used to defraud retail investors. Investors are invited to free seminars that promise to educate them about investing strategies or managing money in retirement—often with an expensive meal provided at no cost. Sales materials, including the invitations and advertisements for the events, appear legitimate, yet often contain claims that are exaggerated, misleading or otherwise unwarranted. Some of the seminars are completely fraudulent, and range from unfounded projections of returns to sales of fictitious products.

Affinity fraud involves either a fake investment or an investment where the fraudster lies about important details such as the risk of loss, the track record of the investment, or the background of the promoter of the scheme. Many affinity frauds are Ponzi or pyramid schemes. In an affinity fraud, fraudsters are (or pretend to be) members of the group they are trying to defraud. The group could be a religious group, such as a particular denomination or church, an ethnic group, an immigrant community or a racial minority. In some cases, members of a particular occupation are targeted – even the military. At its core, affinity fraud exploits the trust and friendship that exist in groups of people with something in common. See <http://investor.gov/Stopping-Affinity-Fraud-In-Your-Community>.

Share fraud and **boiler room fraud**, prevalent in the United Kingdom, involve bogus stockbrokers, usually based overseas, cold calling people to pressure them into buying shares that promise high returns, but are, in reality, either worthless or non-existent. Individuals are usually contacted out of the blue by a professional-sounding stockbroker who offers them investment opportunities that seem too good to be true. They are often promised free research reports, special discounts and ‘secret’ stock tips. The fraudsters may provide false share certificates and other documents to make the investments appear legitimate, but they quickly disappear once they obtain investor funds. See <http://www.actionfraud.police.uk/fraud-az-boiler-room-fraud>.

Respondents have received complaints of fraud associated with websites that offer an opportunity to buy or trade **binary options** through internet-based trading platforms. A binary option is a type of options contract in which the payout depends entirely on the outcome of a yes/no proposition and typically relates to whether the price of a particular asset will rise above or fall below a specified amount. Once the option is acquired, there is no further decision for the holder to make regarding the exercise of the binary option because binary options exercise automatically. Unlike other types of options, a binary option does not give the holder the right to buy or sell the specified asset. When the binary option expires, the option holder receives either a pre-determined amount of cash or nothing at all. See http://www.investor.gov/glossary/glossary_terms/binary-options.

Respondents have brought actions alleging fraud in cases involving **foreign currency exchange (forex)** investment programs and have alerted investors to beware of get-rich-quick investment schemes that promise significant returns with minimal risk through forex trading. A foreign currency exchange rate is a price that represents how much it costs to buy the currency of one country using the currency of another country. Currency traders buy and sell currencies through forex transactions based on how they expect currency exchange rates will fluctuate. When the value of one currency rises relative to another, traders will earn profits if they purchased the appreciating currency, or suffer losses if they sold the appreciating currency. See http://www.investor.gov/glossary/glossary_terms/foreign-currency-exchange.

Selected Illustrative Responses

“A common type of fraudulent securities offering is the boiler room scam, which affects investors both in and outside Hong Kong.” (Hong Kong SFC)

“The main types of investment fraud experienced in Jersey are share scams (predominantly false offerings) and Ponzi frauds from bogus domestic and overseas investment firms.” (Jersey FSC)

“Common fraud schemes include: (1) exempt securities scams⁷; (2) foreign exchange scams; (3) scams promising to unlock locked-in retirement accounts⁸; (4) affinity fraud; (5) Ponzi schemes; (6) pump-and-dump schemes; and (7) advance fee schemes.” (Ontario OSC)

“The ‘theatrical’ type is a typical fraudulent scheme. For example, two or more fraudsters talk to an investor during the fraudulent solicitation. The first fraudster approaches the investor to ask if he/she happens to own certain unlisted stocks and, if not, the fraudster suggests that he/she buy the stocks at a high price. The second fraudster acts as if he/she is a staff member at an official agency to deceive the investor into believing that the investment opportunity is real. Finally, the con artists offer to sell the stocks to the investor at a higher price, which induces the investor to go back and buy stocks from the first fraudster.” (Japan FSA and JSDA)

1.2 Common characteristics of fraudulent securities offerings

Survey responses indicated that the characteristics of fraudulent securities offerings are similar across jurisdictions. Nearly all respondents reported that fraudulent securities offerings typically begin with an unsolicited phone call or email, followed by a variety of high-pressure sales or persuasion tactics, including:

- **phantom riches:** the promise of unrealistic or unattainable wealth;

⁷ Although exempt securities are not scams, fraudsters often pitch fraudulent investments as “exempt” securities. In Ontario, a company conducting a public offering must file a prospectus with securities regulators unless an exemption from registration is available. Exempt securities may be sold without a prospectus, but purchasers are limited to accredited investors and others. See <http://www.getsmarteraboutmoney.ca/en/managing-your-money/investing/investor-protection/Pages/Seven-common-investment-scams.aspx>.

⁸ In Ontario and other jurisdictions, including the United Kingdom, pension scams target people with retirement savings in a locked-in retirement account (LIRA). In most cases, money cannot be withdrawn from these accounts until the investor reaches retirement age, there are usually limits to how much money individuals can withdraw each year, and withdrawals can cause tax liabilities. Pension scams are often promoted in newspaper ads as a special loan that permits individuals to tap into their locked-in funds while evading tax laws. To get the loan, individuals have to sell the investments in their LIRAs and use the proceeds to buy shares of the promoter’s start-up company. Too often the investment is worthless, and individuals are left with no or reduced assets and owing taxes. <http://www.getsmarteraboutmoney.ca/en/managing-your-money/investing/investor-protection/Pages/Seven-common-investment-scams.aspx>.

- **source credibility:** pretending to be an expert or from a legitimate business;
- **social consensus:** the illusion that other members of one's community are also investing;
- **reciprocity:** offering to do a small favor in return for a big favor; and
- **scarcity:** creating a false sense of urgency by claiming limited supply or availability.

The graphic below summarizes common persuasion tactics that C8 members identified.



Source: FINRA Investor Education Foundation

Many respondents noted that unrealistically high investment returns are a common characteristic of fraudulent offerings. US FINRA also noted that investment returns that remain the same, regardless of market conditions, are another typical feature of investment fraud.

Respondents also indicated that unregistered salespeople and products frequently play a central role in fraudulent securities offerings. Many investment scams involve unlicensed individuals selling unregistered securities—ranging from stocks, bonds,

notes, hedge fund interests, oil or gas deal interests, to fictitious instruments such as prime bank scheme interests.⁹

Respondents noted the increasing prevalence of government impersonator scams. Fraudsters set up phony “regulator” websites, use fake identities, and send professional-looking letters, emails, and text messages to investors. They often falsely claim to be based in international financial centers. In Hong Kong, for example, perpetrators operate virtual offices through corporate service providers, but are located elsewhere. After being deposited in the perpetrators’ bank accounts in Hong Kong, the fraud victims’ money is immediately transferred out of the country. By contrast, Spain CNMV noted that fraudsters located in Spain solicit investors outside the country. This is also true in the United States, where most complaints about advance fee fraud are submitted by non-U.S. investors.¹⁰

Respondents cited scams that target particular groups, such as the elderly, previous fraud victims, and religious and ethnic affinity groups. ASIC noted that in Australia fraudsters often targeted a particular group or community because of its susceptibility to influence arising from age, limited language proficiency, low educational attainment, low income, remoteness from urban centers, and/or cultural background.

Selected Illustrative Responses

“The vast majority of investment scams begin with a cold call and/or unsolicited emails.” (Jersey FSC)

“Many of the securities frauds that target retail investors are perpetrated by unregistered persons.” (US SEC)

“Very often largely unknown penny stocks are being pushed, which often produce an investment story about new technologies or exploration of commodities. Usually extremely high returns are promised which have no serious or reputable fundamental basis.” (Germany BaFin)

“The tactics used by fraudulent actors include many common themes: (1) guaranteed returns; (2) stronger than average returns; (3) limited time for the offer; (4) limited availability of the offer; (5) special insights unavailable to the public at large; and (6) high pressure sales tactics. The nature of the relationship between the perpetrator and victim is often relatively familiar and built on earned trust.” (US CFTC)

“We found that financial frauds are often offered to seniors and affinity groups or membership. A specific region is sometimes targeted/affected.” (Quebec AMF)

“Testimonials [used to promote the scam] play on human emotions and greed, with the same pattern: that the person is very happy with the investment and wants you to

⁹ Promoters of **prime bank investment programs** often claim that investors’ funds will be used to buy and trade supposed prime bank instruments, and that investors will receive guaranteed, high investment returns with little or no risk. All prime bank investment programs are fraudulent. See http://www.investor.gov/glossary/glossary_terms/prime-bank-investment-program.

¹⁰ Advance fee fraud is the top category of complaints submitted annually to the US SEC’s Office of Investor Education and Advocacy. See <https://www.sec.gov/news/data.htm>.

invest as soon as possible, that investing with them will change your life, that their friends and family are also enjoying the benefits of the investment.” (Malaysia SC)

“The most important characteristic is the promise of high gain. Nevertheless, in cases of fraudulent securities offerings, promises of high gain without any interest income or profit share for the customers who are opposed to interest income, mainly on religious grounds, are also offered. In addition, the alleged warranty to buy back the capital market instruments often influences investors.” (Turkey CMB).

1.3 Characteristics of victims of investment fraud

Some respondents have conducted research examining the characteristics of investment fraud victims. Collectively, this research indicates that victims of investment fraud are more likely to be male, middle-aged, married, and well-educated than non-victims, generally challenging the stereotype of investment fraud victims as isolated, frail, and gullible individuals. A FINRA Investor Education Foundation campaign launched in 2008 was based on research showing that victims of investment fraud are more typically men between the ages of 55 and 65 who demonstrate above-average financial literacy, have obtained a college education, and are self-reliant in their decision-making.¹¹

The Australian Crime Commission also identified a number of characteristics shared by victims of investment fraud. Most likely victims include middle-aged to older people; male; small business owners; self-funded retirees; individuals who have previously made investments in other companies; people who are on shareholder registers; and/or socially isolated individuals.¹² In the UK, men represent less than 50 percent of the UK’s population, but constitute almost 70 percent of the victims of investment fraud.¹³ In Japan, JSDA research shows that approximately 83 percent of individuals who contacted a JSDA call center for certain scams were 60 years or older, with 20 percent of whom were living alone and many were living in big cities.¹⁴

¹¹ The research, which was prepared for Wise Senior Services and the NASD Investor Education Foundation (predecessor to the FINRA Investor Education Foundation), also indicated that investment fraud victims tend to be more optimistic and more open to listening to new ideas or sales pitches than non-victims. See Consumer Fraud Research Group, *Investor Fraud Study Final Report* (2006), online: FINRA Investor Education Foundation at <http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p118422.pdf>.

