

FINANCE

# Look out for scams

Share scams that catch people look realistic and are often presented professionally. ASIC Chairman **Tony D'Aloisio** explains what to look for so you don't get caught out.

PUMP and dump scams have been around for decades in one form or another. These scams are a way of artificially inflating share prices.

The scammers usually own large parcels of shares in small publicly listed companies. They attempt to drive up the share price by spruiking false statements to unsuspecting victims.

If the scammers succeed in convincing enough people to buy shares, the share price will inevitably increase beyond its real worth.

Once this happens (i.e. the 'pump') the scammers sell (i.e. 'dump') their shares at the peak of the price spike.

When the scammers sell their shares, the price decreases, liquidity in the shares falls and victims are left holding shares at their deflated value.

Typically, pump and dump scams take advantage of shares that are of extremely low value, often referred to as 'penny stocks'. This makes it easier for the scammers to pump up the price. These scams often involve companies that are likely to have unexpected price spikes anyway, for example, emerging mining companies.

Pump and dump scams are illegal. The operators of pump and dump scams can be charged with a variety of offences, including misleading

investors with false rumours relating to stock exchange-listed companies. If found guilty, the operators of pump and dump scams can be jailed and heavily fined.

**Keep a look out**

Pump and dump scams can surface in many different ways including online, by phone, by text message or in person. It's important that if someone does make contact 'out of the blue', people do their research and consider getting professional financial advice before making an investment decision.

**Online**

Realistic and professional websites that claim to give 'share tips' or offer 'investment opportunities' are aplenty. These websites sometimes try to get people to subscribe to their services and often quote alleged industry experts. People need to look beyond the slick presentation to find the real information.

The internet is a great way to share information. However, with this freedom also comes the ability to easily mislead people. There are lots of investment and finance forums, chat rooms and blogs out there.

While most of the information may be legitimate, there will always be



**EXERCISE CAUTION:** Protect your money. Don't be taken in by scammers and seek professional advice. Photo: LSPH Paul McCallum

some people who are trying to push their own agenda.

Watch out for comments from people who are supposedly giving 'inside knowledge' or a 'heads up'. These tips could be people trying to serve their own interest with a pump and dump scam.

**By phone**

Sometimes scammers operate out of call centres and have teams of people working the phones to pump up a share's price. Sometimes these are based overseas, sometimes within Australia.

If someone rings out of the blue, it's best just to hang up.

Sometimes the people calling claim to be from a legitimate business and say they got your name from a data-

base. In other cases, they claim to be trying to contact someone else and then 'mistakenly' give away the hot tip. Don't fall for this – they're just trying to make you feel like you have some inside knowledge. Ask the following questions:

- ▶ What is your name, address and phone number?
- ▶ Do you hold an Australian financial services licence?
- ▶ What is the name of the company holding the licence?
- ▶ What is the licence number?
- ▶ What is the licence holder's address?

This information can then be checked to see if they are a legitimate business on ASIC's consumer website.

Be wary of anyone who claims they don't need a licence, or who won't

answer questions. And never agree to anything over the phone.

**By text message**

There have been situations where people have received text messages from unknown senders with what appears to be investment tips.

Often these are written as though it wasn't intended for the receiver, making them believe that they've stumbled onto a hot tip that was sent accidentally.

The safest thing to do is delete the message straight away.

**In person**

The scammer might have an office, run seminars, hand out flyers, and even offer to visit people at home to try and persuade them to buy the shares. People must be sure to check the credentials of anyone offering to deal with their finances.

**What to do?**

If you think you've been targeted for a pump and dump scam, the best response is to ignore it and say that you're not interested.

Always do your own research on shares and consider seeking professional financial advice.

**Ask FIDO**

For more information, including how to obtain financial advice, visit ASIC's consumer website, FIDO at [www.fido.gov.au](http://www.fido.gov.au) or call 1300 300 630. Email ASIC with topics that interest you to [ADFcolumn@asic.gov.au](mailto:ADFcolumn@asic.gov.au)

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How does an Adviser get paid?

What should you ask the Adviser?

[www.adfconsumer.gov.au](http://www.adfconsumer.gov.au)



ADF Financial Services Consumer Council

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