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Internet Crime

The "Pump And Dump" Scam

It's common to see messages posted online that urge readers to buy a stock quickly or tell you to sell before the price goes down. Often the writers will claim to have "inside" information about an impending development or to use an "infallible" combination of economic and stock market data to pick stocks. In reality, they may be insiders or paid promoters who stand to gain by selling their shares after the stock price is pumped up by gullible investors. Once these fraudsters sell their shares and stop hyping the stock, the price typically falls and investors lose their money. Fraudsters frequently use this ploy with small, thinly-traded companies because it's easier to manipulate a stock when there's little or no information available about the company.

The Pyramid

Be wary of messages that read: "How To Make Big Money From Your Home Computer!!!" One online promoter claimed that investors could "turn \$5 into \$60,000 in just three to six weeks." In reality, this program was nothing more than an electronic version of the classic "pyramid" scheme in which participants attempt to make money solely by recruiting new participants into the program.

The "Risk-Free" Fraud

"Exciting, Low-Risk Investment Opportunities" to participate in exotic-sounding investments – such as wireless cable projects, prime bank securities, and eel farms – have been offered through the Internet. But no investment is risk-free. And sometimes the investment products touted do not even exist – they're merely scams. Be wary of opportunities that promise spectacular profits or "guaranteed" returns. If the deal sounds too good to be true, then it probably is.

Off-shore Frauds

At one time, off-shore schemes targeting U.S. investors cost a great deal of money and were difficult to carry out. Conflicting time zones, differing currencies, and the high costs of international telephone calls and overnight mailings made it difficult for fraudsters to prey on U.S. residents. But the Internet has removed those obstacles. Be extra careful when considering any investment opportunity that comes from another country, because it's difficult for U.S. law enforcement agencies to investigate and prosecute foreign frauds.

Hundreds of online investment newsletters have appeared on the Internet in recent years. Many offer investors seemingly unbiased information free of charge about featured companies or recommending "stock picks of the month." While legitimate online newsletters can help investors gather valuable information, some online newsletters are tools for fraud.

Some companies pay the people who write online newsletters cash or securities to "tout" or recommend their stocks. While this isn't illegal, the federal securities laws require the newsletters to disclose who paid them, the amount, and the type of payment. But many fraudsters fail to do so. Instead, they'll lie about the payments they received, their independence, their so-called research, and their track records. Their newsletters masquerade as sources of unbiased information, when in fact they stand to profit handsomely if they convince investors to buy or sell particular stocks.

Some online newsletters falsely claim to independently research the stocks they profile. Others

spread false information or promote worthless stocks. The most notorious sometimes "scalp" the stocks they hype, driving up the price of the stock with their baseless recommendations and then selling their own holdings at high prices and high profits.

Source: WWW.CRIME-RESEARCH.ORG

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