¹² See Australian Crime Commission, *Serious and Organized Investment Frauds Fact Sheet* (July 2013), online: Australian Crime Commission at <https://www.crimecommission.gov.au/publications/intelligence-products/crime-profile-fact-sheets/serious-and-organised-investment-frauds>.

¹³ See Financial Conduct Authority, *A Quantitative Analysis of Victims of Investment Crime* (October 2014), online: Financial Conduct Authority at <http://www.fca.org.uk/your-fca/documents/research/quantitative-analysis-of-victims-of-investment-crime>.

¹⁴ See http://www.jsda.or.jp/sonaeru/inv_alerts/alearts01/mikoukai/files/150317_mikoukai.pdf (status report on consultations received at JSDA’s call center dedicated to unlisted securities investment scam – February 2015).

2. Content of Anti-fraud Messaging

2.1 *Anti-fraud messages*

Some jurisdictions communicate several anti-fraud messages or a combination of messages, while others communicate fewer. The content of the messaging across jurisdictions is, however, largely consistent. Survey respondents were generally of the view that anti-fraud messaging is applicable to all demographics. Few jurisdictions customize anti-fraud messages for particular target audiences, although many stated that the elderly might receive slightly different messages in a more senior-friendly format such as large font.

Anti-fraud messages are typically factually based, aimed at helping investors identify and protect themselves from investment fraud. The principal messages are as follows:

- Deal only with registered or licensed salespeople and financial firms;
- Verify the registration status of a salesperson and his or her firm before investing;
- Be aware of persuasion tactics;
- Check with regulators before you invest;
- Get information about investments in writing;
- Research and shop around before you invest;
- Keep copies of records and communications and monitor your investments for potential problems;
- Be suspicious of unsolicited correspondence or pitches (emails, faxes, phone calls, etc.);
- Do not invest in an opportunity that you do not understand;
- If it sounds too good to be true, it probably is too good to be true; and
- Report suspected or known incidents of fraud to a regulator.

Selected Illustrative Responses

“Always deal with an authorized financial services provider. Contact the FSB if unsure.” (South Africa FSB)

“Our primary anti-fraud messages have been ‘protect your money’ and ‘check before you invest.’ This is based on an ongoing campaign to get investors to check with their regulatory authorities to ensure that their investment professional is registered and if they have a disciplinary history against them. This is done as part of our OSC in the Community

outreach and in conjunction with the Canadian Securities Administrators in a nationwide effort.” (Ontario OSC)¹⁵

“As a general rule, the AMF advises investors to apply the following rules before making any investment: No matter the sales pitch, you should never forget that there is no such thing as an investment offering high yields at no risk.” (France AMF)

“ASIC’s MoneySmart website warns people, among other things, to watch out for investment offers that promise high, quick returns with ‘no risk’, or inside information and discounts for early bird investors, and reminds people that if an offer sounds too good to be true, it probably is.” (Australia ASIC)

2.2 Case Study: Persuasion tactics

Given the difficulty of anticipating ever-changing fraudulent schemes, some respondents emphasize the importance of educating investors about fraudsters’ use of persuasion tactics and the red flags of fraudulent offerings. Armed with this information, investors may become more skeptical of fraudsters’ pitches before they turn over their money.¹⁶ The Outsmarting Investment Fraud program developed by US FINRA’s Investor Education Foundation is an example of proactive training on persuasion tactics.

The program is based on research from July 2006 that identified the sophisticated and highly effective influence tactics that fraudsters use to carry out investment scams. In 2008, the FINRA Foundation launched the Investor Protection Campaign that, among other things, sought to protect investors especially those over the age of 55 from investment fraud by helping them recognize their vulnerability to financial fraud, to identify persuasion tactics and to take simple steps to reduce risky behaviors.¹⁷ The centerpiece of

¹⁵ In Canada, the OSC (Ontario) and AMF (Quebec), in conjunction with the Canadian Securities Administrators, run a nationwide “Are They Registered?” campaign. See: <http://www.securities-administrators.ca/investortools.aspx?id=1128>.

¹⁶ In Australia, ASIC noted that it is “preferable that people recognize and learn to avoid scams or fraudulent schemes than attempt to recover losses after the fact.”

¹⁷ In 2012, a FINRA Investor Education Foundation study revealed that over 80 percent of respondents have been solicited to participate in potentially fraudulent schemes, and over 40 percent of those surveyed cannot identify some classic red flags of fraud.

Specific findings included:

- More than 8 in 10 respondents were solicited to participate in a potentially fraudulent offer. And 11 percent of all respondents lost a significant amount of money after engaging with an offer.
- More than 4 in 10 respondents found an annual return of 110 percent for an investment appealing, and 43 percent found “fully guaranteed” investments to be appealing.
- Americans age 65 and older are more likely to be targeted by fraudsters and more likely to lose money once targeted.

The study also found that con artists are adept at using a variety of tactics to get their hands on consumers’ money. The survey found that 64 percent of those surveyed had been invited to an “educational” investment meeting that was likely a sales pitch. Additionally, 67 percent of respondents said they had received an email from another country offering a large amount of money in exchange for an initial deposit or fee. See Applied Research and Consulting, *Financial Fraud and Fraud Susceptibility in the United States: Research Report From a 2012 National Survey* (September 2013), online: FINRA Investor Education Foundation at

the program is a field-tested persuasion resistance curriculum developed in consultation with experts in psychology, marketing, and fraud. Designed to be flexible (half-hour and hour-long versions are available), the curriculum features a moderated presentation with video clips and hands-on learning activities that covers some of the most common tactics employed by fraudsters, including phantom riches, source credibility, social consensus, reciprocity, and scarcity.

The program covers the steps investors can take to avoid fraud and separate fraudulent offers from legitimate opportunities. It teaches investors the questions to ask about any investment they are considering and the individuals who tout it—and shows them where to turn to independently verify the answers they receive.¹⁸

The Outsmarting Investment Fraud curriculum has been field-tested twice using treatment and control groups—first to determine the extent to which the workshops reduced susceptibility to fraudulent sales pitches, and then to assess both impact and persistence over time. In each instance, investors who had participated in one of the persuasion resistance workshops prior to being pitched on a new investment opportunity were significantly less likely to agree to receive materials about the deal compared with a control group (who had not yet been exposed to the campaign’s messaging).

2.3 *Checking registration status of investment professionals*

Nearly all jurisdictions stress the importance of checking the registration status of the person soliciting an investor before investing. Persons who are registered with a broker-dealer, investment adviser, or other regulated entity are subject to a comprehensive regulatory and supervisory regime that may reduce the likelihood of such persons participating in a fraudulent offering.

Most jurisdictions have public databases containing information on the registration, employment, and disciplinary status of investment professionals. Some databases also contain information on the types of investment products a particular investment professional is authorized to sell. Other jurisdictions maintain lists of individuals or entities who have been the subject of disciplinary proceedings or customer complaints. The databases and lists can be accessed from regulators’ websites. Many respondents also offer access through a toll-free telephone number, mobile app, or social media. Ontario OSC has an annual media campaign directed to promoting the importance of checking the registration of dealers and advisers.

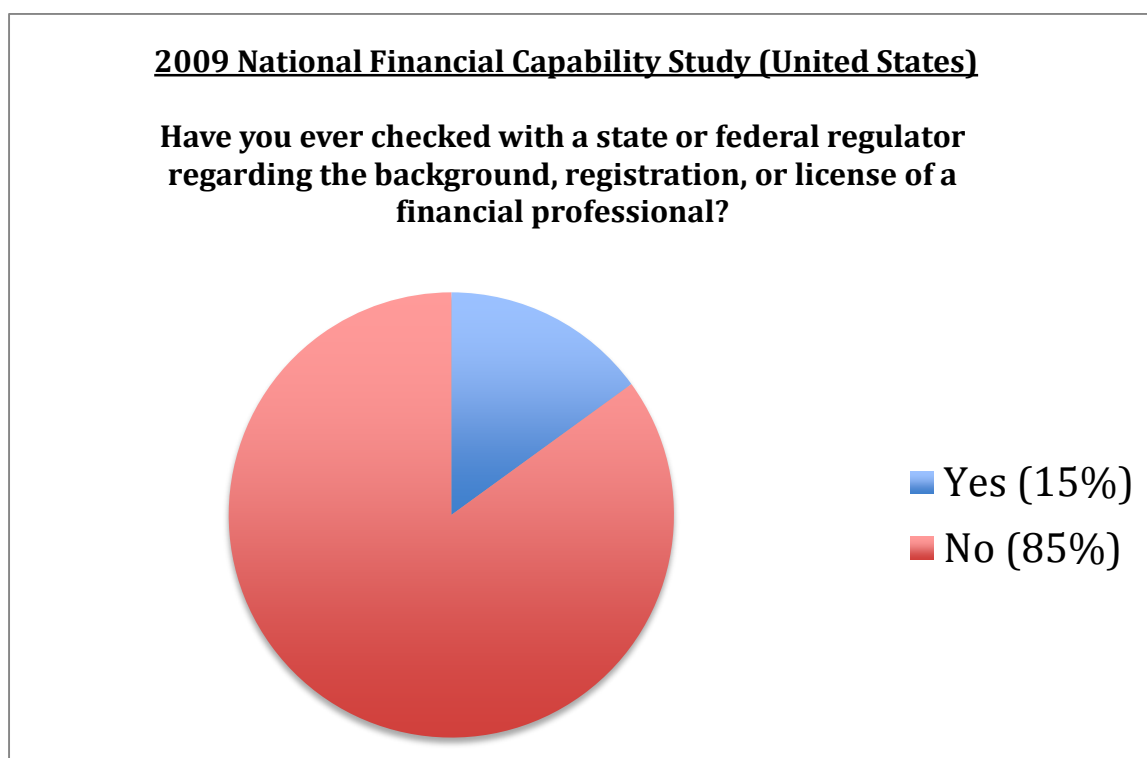
In the United States, the SEC maintains a database for investment advisers and FINRA maintains a database for broker-dealers and their registered representatives. Since most U.S. financial services providers are registered as both broker-dealers and investment advisers, the SEC and FINRA have upgraded their databases to cross-reference registration information for dually registered persons. Previously, investors had to know whether their

http://www.finrafoundation.org/web/groups/sai/@sai/documents/sai_original_content/p337731.pdf.

