



# State of Utah Department of Commerce

GARY R. HERBERT  
Governor

CHRIS PARKER  
Interim Executive Director

THOMAS BRADY  
Director, Division of Securities

SPENCER J. COX  
Lieutenant Governor

March 30, 2020

## MEDIA ADVISORY

### Division of Securities Urges Caution as Scammers Target Investors with COVID-19 Schemes

(For immediate release) SALT LAKE CITY, Utah - Amid the ongoing COVID-19 pandemic, the Utah Department of Commerce is alerting investors to be on guard against an anticipated surge of fraudulent investment schemes.

“Extraordinary measures are being taken to protect the health of the public. The public response to a difficult situation is encouraging,” said Chris Parker, Interim Executive Director of the Department of Commerce. “Utahns should pay special attention to protecting their investments against scam artists. In fact, our Division of Securities anticipates some specific scams that investors should be aware of to safeguard their financial wellbeing.”

In particular, the Division of Securities warned investors to be on the lookout for investments specifically tied to the threat of COVID-19.

“Preying on fear based upon current events, scammers will attempt to take advantage of investors,” noted Thomas Brady, Director of the Division of Securities. “If part of the pitch to invest involves COVID-19, be wary.”

A few examples:

- A company is “raising capital” for manufacturing of surgical masks and gowns, or producing ventilators and other medical equipment, or distributing small-molecule drugs and other preventative pharmaceuticals, or even manufacturing vaccines and miracle cures.
- “Safe” and “guaranteed” returns for investing in gold, silver, or other commodities due to volatility in the stock market.
- Get rich quick schemes targeting retired or near-retired investors, promising immediate returns to cover losses in their retirement portfolio.

In Utah, these pitches often come from someone you know and trust such as a neighbor, friend, fellow church member, or even a family member. Known as “affinity fraud”, these investment traps are especially pernicious during times of emergency. Do not become a victim.

“No matter where the “hot tip” comes from, the standard rule in investing applies: If it sounds too good to be true, it probably is,” said Brady. “We are putting the word out now, because it can often be years before people know they have been fleeced. We encourage Utahns to vet investment questions with properly licensed professionals, who have a fiduciary responsibility to their clients.”

For even more potential fraud schemes, the North American Securities Administrators Association put together a helpful list of investment scams to avoid, attached below.

#####

For Media Inquiries:

[Brian Maxwell](#)

Public Information Officer  
(801) 859-7400





## INVESTOR BEWARE: Schemes to Watch for and How to Protect Yourself

- **Private placements and off-market securities.** Scammers will take advantage of concerns with the regulated securities market to promote off-market private deals. These schemes will continue to pose a threat to retail investors because private securities transactions are not subject to review by federal or state regulators. Retail investors must continue to investigate before they invest in private offerings and independently verify the facts for themselves.
- **Gold, silver and other commodities.** Scammers may also take advantage of the decline in the public securities markets by selling fraudulent investments in gold, silver and other commodities that are not tied to the stock market. These assets may also be attractive because they are often promoted as “safe” or “guaranteed” as hedging against inflation and mitigating systematic risks. However, scammers may conceal hidden fees and mark-ups, and the illiquidity of the assets may prevent retail investors from selling the assets for fair market value. The bottom line is there really are no “can’t miss” opportunities.
- **Recovery schemes.** Retail investors should be wary of buy-low sell-high recovery schemes. For example, scammers will begin promoting investments tied to oil and gas, encouraging investors to purchase working or direct interests now so they can recognize significant gains after the price of oil recovers. Scammers will also begin selling equity at a discount, promising the value of the investments will significantly increase when the markets strengthen. Investors need to appreciate the risks associated with any prediction of future performance and recognize that gains in the markets may not correlate with the profitability of their investments.
- **Get-rich-quick schemes.** Scammers will capitalize on the increased unemployment rate. They falsely tout their ability to quickly earn guaranteed returns that can be used to pay for rent, utilities or other expenses. They also target retirees and senior citizens, falsely claiming they can quickly and safely recoup any losses to their retirement portfolios. Remember: if it sounds too good to be true, it probably is.
- **Replacement and swap schemes.** Investors should be wary of any unlicensed person encouraging them to liquidate their investments and use the proceeds to invest in more stable, more profitable products. Investors may pay considerable fees when liquidating the investments, and the new products often fail to provide the promised stability or profitability. Advisors may need to be registered before promoting these transactions and legally required to disclose hidden fees, mark-ups and other costs.
- **Real estate schemes.** Real estate investments may prove appealing because the real estate market has been strong and low interest rates have been increasing the demand for housing. Scammers often promote these schemes as safe and secure, claiming real estate can be sold and the proceeds can be used

to cover any losses. However, real estate investments present significant risks, and changes to the economy and the real estate market may negatively impact the performance of the products.

### **How to Protect Yourself**

NASAA provides the following guidance and tips to help investors avoid anticipated schemes seeking to take advantage of unsuspecting consumers and investors.

- **Ask questions and research the investment and person offering it.** Investors should always ask if the salesperson and the investment itself are properly licensed or registered. This information can be confirmed by the Division of Securities. Investors also can check the [SEC's Investment Adviser Public Disclosure](#) database, [FINRA's BrokerCheck](#). Avoid doing business with anyone who is not properly licensed.
- **Don't fall for phishing scams.** Phishing scams may be perpetrated by foreign or domestic parties claiming an association with the Centers for Disease Control and Prevention or the World Health Organization, or by individuals claiming to offer novel or expert medical advice or services. Con artists offering "opportunities" in research and development are scamming you. They may even be perpetrated by persons impersonating government personnel, spoofing their email addresses and encouraging their audience to click links or access malicious attachments. These emails may look real and sound good, but any unsolicited emails that have attachments and web links can point to dangerous websites and malicious attachments that can steal information from your computer, lock it up for ransom, or steal your identity. Don't do it.
- **There are no miracle cures.** Scientists and medical professionals have yet to discover a medical breakthrough or have developed a vaccine or means to cure COVID-19. Not surprisingly, the vaccines being sold by online pharmacies are not real. You should not send money or make payments over the phone to anyone claiming they can prevent COVID-19, have a vaccine or other preventive medicine.
- **Avoid fraudulent charity schemes.** White-collar criminals may pose as charities soliciting money for those affected by COVID-19. Before donating, you should independently verify any charity that is raising money for the sick or secure donations to help uninsured persons pay for medical treatment. You should also avoid online solicitations for cash and gift cards, as these schemes have become a popular way for scammers to steal money. Think with your head and not with your heart. If you want to donate to a cause, you should work with a legitimate, established organization.
- **Be wary of schemes tied to government assistance or economic relief.** The federal government may send checks to the public as part of an economic stimulus effort. It will not, however, require the

prepayment of fees, taxes on the income, the advance payment of a processing fee or any other type of charge. Anyone who demands prepayment will almost certainly steal your money. And don't give out or verify any personal information either. Government officials already have your information. No federal or state government agency will call you and ask for personal information.