¹⁸ US FINRA produced an hour-long documentary, *Trick\$ of the Trade: Outsmarting Investment Fraud*, modeled after the Outsmarting Investment Fraud curriculum. A trailer for the documentary is available at <http://www.saveandinvest.org/protectyourmoney/p124313>.

investment professional was a broker or an investment adviser to access the correct database. Given investor confusion in the United States whether their investment professional is a broker or an adviser, the cross-referencing of information has made it easier for investors to check registration.¹⁹

Notwithstanding the emphasis that many jurisdictions place on the importance of checking the registration and background of investment professionals, the percentage of investors who actually perform the check is very low. As shown below, the 2009 National Financial Capability Study found that only approximately 15 percent of investors have checked a U.S. federal or state database.²⁰



Selected Illustrative Responses

“We have published and listed useful information to the public on our licensed intermediaries. The search function enables members of the public to ascertain whether they are dealing with certain persons licensed with the SC to deal in matters relating to securities.” (Malaysia SC)

¹⁹ Study and Recommendations on Improved Investor Access to Registration information about Investment Advisers and Broker-Dealers pursuant to Section 919(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (January 2011), available at <http://www.sec.gov/news/studies/2011/919bstudy.pdf>.

²⁰ See FINRA Investor Education Foundation, *Financial Capability in the United States: Initial Report of Research Findings from the 2009 National Survey – A Component of the National Financial Capability Study* (December 2009), online National Financial Capability Study at http://www.usfinancialcapability.org/downloads/NFCS_2009_Natl_Full_Report.pdf.

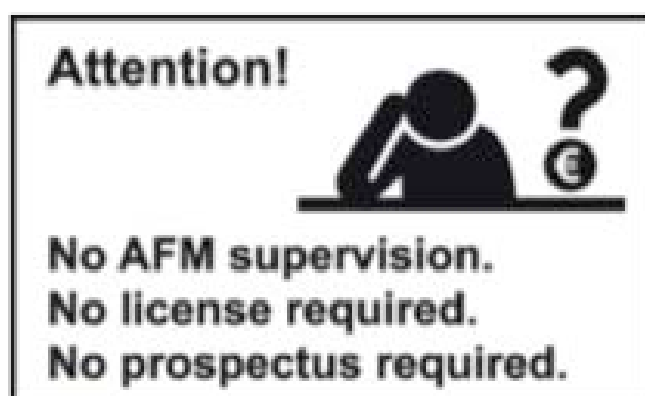
“Registered advisers of financial professionals database is available on AMIB’s website. On this website the investors can easily see the certification and authorization status of any financial professional as well as their professional records.” (Mexico CNBV)

“Investors can check the registration status and contact information of registered financial institutions on the FSA website. The JSDA also operates a call center (toll free services) for consultations on unlisted stock frauds and other fraudulent activities and encourages callers to confirm brokers’ registration status. In addition, the FSA publishes a list of unregistered broker-dealers which conduct financial instruments business without required registration and to which the FSA or Local Finance Bureau has issued a warning letter.” (Japan FSA and JSDA)

2.4 Checking the registration status of investment products

Many jurisdictions encourage investors to verify whether the investment product they are considering purchasing is registered, and nearly every jurisdiction has a public database of corporate securities filings. Some jurisdictions noted that since information on exempt offerings does not appear in government databases of corporate filings, investors might be misled at not finding information on such offerings.

In the Netherlands, the AFM requires prospectuses to be approved by the AFM unless a statutory exemption is available. To warn investors that the AFM has not approved a prospectus falling into one of the statutory exemptions and that investors will need to make their own assessment whether the prospectus contains sufficient information to make an informed judgment about an investment, the AFM requires that the following picture appear on the front page of the prospectus.



Source: Netherlands AFM

Selected Illustrative Responses

“Smart investors always check whether an investment is registered with the SEC by using the EDGAR database or contacting the SEC’s toll-free investor assistance line. In the United States, any offer or sale of securities must be registered or be eligible for an exemption from registration. Registration is important because it provides investors with access to key information about the company’s management, products, services, and finances.

The mere fact that a company registers or files reports with the SEC does not make it a ‘good’ investment or immune to fraud. Conversely, the fact that a company does not file reports with the SEC does not mean the company lacks legitimacy. The critical difference is that investors assume more risk when they invest in a company about which little or no information is publicly available. And far too often, the lack of reliable, readily available, current information opens the door to fraud.” (US SEC)

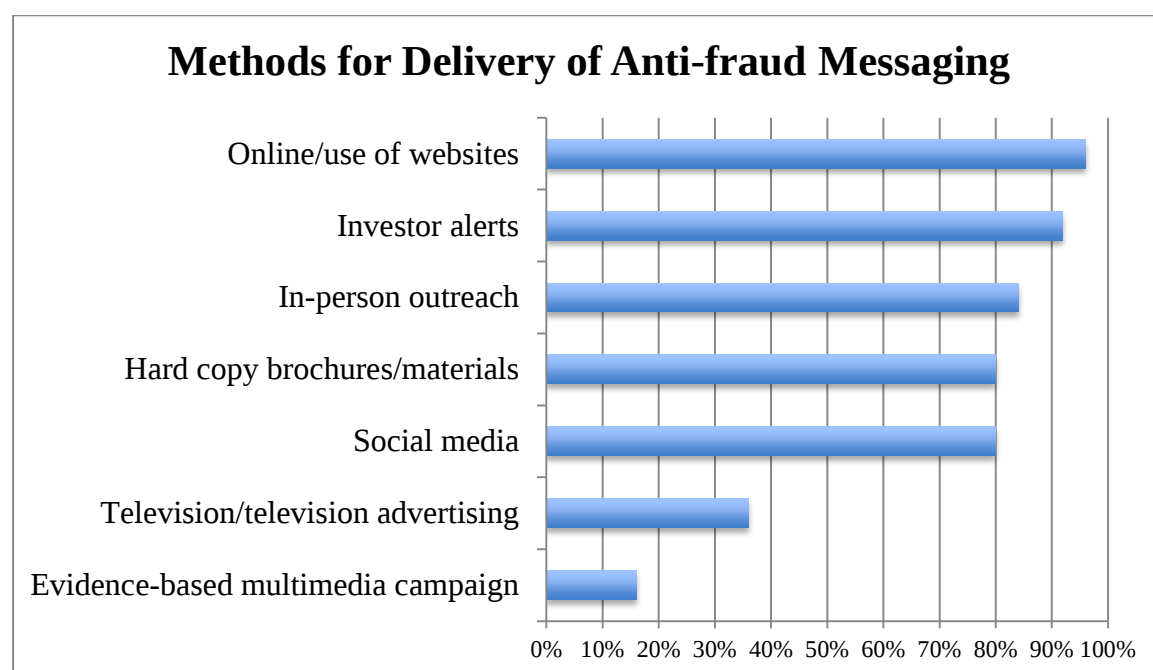
“Collective investment schemes offered to retail investors must be authorized (in the case of schemes constituted in Singapore) or recognized (for schemes outside Singapore). All authorized and recognized schemes must lodge and register a prospectus with MAS prior to the offering. The prospectus must be prepared in accordance with the disclosure requirements under the Securities & Futures Act. All prospectuses are reviewed by MAS before they are registered. Information on authorized or recognized schemes and registered prospectuses are available on the MAS website.” (Singapore MAS)

“One of the most important steps to take as an investor is checking the registration status of the company. We have a database of information where every licensed entity is shown when you search for it, both in Swedish and English. It is shown what kind of registration category they have, in which country they are registered, when they got their authorization and what their company number is. It is possible to access the company register from the front page on the web. It is very easily accessible.” (Sweden FI)

3. Delivery of Anti-fraud Messaging

3.1 Methods used to deliver anti-fraud messaging

Many jurisdictions highlighted the importance of delivering content and resources through communication channels preferred by a target audience. Respondents indicated that they use a mix of channels, including television, radio, print publications, online resources, and social media.



Some jurisdictions make in-person presentations at retail investor events, investor conferences, trade shows, schools and universities, and retirement communities.²¹ Other jurisdictions conduct training sessions for teachers and law enforcement on recognizing the warning signs of fraud. Many jurisdictions have a wide array of hard-copy investor education publications that are free and available for ordering online. Publications are also offered through collaborative partnerships with other agencies, not-for-profit organizations, libraries, and financial institutions.

Nearly all jurisdictions publish investor education materials online. At the US SEC and US FINRA, investor advisories, such as investor alerts and bulletins, are used to send anti-fraud messaging about problems with unregistered investment professionals and unregistered entities and to raise awareness of current developments, such as marijuana- and Ebola-related investments, binary options, virtual currencies, and real estate investment trusts.²² Investor alerts and bulletins are frequently re-distributed to their clients by broker-dealers, investment advisers, and law firms. The financial media, including personal finance columnists, frequently publicize them as well.

Most jurisdictions publicize their enforcement actions as a way of raising investor awareness of fraud. Most respondents indicated that their enforcement units bring administrative and civil actions involving fraudulent securities offerings or investment schemes, while a few jurisdictions have direct criminal authority. Cases involving fraudulent offerings typically represent only a small fraction of enforcement dockets, but many respondents publicize enforcement actions through press releases and post information on their websites. Enforcement information is also made available to retail investors through alert lists, newsletters, and social media.

At least three jurisdictions proactively contact previously defrauded investors to prevent their being victimized again. In 2012, the Australian Crime Commission Board and postal service Australia Post sent a letter to every Australian household, warning them of serious and organized investment fraud, and explaining how to protect themselves. The Netherlands AFM obtained a list of fraud victims from criminal authorities and is in the process of contacting these investors personally by letter to warn that they could be the victims of more scams. Through intelligence gathering, the UK FCA has obtained so-called “sucker lists” used by fraudsters to identify victims. The lists contain the details of victims or potential victims of boiler room activity. The FCA writes to the individuals on these lists to notify them that they are at risk of being targeted by boiler rooms. FCA indicated that one of the lists contained details on more than 35,000 individuals.

Many jurisdictions use television to warn against fraud. In the Netherlands, an AFM representative makes an appearance on a television program that addresses types of fraud in which the AFM has played a key role in an enforcement action. The AFM representative appears on the program to answer questions about actions victims can take and to emphasize the importance of reporting fraud to the AFM. The Malaysian SC has conducted several campaigns via “infomercials” broadcast on hundreds of radio and prime-

²¹ At the UK FCA, in-person outreach is done through consumer organizations whose clients may be in the targeted consumer segments.

²² US SEC’s investor alerts and bulletins are available at <http://www.sec.gov/investor/alerts> and <http://www.investor.gov/news-alerts>. US FINRA’s investor alerts are available at <http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/>.

time TV slots reaching over eight million people. The infomercials focused on investing basics and how to identify and avoid illegal investment schemes. The SC also has a multilingual radio “edumercial” series that provides practical reminders and alerts to the public about investing, with a combined listenership of approximately 9.8 million per week.

Quebec AMF uses a popular television personality to promote anti-fraud messaging on a popular TV show called “Deal or No Deal” (Quebec’s French version is “Le Banquier”). The host is the AMF spokesperson. A 30-second advertising segment (script below) appears just before the final offer is made to the contestant and is not followed by any other publicity.



“After the break, someone will win a lot of money. Money has to be well invested and managed with competent and authorized advisors. These are trustworthy people, but sometimes there are fraudsters like the ones who make newspaper headlines. So if someone asks you to invest quickly, to keep a secret on an investment and if all that sounds too good to be true . . . beware. Report to the AMF. Visit the Autorité des marchés financiers’ website; there is plenty of information to prevent fraud.”

Source: Quebec AMF

A number of jurisdictions publicize anti-fraud messaging through social media, with Twitter and Facebook being the social media platforms most commonly used to communicate anti-fraud messages. Some jurisdictions conduct public outreach campaigns to publicize anti-fraud messages. As discussed in more detail below, the UK FCA and the US CFTC have recently launched multimedia anti-fraud campaigns.²³

Selected Illustrative Responses

“The OSC enforcement unit brings actions involving fraudulent securities offerings or investment schemes. About 33 to 50 percent of our total enforcement actions involve these types of cases. OSC enforcement actions are publicized by press release and on our website.” (Ontario OSC)

²³ See Section 3.4 below.

“Approximately 15 percent of the disciplinary measures of the AFM involve fraudulent securities offerings or investment schemes. This number includes so-called ‘hard’ enforcement actions as well as ‘soft’ enforcement actions. The AFM puts a lot of effort in those types of frauds where investors transfer large amounts of money to a possible fraudulent entity.” (Netherlands AFM)

“Collaboration with the police is another effective way to convey anti-fraud messages. The Hong Kong police produce a regular TV program to remind the public of various frauds and criminal cases. The Investor Education Centre was interviewed on the program to explain things to consider when members of the public are solicited to participate in a collective investment scheme.” (Hong Kong SFC)

3.2 Use of different communication channels to reach target audiences

Most survey respondents use a mix of print, online, and social media to reach all investor demographics. Using research to determine the communication channels with the greatest potential to reach members of target audiences is not the norm.

In Nigeria, messages targeted at audiences in urban areas with a relatively higher level of literacy are drafted in sophisticated language and delivered through different communication channels than those targeting retail investors in rural settlements and others with a lower literacy level, which are drafted in plain and simple English or in some cases the vernacular. Anti-fraud messages targeted at secondary school/university students are also drafted and delivered differently. In the Netherlands, the AFM has explored adjusting its communication strategy to reach elderly investors. Data showed that these investors tended to invest in specific assets, so the AFM is exploring how to warn elderly investors against fraud using the most appropriate communication channel for them.

Selected Illustrative Responses

“We make sure that important information is not only available on the internet, but also in hard copy format, as not everybody regularly uses the internet.” (Germany BaFin)

“We may refine our messages based on the target audience: for example, a guidebook mainly for the elderly is differentiated by adding reasons why the elderly are apt to be targeted and what points they should pay attention to.” (Japan FSA and JSDA)

“The Investor Education Centre (IEC) deploys a range of channels to enhance the appeal of messages to cater for different information preferences of the public. For example, the IEC will use traditional media channels such as TV, radio, and print media which are the major sources of financial information for most people, in particular older age segments. For younger segments, the online platform and social media are a more effective and engaging channel. For the school student segments, the IEC reaches out to them through outreach activities such as talks and interactive activities held at schools. The IEC has also cooperated with non-profit making organisations to launch various outreach activities to deliver messages to the grass root group, and will hold workshops for the working class at their workplace.” (Hong Kong SFC)

3.3 *Partnerships and other programs*

Many respondents partner with other regulators, non-profit consumer organizations, and in some cases, industry, to expand the reach of their anti-fraud messaging. In Malaysia, the SC collaborates with other financial regulators by leveraging each regulator's program to spread anti-fraud messages. While each regulator takes responsibility for different types of fraudulent activities, the basic anti-fraud messages are similar throughout. In France, the AMF and other financial regulators offer the public a wide range of information on insurance, banking sector, and financial services through a telephone helpline and a website. In Brazil, the CVM partnered with the Consumer's National Secretary of the Ministry of Justice and launched the Investor-Consumer Protection Bulletin that addresses matters of interest to financial consumers, including fraud. In Australia, ASIC collaborates with the Australian Consumer and Competition Commission, which operates the ScamWatch website (www.scamwatch.gov.au). The website is a resource with information about types of scams, how individuals can protect themselves, and how to report a scam.

Some respondents indicated that they participate in national task forces or committees focused on financial education. Some C8 members have been involved in the development of national strategies for financial education in their jurisdictions.

Selected Illustrative Responses

"During certain months we conduct joint partnership with relevant stakeholders, e.g., May (Workers Month), June (Youth Month), July (Savings Month) and November to January (Spending Patterns)." (South Africa FSB)

"We partner with senior associations, local and provincial authorities. These partners distribute our brochures and occasionally invite the AMF representatives as keynote speakers." (Quebec AMF)

"To maximize its reach, the SEC's Office of Investor Education and Advocacy uses social media technologies and partners with the SEC's regional offices, other federal and state agencies, financial industry associations, consumer groups, and educational organizations on investor education programs." (US SEC)

"The Commission is part of an Interministerial Committee made up of all financial market regulators and law enforcement agencies in Nigeria, set up to stem the menace of illegal fund managers popularly known as "wonder banks." This Committee uses the media in the form of pamphlets, radio and television jingles and paid talk programs to sensitize investors and the general public about these fraudulent activities." (Nigeria SEC)

3.4 *Case Study: Evidence-based multimedia campaigns*

Multimedia campaigns may be an important element of an anti-fraud messaging strategy where feasible. Both the UK FCA and the US CFTC launched multimedia campaigns at the end of 2014 to send anti-fraud messages to particular investor segments using a diverse array of communication channels.

ScamSmart. With an estimated £1.2 billion lost to investment fraud in the United Kingdom every year, the FCA initiated its ScamSmart campaign to reduce the number of victims of investment fraud, targeting a vulnerable population it characterizes as “Retired with Resources.”²⁴



Source: UK FCA

The goal of the campaign is to help individuals in the target audience become ScamSmart investors. ScamSmart investors know that they are at risk for investment fraud, are aware of what to do to avoid a scam, and have taken action to avoid investment fraud and raised awareness by telling others. The core messaging of the campaign focuses on the “tells” in fraudsters’ techniques since scams are disguised to appear like legitimate investments. To actively inspire behavior change, UK FCA highlights three “simple, actionable and memorable” behaviors for the Retired with Resources segment to use to avoid investment fraud:

- (1) reject cold calls;
- (2) check UK FCA’s warning list; and
- (3) get independent advice.

The first phase of the campaign communicated key messages and drove traffic to the ScamSmart microsite, using print, radio, and online advertising from October until December 2014. On launch day, an editorial was placed in the Daily Mail newspaper and

²⁴ See <https://www.scamsmart.fca.org.uk>. Information about the FCA’s national campaign to warn people about investment fraud and how to spot a potential scam is available at <http://www.fca.org.uk/news/national-campaign-will-target-those-most-at-risk-of-investment-fraud>.

tweets from UK FCA’s Twitter account helped promote the campaign. UK FCA also worked with a number of partners to extend the reach of the campaign through magazines, press contacts, and bank branches.

The first advertising phase of the campaign has shown promising results. Post-campaign research indicates that the advertising is clearly understood by the “Retired with Resources” target audience, with the “reject cold call” message seen as particularly helpful. Among readers of the Daily Mail, one of UK FCA’s main channels, awareness of the FCA scams’ warning list increased by 21% post-campaign, and 82% claim they would avoid cold calls having seen the campaign. A second round of advertising is planned.

As shown in the graphic below, the ScamSmart campaign was based on extensive testing of victim demographics, testing of effective messaging, and selection of communication channels believed most relied on by the “Retired with Resources” audience. The FCA indicates that the campaign will be modified as appropriate based on results.

Evidence-based and measurable approach



Source: UK FCA

SmartCheck. In the United States, the CFTC, finding that the majority of fraud schemes involved unregistered financial professionals, launched its SmartCheck campaign in November 2014 with a strong emphasis on online tools for checking the background of financial professionals.²⁵

US CFTC’s anti-fraud message testing indicated that approximately nine percent of pre-retirement investors had experience with commodities and futures. These investors tend to be male, and on the younger end of the pre-retirement age span (e.g., 50-58). Those interested in commodities or futures tend to have higher than average views of their knowledge and confidence, and they also have a higher concern for fraud in the general

²⁵ See <https://www.smartcheck.cftc.gov>. Information about the US CFTC’s campaign to help investors identify and protect themselves against financial fraud is available at <http://www.cftc.gov/PressRoom/PressReleases/pr7063-14>.

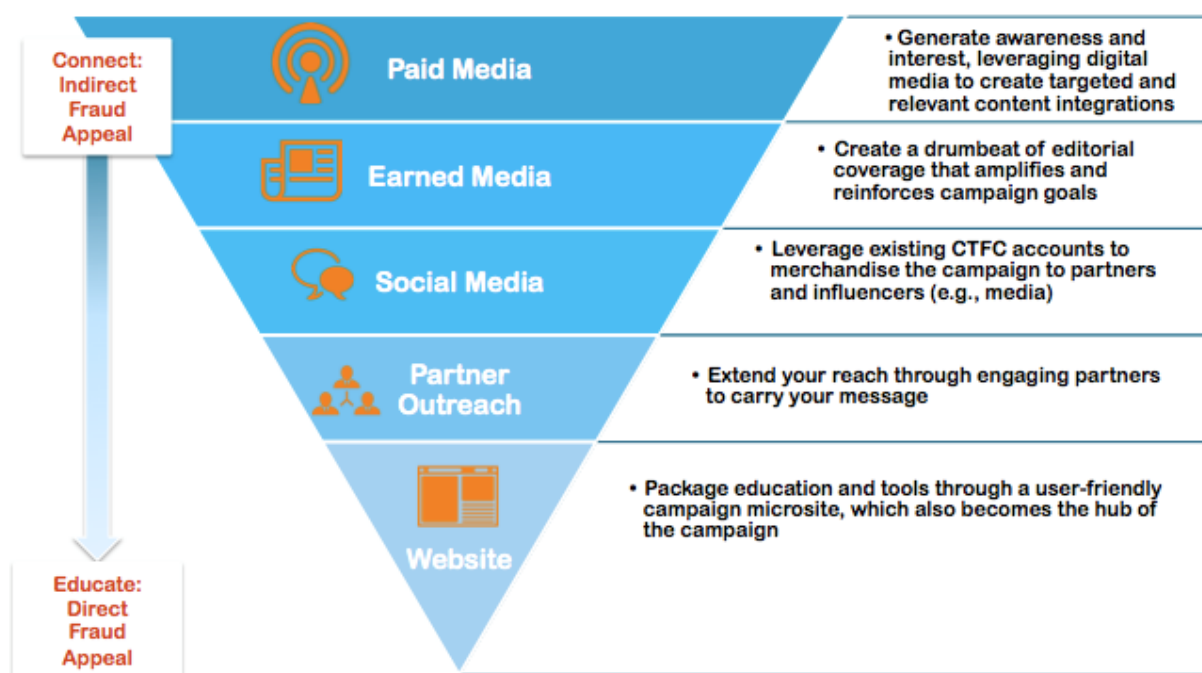
sense, but not at a personal level. As a result of this data and other research about investment fraud, CFTC identified an initial target audience within the pre-retirement (age 50-65) population.²⁶

Message testing also indicated that US CFTC’s messages should (1) embrace the positive (“smart investing”) and not the negative (“losing because of fraud”), (2) tie registration and any disciplinary history of market participants to “past performance” and not just fraud prevention, and (3) demonstrate how reporting fraud has a beneficial impact on the individual and society. As a result, the campaign’s anti-fraud messages are aligned to achieve specific behaviors, including:

- (1) recognizing the signs of persuasion before investing;
- (2) checking the background of any financial product or person; and
- (3) reporting suspected or known incidents of fraud.

The campaign includes a new website, a national advertising campaign, and interactive videos that help investors spot investment offers that are potentially fraudulent. As shown in the following graphic, the campaign included nationwide online, television, and print advertising and additional outreach efforts with organizations aligned with the CFTC’s mission to reduce financial and investment fraud.

CAMPAIGN CHANNELS



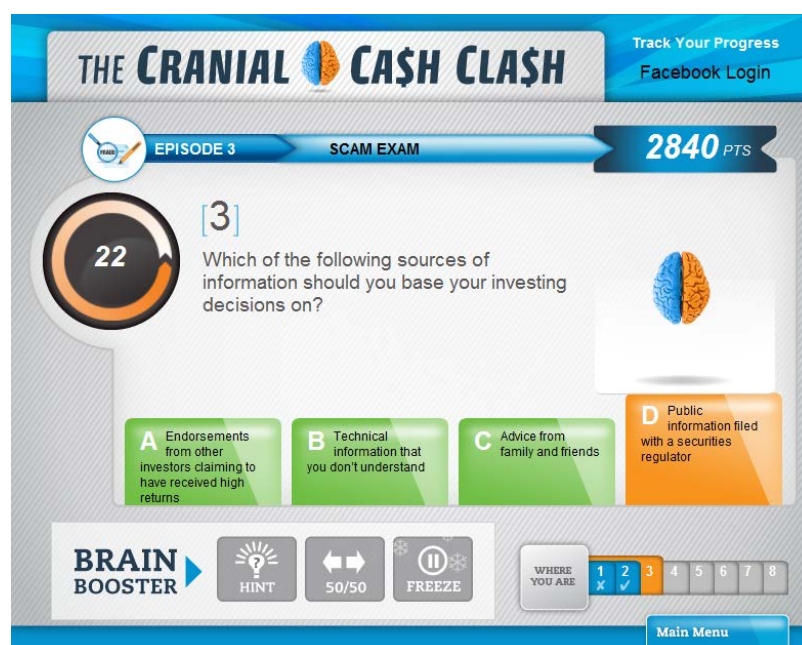
Source: Porter Novelli Public Services, Inc.

²⁶ See Porter Novelli Public Services, *How to Appeal to Investors with Fraud Prevention Messages: Survey Findings From a Survey Among a Segment of Pre-Retirement Investors* (March 2014), online: Commodity Futures Trading Commission at <http://www.cftc.gov/ucm/groups/public/documents/file/messagetestingsurveyreport.pdf>.

3.5 *Creative and innovative delivery methods*

Some respondents identified methods for anti-fraud messaging that they have found particularly creative or innovative, many technology-based.

- In Australia, ASIC’s MoneySmart website uses **search engine optimization** to understand what search terms consumers and investors are searching for online about scams, so that ASIC can ensure content and key words are similar to those search terms and that ASIC’s webpages will appear in search results.
- Malaysia SC has introduced SC Assists, a **mobile app** that provides users with information and tools to immediately identify licensed capital market products and intermediaries and a means to contact relevant regulatory agencies.
- US FINRA developed a casual **video game** where players learn about the red flags of fraud, including key persuasion tactics, by assuming the role of a fraudster. The game launched in 2015 and is available to consumers online at www.conemifyoucan.org and in mobile app stores.
- Ontario OSC delivers an **online game** called “Cranial Cash Clash” on its GetSmarterAboutMoney.ca website and as a mobile app. Multiple-choice questions test players on a wide range of financial topics in different episodes, including an episode on a **scam exam**. Players learn more about fraud through tips, hints and links to additional information.



Source: Ontario OSC

- In October 2014, France AMF launched an **internet campaign** to attract the attention of potential investors in a humorous, unconventional fashion. Using the same devices and testimonials used by online trading firms, a window pops up with a link to content on the AMF’s website regarding the risks of forex trading, including a hand-drawn educational video, personal experiences, interactive graphics, glossary and Q&A (www.amf-france.org).
- Spain and Hong Kong produce **videos based on real-life cases** for broadcast on their websites and in social media as a way of delivering anti-fraud messages in a lively, interesting, and engaging manner.
- Nigeria SEC is working on a **weekly soap opera** focused on fraudulent investment schemes to be aired on TV. Currently, Nigeria SEC has a **monthly documentary** aired on CNBC-Africa titled “Eye on Nigeria’s capital market” and has released three **movies** as part of its sensitization efforts.

4. Research, Evaluation, and Effectiveness

4.1 Goals and objectives

Respondents generally described the key objective of their anti-fraud messaging strategies as “reducing the incidence and reports of investment fraud.” Some described their goal as informing investors to the “widest public extent possible” of the skills and knowledge needed to make informed financial decisions, including checking the registration status of investment professionals and investment products. US FINRA stated that its goal is to shift investors from “passive recipients of influence (persuasion) into active, engaged investors who ask questions and check information before they invest.”

The metrics respondents use to measure progress towards these broad goals are primarily quantitative. These included a reduction (or an increase) in the number of investor complaints,²⁷ an increase in the number of complaints resolved through a regulator or an ombudsman, the number of website or page hits on educational materials, or the number of newspapers that publish warnings from regulators. In addition to monitoring web traffic, Ontario OSC measures conversions, the number of times an individual visits the website and completes a learning activity on its website, such as watching a video, playing a game or using a calculator.

Selected Illustrative Responses

“Investors who are taken in by frauds seldom recover their money. This is why, in addition to shutting down these schemes through enforcement actions, we work to educate investors on how to recognize and avoid suspicious or fraudulent investments by

²⁷ As noted by the UK FCA, a successful anti-fraud campaign could result in either an increase or a decrease in the number of complaints submitted. Complaints could increase, for example, if there was an increase in awareness and a simultaneous decrease in the level of shame which might previously have inhibited reporting.

websites, programs and investor resources. We have measured the traffic to the OSC site . . . and sought feedback on the resources.” (Ontario OSC)

“The CMVM’s objectives for anti-fraud messaging are as follows: (i) ensuring that all messages are provided to investors, the general public, and media; (ii) that the alleged entities carrying out unauthorized activities are aware of the message; (iii) that all parties are aware of the sanctions applied; and (iv) that sanctions are applied for illegal practices.” (Portugal CMVM)

“Although there is no specific objective with regard to anti-fraud messaging that can be expressed in numbers, we conduct activities which will raise awareness of the investors, enlighten the public, and improve transparency.” (Turkey CMB)

4.2 Use of complaint data

With some notable exceptions, respondents’ chief source of information related to investment fraud is customer complaint data. Nearly all respondents indicated that they use complaint data to keep current on common or emerging fraudulent securities offerings and investment schemes. Examples of data collected include the number of complaints/inquiries per investment scheme, the amount invested by victims, and the target population of investment schemes.

Some respondents noted that they periodically conduct quantitative surveys on investment fraud and publish investment fraud data on their websites. Most respondents also indicated that they meet on a regular basis with other financial regulators or law enforcement in their jurisdictions to share and exchange information.²⁸ Other information sources noted include tips from financial firms, electronic news clippings, media articles (local and international), education programs run by other regulators, and IOSCO’s Investor Alerts Portal.²⁹ However, few regulators conduct significant analysis of the data they collect.

Selected Illustrative Responses

“We collect data from the complaints, by types of products and types of investment services providers, regulated or not. When needed, we transmit information to the Public Prosecutor.” (France AMF)

“We keep current through our complaints and enquiries handling function. We accept complaints and enquiries through online feedback forms, telephone, fax, and email and walk-in meetings. Every scam we receive information on is logged and tracked. We also monitor the news and communicate with fellow Malaysian regulators. In addition, we also

²⁸ In Ontario, the OSC’s Joint Serious Offences Team (JSOT) created in 2013 brings together an integrated team of investigators, litigators, forensic accountants and staff to work with federal and provincial police to investigate and prosecute serious securities violations.

²⁹ Through the IOSCO Investor Alerts Portal, IOSCO members share their alerts and warnings about firms that are not authorized to provide investment services with the rest of the IOSCO membership and the global public. See http://www.iosco.org/investor_protection/?subsection=investor_alerts_portal.

keep track of scams in other jurisdictions through IOSCO's Investor Alerts Portal.” (Malaysia SC)

“While it is important to keep current on the latest scams, we focus on educating retail investors about persuasion tactics, potential red flags and steps individuals can take to reduce their chances of being defrauded. One of our goals is to help investors see the similarities among the different types of investment fraud so they can spot and avoid fraud in the future.” (US SEC)

“Regulation for advisory and non-advisory financial services requires banks and brokerage firms to provide customers with an effective complaint mechanism as well as to provide data from consumer complaints to the CNBV on a quarterly basis. Additionally, CNBV cooperates with the Commission for the Protection of Financial Services Users (CONDUSEF) (Financial Ombudsman) which has the authority to put forward conciliatory settlements or act as arbitrator to obtain complaint data related to investment schemes. This information is used to identify emerging scams and plan further financial supervision.” (Mexico CNBV)

“The FSA's Counseling Office for Financial Services Users counts the number of general inquiries, opinions, or information received. Concerning the cases related to fraudulent solicitation, the office classifies by the means of reception, contents, and if available, gender and age of providers, and analyzes the characteristics of the contents and the general tendency of the data to increase or decrease compared to the previous year. These data, together with themed case examples and general advice on them, are published quarterly on the website. Furthermore, in order to get ahead of the curve, JSDA makes use of complaints and counseling gathered at the Financial Instruments Mediation Assistance Center, and if necessary, it amends self-regulation to keep it relevant.” (Japan FSA and JSDA)

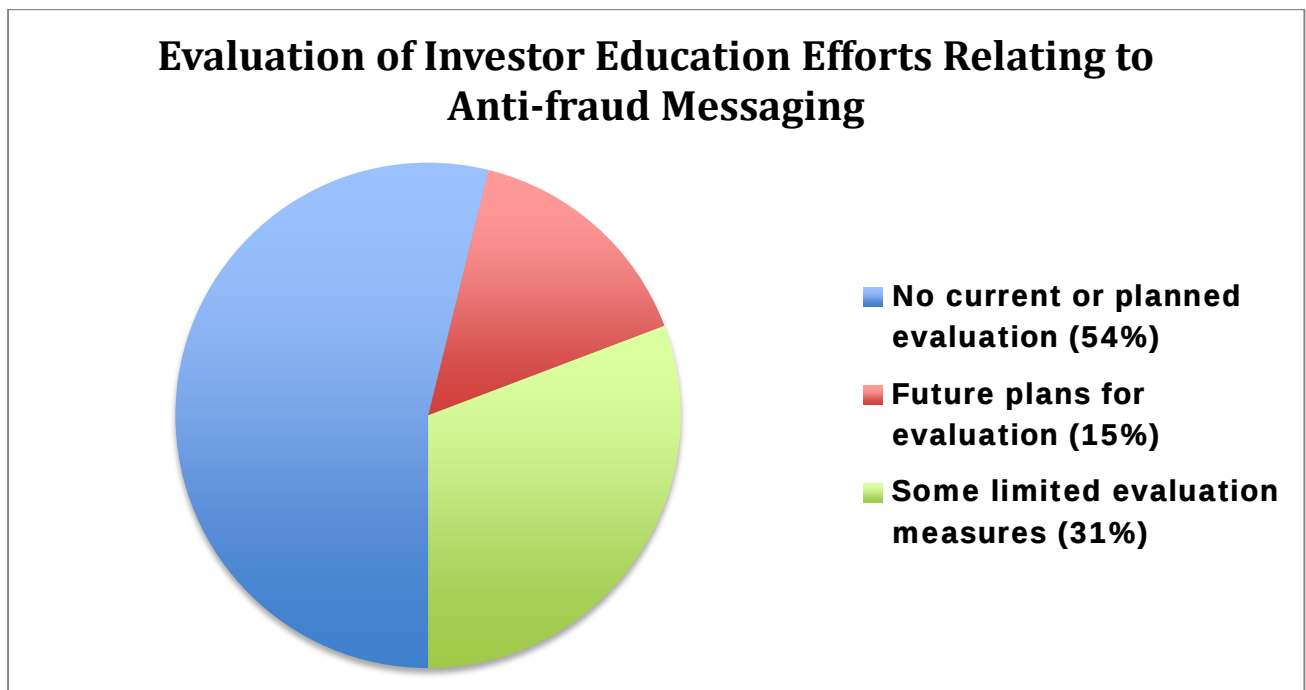
4.3 Evaluating effectiveness of anti-fraud strategies

Most respondents indicated that they considered their anti-fraud strategies to be effective because they:

- increased awareness among investors of the need to research the registration status of investment professionals before investing;
- reduced the number of fraud cases;
- reduced the number of fraud complaints and shifted complaints to inquiries;
- produced coverage by the media;
- returned money to fraud victims;
- used social marketing principles;
- promoted academic research; and

- formed partnerships to expand channels for distribution of anti-fraud messages.

Most respondents acknowledged, however, that their efforts to evaluate the effectiveness of their anti-fraud messaging strategies are limited to quantitative or anecdotal information.³⁰ Quantitative metrics include website traffic, page visits, the use of online calculators, quantitative surveys focused on fraud awareness and financial literacy, and the number of phone calls, print brochures distributed or media articles, and anecdotal information comes from customer satisfaction surveys and qualitative feedback from investors.³¹ A small number of jurisdictions contemplate doing more rigorous evaluation. Currently, however, jurisdictions that evaluate their anti-fraud investor education programs do so on the basis of quantitative metrics. Approximately 50 percent of respondents are not performing any evaluation at all.



³⁰ The lack of accurate and reliable estimates of fraud makes it difficult to understand what works or does not work to protect victims from harm. In 2013, the FFRC, in collaboration with the Stanford Center on Longevity and the FINRA Investor Education Foundation, published a report that examined the measurement of fraud. See FFRC, *The Scope of the Problem: An Overview of Fraud Prevalence Measurement* (2013), online: at http://fraudresearchcenter.org/wp-content/uploads/2013/11/Scope-of-the-Problem-FINAL_corrected2.pdf.

³¹ At the US CFTC, input measures such as staff hours and program funding, and output measures such as website traffic, attendance at in-person presentations, and number of print materials distributed are tracked. Quebec AMF surveys consumers on investment knowledge and fraud periodically. It also queries about consumer perceptions of AMF's ability to fight fraud. At the Ontario OSC, website page hits, the number of fraud cases and complaints, and surveys are used to evaluate effectiveness. The US SEC reviews comments on website questionnaires. Nigeria SEC is conducting a nationwide survey, and US FINRA is currently working with an independent evaluator to develop an evaluation framework.

Selected Illustrative Responses

“Our approach seems to be helpful in reducing the number of potential fraud cases. However, possible room for improvement is always a consideration.” (Germany BaFin)

“Reports of investment fraud have decreased slightly but this is still a significant problem in the UK. Action Fraud estimated in 2012 that £1.2 billion is lost annually through investment fraud.” (UK FCA)

“We believe our strategy is effective in raising awareness amongst investors of the need to check registration and understand who they are dealing with.” (Ontario OSC)

“Prior to the publication of our forex alert on our website in 2007, the CVM had launched 140 investigations over a period of 18 months. The alert attracted considerable media and public attention and was the reason for the decline of new cases in the following years.” (Brazil CVM)

“The publication of warning notices and press releases contributes to increasing financial literacy. Monitoring progress in terms of financial knowledge may be carried out through questionnaires. In accordance with the National Plan for Financial Education, a second survey on the financial literacy of its population is envisaged for 2015 and represents an indicator for its assessment by enabling a comparison with the literacy levels recorded in 2010.” (Spain CNVM)

4.4 Characteristics of effective messages

The messages that respondents believe most important are (1) dealing only with authorized or registered financial firms and investment professionals, and (2) awareness of the persuasion tactics used by fraudsters. However, given some investors’ belief that they are impervious to investment scams, it is difficult to get these messages across. Many respondents stressed the powerful impact of personal stories or testimonials as a way to motivate investors to learn more about fraud. US FINRA noted that showing videos or bringing known victims to an event can help pierce this feeling of invulnerability.

Some respondents indicated that providing concrete warnings and highlighting enforcement actions can be effective. Simple tips about what people can do in practice and messages presented in plain language are also good ideas. Timing is important. Giving investors the information they need at the time they need it can have a big impact. Other respondents noted that the most effective messages are those that empower investors to be smarter, given that many investors do not believe they can be taken in by a con man and likely will ignore direct warnings.

Selected Illustrative Responses

“Clear and consistent messaging to consumers on what signs may be an indication that they are the potential victim of investment fraud and where they can find help.” (UK FCA)

“Messages containing a personal testimony or an example of how fraudsters approach a retail investor have had more attention in the press and thus have had a larger distribution than the classic messages.” (Belgium FSMA)

“Messages relating to dealing only with authorised financial services providers. This has led to consumers being more cautious when purchasing a financial product or service.” (South Africa FSB)

“Given that consumers don’t believe they can or will fall victim to an investment fraudster, we first try to help them understand that all of us are vulnerable (in perhaps different ways). We do this through revealing research findings and victim stories. Second, we teach them to recognize the persuasive and emotional power of sales tactics broadly so they are better equipped to detect red flags in sales pitches. And finally we leave consumers with a small number of steps to take, such as ‘before you invest, ask and check’ so that they have a clear expectation of action.” (US FINRA)

4.5 Characteristics of effective delivery methods

Respondents identified a number of delivery methods that they believe are more effective than others. Many respondents indicated that television advertisements are particularly effective, especially if they are communicated in plain language, are delivered at the appropriate time of day for the target audience, or are communicated by a popular spokesperson. On the other hand, some respondents indicated that online communications are the most effective. Others pointed out that, although less cost effective than online communications, in-person events and other face-to-face presentations can be an effective way to communicate anti-fraud messages. South Africa FSB noted that people share sensitive topics, such as family finances, more easily in a one-on-one or small group situation. South Africa FSB uses newspapers to communicate messages to senior citizens, and posts information on the internet to reach the working class and younger investors.

Selected Illustrative Responses

“When we publish a warning on our website then they are shown when searching for the company on Google. That is a good thing.” (Sweden FI)

“The Investor Education area of the CNMV website has checked that effective messages are those discussed face to face.” (Spain CNMV)

“Face-to-face interactions such as presentation are generally preferred. But this method can be extremely costly for large and widely dispersed populations. It takes many different delivery methods to reach different types of consumers. It is important to have trusted community partners that can help build audiences and keep the material/learning as ‘local’ as possible.” (US FINRA)

“We find that to reach a wide and diverse audience the key is to present information in different ways, as different styles appeal to different people.” (Australia ASIC)

4.6 *Barriers to effective fraud prevention*

Respondents noted a number of barriers to effective fraud prevention. The most common response focused on the difficulties of identifying fraudsters in investment scams of an international nature. Respondents indicated that scams “without borders” are difficult to prosecute because regulators can only enforce the laws under their own jurisdiction. One respondent noted that the operations of cross-border scams are difficult to trace.³²

Another significant challenge for effective fraud prevention is engaging target audiences with preventive messages. This is especially difficult because of the “illusion of invulnerability,” as one respondent described it. Investors do not believe they could become a victim, so they do not take steps to prevent it and pay no attention to messages that suggest they should learn about fraud. One respondent indicated that investors show interest in investment fraud prevention and become on guard for possible scams only *after* they become victims. Some respondents noted that it is especially difficult to communicate key anti-fraud messages to the elderly and other vulnerable groups.

A low level of reporting investment fraud is another major barrier. Most victims of fraud or individuals who are approached with a fraudulent scheme do not report the incident.³³ Japan noted that some of the elderly are too apt to believe what people say without any doubt and to be unaware that they are being deceived. Even when they become victims, they tend to keep silent about their losses because they feel ashamed or do not want to bother others. One respondent noted that the lack of reporting and data make it difficult to prioritize among groups of investors and types of fraud.

Other barriers described by respondents include the dynamism of fraudsters’ techniques, especially with respect to the use of technology, investors’ lack of awareness of fraud tactics, the emotional components of fraud, and the high level of trust between fraudsters and potential victims.

Selected Illustrative Responses

“[Significant barriers include] lack of awareness of persuasion tactics, low level of financial literacy, nimbleness of fraudsters operations, the use of multiple jurisdictions by fraudsters, difficulty and the complexity in prosecuting fraud offenders.” (UK FCA)

“Too many victims trust the fraudster, so they don’t check before investing.” (Quebec AMF)

³² IOSCO’s Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information, established in May 2002 and revised in May 2012, is designed to facilitate cross-border cooperation and exchange of information among international securities regulators. See <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD386.pdf>.

³³ See note 1.

“A significant challenge is posed by the international nature of many scams, i.e., the fact that perpetrators operate from jurisdictions effectively out of reach.” (Germany BaFin)

“Reaching target audiences and engaging them is a major challenge. People believe fraud won’t happen to them, so they are not engaged when they hear warnings. Even active or more sophisticated investors can be the victim of fraud, so the information needs to be appropriate for all types of investors.” (Ontario OSC)

“Perpetrators always find ways to change their modus operandi and somehow know how to feed the greed of investors. In some circumstances, the investors are aware that the scheme may be fraudulent, but invest nevertheless in the hope they are early participants who will recoup their investments from later victims.” (Malaysia SC)

4.7 Surprises

When asked what C8 members found most surprising in reviewing their anti-fraud education efforts, one of the most important “surprises” they reported was the research showing that the majority of fraud victims are overconfident educated middle-aged males.³⁴

Other findings that surprised C8 members were:

- How quickly fraudsters are able to adapt their illegitimate offerings;
- How quickly investors develop a trusting relationship with fraudsters and willingly invest large sums of their hard-earned money with someone they’ve never met;
- Investors’ lack of awareness about the tools government agencies offer, even though they trust government agencies to have valuable information concerning financial issues;
- Ignorance of some investors, regardless of repeated warnings;
- *Naiveté* and lack of caution of retail investors and almost unconditional confidence towards financial services providers;
- Unresponsiveness of certain investors to warnings, *e.g.*, people continued to invest in binary options after having read a general warning concerning the product;
- Some sophisticated/highly literate investors who have access to sufficient information on fraudulent investment schemes still fall victim to these schemes;

³⁴

See Section 1.3 for more detailed information on the characteristics of victims of investment fraud.

- Level of vulnerability – surprise at how willing people are to part with their funds to a stranger, whom they have never met, on the basis of phone conversations and emails;
- Lack of knowledge about the government agencies that can help them in case of fraud;
- Based on behavioral economic research, focusing on anti-fraud messaging might not be the most effective way to reach and engage investors and prevent fraud;
- Professionals and the highly-educated are victims of investment fraud;
- Credulous nature of investors in fraudulent investment schemes; and
- Ease and speed of (fraudulent) investment propositions.

5. Role of Anti-fraud Messaging in Investor Education Efforts and Overall Impact

Most respondents indicated that anti-fraud messaging plays an important or significant role in their investor education efforts. For example, Nigeria SEC indicated that anti-fraud messaging plays “a very major role” because retail investors are likely to avoid many investment scams if they are provided with information about them. Japan FSA and JSDA noted the particular importance of anti-fraud messaging as Japan prepares for an aging society. It stated that anti-fraud efforts would contribute to achieving a safe and secure society by preventing losses from fraudulent solicitations of the elderly.

Some respondents stated that their anti-fraud messaging has had a positive overall impact in their jurisdiction. Helping reduce boiler room scams, reducing fraud against the elderly, increasing understanding of the characteristics of fraud victims, improving financial knowledge, increasing the number of investor inquiries and complaints, and raising awareness of investment fraud, the policing of scams by regulators, and the importance of verifying the legitimacy of investment opportunities before investing were examples of positive impacts.

Other respondents indicated, however, that it was too early to gauge the impact of their efforts. They indicated that the overall impact of their anti-fraud messaging in their jurisdictions is difficult to measure due to a lack of information. One respondent, whose jurisdiction includes regulators who share jurisdiction over aspects of fraudulent activity and who are involved in both individual and collective efforts to combat fraud, noted that it was not aware of a systematic attempt to measure overall collective impact.

Selected Illustrative Responses

“[Its role is] very pertinent as we believe in empowering investors with the right knowledge for them to make informed investment decisions.” (Malaysia SC)

“This is an important component of our investor education efforts, and acts in complement to regulation to empower investors to take ownership of their own investment decisions.” (Singapore MAS)

“Awareness of scams and their patterns appears to have been raised through our efforts.” (Germany BaFin)

“The CNMV aims at providing investors with complete and comprehensive information concerning the various risks that investors are exposed to within the marketing of financial instruments, with the risk of fraud being one of the risks that the CNMV proposes to highlight.” (Spain CNMV)

“Our efforts have created a better understanding of the face of financial fraud – a new victim paradigm – which in turn has given rise to new messaging strategy aimed at investors who are most at risk of financial fraud.” (US FINRA)

“We use an integrated approach which means that we do not specifically single out investment fraud, but it is part of the “Tips When Dealing with Financial Service Providers.” (South Africa FSB)

6. Areas for Improvement

Respondents identified several areas for improvement for their jurisdictions’ anti-fraud messaging strategy. The need to reach a broader audience was the area noted by the largest number of respondents. Many respondents thought they might be able to reach more retail investors through social media, television, radio, or the internet.

Other respondents indicated that they would like to do a better job of identifying the most effective delivery methods for target audiences. One respondent indicated that it could improve coordination with another regulator within its jurisdiction to set a joint anti-fraud messaging delivery strategy. Some respondents noted that measurement and evaluation are areas for improvement.³⁵

Selected Illustrative Responses

“Because fraud is always evolving, we need to evolve our messages and outreach accordingly.” (US FINRA)

“[W]e are examining how we can reach a broader audience of retail investors.” (Belgium FSMA)

“We need to test messages and strategies to determine what messages and methods of delivery resonate with investors and, over time, are the most effective in changing behaviors.” (Ontario OSC)

³⁵ A possible area of focus for evaluation, suggested by Japan FSA and JSDA, could be the assessment of results from the PISA (Program for International Student Assessment) program. Information about the OECD PISA assessment of financial literacy, which tests 15-year olds on knowledge of personal finances and their ability to apply it to financial problems, is available at <http://www.oecd.org/finance/financial-education/oecd-pisa-financial-literacy-assessment.htm>.

“[We aim] to increase the desired effect of our anti-fraud messaging strategy and by making this measurable. The AFM also realises quick benefits could be achieved by learning and taking advantage of the experience of other IOSCO members.” (Netherlands AFM)

“We can further improve on intelligence gathering and identification of fraud cases and trends as well as the needs of the target audience.” (Hong Kong IEC)

7. Conclusion

Survey responses make clear the characteristics of investment fraud across jurisdictions are basically the same. Fraudsters cold call investors or send unsolicited emails, offering unrealistic returns or using other high-pressure sales or persuasion tactics. In addition to raising awareness about common persuasion tactics, C8 members communicate a variety of similar anti-fraud messages. Some warn against specific scams, but most focus on the importance of dealing with a registered investment professional (and to some extent, a registered investment product). Messaging highlights the availability of government databases for checking registration. Messaging in other jurisdictions encourages investors to check lists of approved persons or entities or lists of persons or entities that have been the subject of customer complaints or disciplinary proceedings.

C8 members also use a variety of communication channels to send anti-fraud messages. Some C8 members participate in in-person events, while most distribute print publications and promote key messages via social media. However, the most common delivery channel is the traditional website. A smaller group of respondents use a more diverse range of channels to engage with investors, including print media, radio, and television. Two C8 members recently launched evidence-based multimedia public awareness campaigns aimed at particular target audiences. While C8 members are making efforts to use different channels of communication, few are currently customizing anti-fraud messages for different target audiences.

While challenges for effective anti-fraud messaging exist, such as engaging individuals who might not be receptive to such messaging, C8 members are exploring innovative methods to reach retail investors. From mobile apps to video games to multimedia public awareness campaigns, these approaches may provide a glimpse of successful anti-fraud efforts in the future. At the same time, respondents do not discount the efficacy of face-to-face messaging. The proactive efforts of some jurisdictions include personal letters or phone calls to victims of investment fraud or even to populations as a whole.

Nearly all C8 members work in some capacity with others in their jurisdictions to spread anti-fraud messages. While some C8 members coordinate and harmonize investor education and financial literacy programs with other regulators and non-profit consumer groups, there appear to be untapped opportunities for coordination within nearly every jurisdiction.

With the exception of jurisdictions using an evidence-based approach to anti-fraud messaging, there is little analysis of victim profiles or the targeting of messages to particular investor segments. Approximately 50 percent of C8 members conduct some type of evaluation, with most using website traffic and other basic quantitative metrics to assess

the effectiveness of anti-fraud messaging. The current level of evaluation may be due in part to the fact that few C8 members have identified clearly defined and measurable goals. C8 members wish to change investor behavior, but specific goals, plans, and metrics are not yet in place. While resource constraints continue to be a challenge, as IOSCO members work to develop or improve their anti-fraud messaging strategies and initiatives, more robust evaluation may be an area of focus going forward.

C8 members are actively engaged in educating investors about investment fraud, and this report provides a wealth of information regarding current anti-fraud messaging strategies. We hope it will serve as a useful resource to IOSCO members interested in developing or improving their anti-fraud messaging strategies and initiatives.

Appendix A

Survey Questionnaire

Survey of IOSCO Committee 8 (C8) Members Related to Anti-Fraud Messaging

C8 is gathering information from its members on strategies for communicating anti-fraud messages to investors. Information about investor education efforts to protect investors from investment fraud and reduce investor losses will help members across jurisdictions identify the content and style of messages and the type of communication channels that offer the most potential for changing investor behavior. Information about methods of assessing the effectiveness of any such programs will also be useful for jurisdictions as they start new investor education efforts or revise existing programs aimed at preventing investment fraud.

The focus of the survey is on strategies for combatting Ponzi schemes, multi-level marketing schemes, high-yield investment schemes, advance fee fraud, and other types of fraudulent securities offerings. Non-securities related scams such as lottery schemes, schemes involving coins, sweepstakes, travel, and credit card scams, and mis-selling by financial professionals or others are not within the scope of this project.

Please answer the questions based on experience in your jurisdiction. At the end of the survey, there will be an opportunity to provide information about anti-fraud programs conducted by other organizations within your jurisdictions that have a role in investor education.

Note: “You” or “your” refers to the respondent’s jurisdiction.

General

1. Provide a brief description of the securities markets in your jurisdiction including, to the extent possible, the approximate number of retail investors, characteristics of retail investor segments, range of investment products popular with retail investors, and basic registration requirements for financial professionals. By “financial professional,” we mean broker-dealer, investment adviser, broker or investment advisory representative, commodities trading registrant, or other types of registrants in your jurisdiction.
2. Describe the types of fraudulent securities offerings or investment schemes in which retail investors in your jurisdiction have been victimized.
3. What are the most common characteristics of fraudulent securities offerings or investment schemes in your jurisdiction?
4. Does your enforcement unit bring actions involving fraudulent securities offerings or investment schemes? If so, what percentage of your total enforcement actions involves fraudulent securities offerings or investment schemes? Are enforcement actions publicized to retail investors? How?

5. Describe the methods you use to keep current on common or emerging fraudulent securities offerings and investment schemes. If applicable, describe how complaint data is used to identify common or emerging schemes.

Content/Target Audiences

6. What anti-fraud messages do you communicate to retail investors?
7. Do you send different anti-fraud messages to different target audiences? Please describe the messages and the target audiences.
8. How did you choose these anti-fraud messages? If applicable, describe any research, data or testing used to inform the development of your jurisdiction's strategy for anti-fraud messaging, including style and writing tone.

Goals and Objectives

9. Have you identified any measurable goals or objectives for your anti-fraud messaging strategy? If so, what are they?
10. To what extent is your anti-fraud messaging focused on changing a particular investor behavior? Please describe. How is behavior change measured?
11. Do you emphasize the importance of checking the registration status of a financial professional as a way of avoiding fraud? Do you maintain a database of information about registered financial professionals? What information is provided to investors? How do retail investors access the database? Is it easily accessible? How often do retail investors use the database? Have you tested retail investor usage of the database? Have any of these efforts been informed by behavioral economics?
12. Do you emphasize the importance of checking whether an investment product is registered or authorized, exempt from registration, or unregistered? Do you maintain a database of corporate securities filings? If so, is it easily accessible by retail investors?

Delivery Methods

13. Do you use any of the following methods to deliver anti-fraud messages? If so, please describe.
 - In person outreach events
 - Website
 - Hard copy brochures and materials.

If you use hard copy material, how and where are these materials distributed?

- Investor alerts and bulletins
- Social media
- Public outreach campaigns

14. Please describe any other methods you use to deliver anti-fraud messages.

15. If you send different messages to different target audiences, do you also use different delivery channels? What was the basis of your selection for each delivery channel? Please elaborate.

16. Do you partner with other organizations to deliver anti-fraud messages? If so, please describe the partnership and your role.

Other Methods Used to Prevent Investment Fraud

17. Other than designing and disseminating anti-fraud messaging through any or all of the delivery methods above, do you use any other proactive, creative or innovative methods to help prevent investors from being victimized in fraudulent securities offerings and investment schemes? If so, please describe.

Research, Evaluation, and Effectiveness

18. Describe the methods you use to collect and analyse victim demographic or other profiling data, if any.

19. Do you collect data regarding investment fraud? If so, what data? Do you share the data with other organizations?

20. Do you conduct any analysis of data on investment fraud? How do you use the information?

21. Do you evaluate your investor education efforts relating to anti-fraud messaging? If so, please describe.

22. Do you consider your anti-fraud strategy effective? Please elaborate.

23. Which messages have you found to be most effective? Please describe.

24. Have certain delivery methods proved more effective than others? Please elaborate.

25. From your perspective, what are the biggest barriers to effective fraud prevention (for example, dynamism of fraudsters' techniques, investors' lack of awareness of persuasion tactics used by fraudsters, underreporting of investment fraud, or difficulty reaching target audiences)?
26. What have you discovered that surprised you?
27. What part(s) of your anti-fraud messaging strategy could be improved?
28. What role does anti-fraud messaging play in your overall investor education efforts?
29. What is the overall impact of anti-fraud messaging in your jurisdiction?

Other Programs in Your Jurisdiction

30. Please feel free to describe programs carried out by other organizations in your jurisdiction, including self-regulatory organizations, industry groups, or others with a role in investor education.

Additional Information

31. Is there any other information that you would like to convey or that you think would be useful for C8's work in this area?

Appendix B

Glossary

advance fee fraud	In an advance fee fraud , an investor is asked to pay a fee before receiving any of the proceeds, money, stock or warrants involved. The fee may be in the form of a commission, regulatory fee or tax, or other incidental expense. See note 5.
affinity fraud	Affinity fraud involves either a fake investment or an investment where the fraudster lies about important details such as the risk of loss, the track record of the investment, or the background of the promoter of the scheme. Many affinity frauds are Ponzi or pyramid schemes. In an affinity fraud, fraudsters are (or pretend to be) members of the group they are trying to defraud. See note 6.
binary option	A binary option is a type of options contract in which the payout depends entirely on the outcome of a yes/no proposition and typically relates to whether the price of a particular asset will rise above or fall below a specified amount. Some online scams involve binary options. See note 6.
boiler room fraud	Boiler room frauds involve bogus stockbrokers, usually based overseas, cold calling people to pressure them into buying shares that promise high returns. In reality, the shares are either worthless or non-existent. See note 6.
exempt securities scam	Exempt securities scams usually start with a fraudster pitching an investment opportunity as “exempt” securities. On their own, exempt securities aren’t scams. See note 7.
free meal seminars	Investors are invited to free meal seminars that promise to educate them about investing strategies or managing money in retirement — often with an expensive meal provided at no cost. These seminars are sometimes used to defraud retail investors. See Section 1.1.
high-yield investment programs	High-yield investment programs are unregistered investments typically run by unlicensed individuals — and they are often frauds. See note 6.
locked-in-retirement account scams	Locked-in-retirement account scams are a type of pension scam that targets people who have retirement savings in a locked-in retirement account (LIRA). In most cases, individuals can’t withdraw money from these accounts until they reach a certain age. There are usually

	limits to how much money individuals can take out each year, and withdrawals are often subject to taxes. These scams are often promoted in newspaper ads as a special loan that lets individuals get around the tax laws and tap into their locked-in funds. See note 8.
phantom riches	Pitching the idea of phantom riches is a common persuasion tactic used in investment fraud. It involves the promise of unrealistic or unattainable wealth. See Section 1.2.
Ponzi scheme	A Ponzi scheme is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. See note 4.
prime bank investment programs	Promoters of prime bank investment programs often claim that investors' funds will be used to buy and trade supposed prime bank instruments, and that investors will receive guaranteed, high investment returns with little or no risk. See note 9.
pyramid scheme	A pyramid scheme is an investment fraud in which participants profit almost exclusively through recruiting other people to participate in the program. See note 4.
Reciprocity	Reciprocity is a common persuasion tactic used in investment fraud. It involves offering to do a small favor in return for a big favor. See Section 1.2.
Scarcity	Scarcity is a common persuasion tactic used in investment fraud. It involves creating a false sense of urgency by claiming limited supply or availability. See Section 1.2
share sale fraud	See boiler room fraud .
social consensus	Social consensus is a common persuasion tactic used in investment fraud. It involves the illusion that other members of one's community are also investing. See Section 1.2.
source credibility	Source credibility is a common persuasion tactic used in investment fraud. It involves pretending to be an expert or from a legitimate business. See Section 1.2.

Appendix C

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Appendix D

List of Acronyms and Website Resources for Anti-fraud Messaging

Acronym	C8 Member	Website Resource
Australia ASIC	Australian Securities and Investments Commission	https://www.moneysmart.gov.au/scams
Brazil CVM	Comissão de Valores Mobiliários	http://www.investidor.gov.br/ http://www.cvm.gov.br
Belgium FSMA	Financial Services and Markets Authority	http://www.fsma.be/en/Consumers.aspx
France AMF	Autorité des marchés financiers	http://www.amf-france.org/en_US/Epargne-Info-Service/Mise-en-garde/Par-date.html?langSwitch=true http://www.amf-france.org/Epargne-Info-Service/Forex-l-AMF-se-mobilise/Trading-sur-le-Forex-de-quoi-parle-t-on.html http://www.amf-france.org/Epargne-Info-Service/Les-cles-pour-bien-investir/Les-regles-d-or-de-l-investisseur/Avant-d-investir.html
Germany BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht	http://www.bafin.de/DE/Verbraucher/Verbraucherthemen/Marktmanipulation/marktmanipulation_node.html
Hong Kong SFC	Securities and Futures Commission	http://www.sfc.hk/web/EN/investor-corner.html http://www.sfc.hk/web/EN/alert-list/
Hong Kong IEC	Investor Education Centre	http://www.hkiec.hk/web/en/investment/misconduct-and-scams/index.html http://www.hkiec.hk/web/en/investment/stock-trading/choosing-broker/finding-a-broker.html
Japan FSA	Financial Services Agency	http://www.fsa.go.jp/en/ http://www.fsa.go.jp/en/refer/cold/index.html
Japan JSDA	Japan Securities Dealers Association	http://www.jsda.or.jp/sonaeru/inv_alerts/index.html http://www.jsda.or.jp/en/newsroom/investor-alerts/index.html

Jersey FSC	Jersey Financial Services Commission	http://www.jerseyfsc.org http://www.jersey.police.uk/be-safe/scams/
Luxembourg	Commission de Surveillance du Secteur Financier	http://www.cssf.lu/en/consumer
Malaysia SC	Securities Commission	http://www.sc.com.my/enforcement/investor-alerts/sc-investor-alerts/ http://www.investsmartsc.my
Mexico CNBV	Comisión Nacional Bancaria y de Valores	http://www.cnbv.gob.mx/en/Paginas/default.aspx
Netherlands AFM	The Netherlands Authority for Financial Markets	http://www.afm.nl/en/consumer.aspx
Nigeria SEC	Securities and Exchange Commission	http://www.sec.gov.ng
Ontario OSC	Ontario Securities Commission	http://www.getsmarteraboutmoney.ca/ http://www.osc.gov.on.ca/en/Investors_index.htm
Portugal CMVM	Comissão do Mercado de Valores Mobiliários	http://www.cmvm.pt/EN/Apoio%20Ao%20Investidor/Warning%20Notices/Pages/ifs_alerta.aspx?nrmode=unpublished
Quebec AMF	Autorité des marchés financiers	http://www.lautorite.qc.ca/en/prevent-fraud.html http://www.lesaffaires.com/index.php/en/i-want-to-avoid-financial-fraud/social-network-fraud
Singapore MAS	Monetary Authority of Singapore	http://www.moneysense.gov.sg/Understanding-Financial-Products/Investments/Consumer-Alerts.aspx
South Africa FSB	Financial Services Board	www.mylifemymoney.co.za
Spain CNMV	Comisión Nacional del Mercado de Valores	https://www.cnmv.es/
Sweden FI	Finansinspektionen	http://www.fi.se

Turkey CMB	Capital Markets Board	http://www.spk.gov.tr http://www.cmb.gov.tr http://www.yatirimyapiyorum.gov.tr http://www.tspb.org.tr/tr http://www.tspb.org.tr/eng/Default.aspx?tabid=402
UK FCA	Financial Conduct Authority	http://www.fca.org.uk/consumers/scams
US CFTC	Commodity Futures and Trading Commission	http://www.smartcheck.gov http://www.cftc.gov/consumerprotection
US FINRA	Financial Industry Regulatory Authority	http://www.SaveAndInvest.org/FraudCenter/ http://www.ConEmIfYouCan.org
US SEC	Securities and Exchange Commission	http://www.investor.gov http://www.sec.gov/investor