



A Well-Informed Marketplace: Zika-Related Scams

Headline news can lead to investment scams

Investment scam artists often exploit the latest crisis to line their own pockets and Zika is no exception. There is an increased awareness of stock promotion of companies that claim to be developing products or services relating to the Zika virus.

Beware of Zika-related investment scams

As with any investment, watch out for these red flags of potential investment fraud.

Red flag: unregistered investment professionals

Many fraudulent investment schemes involve unlicensed individuals or unregistered firms. Use the U.S. Securities and Exchange Commission's (SEC) Investment Adviser Public Disclosure (IAPD) database, which is available on Investor.gov, to check the registration status of anyone recommending or selling an investment.

Red flag: promises or guarantees of high investment returns with little or no risk

Every investment carries some degree of risk, and the potential for greater returns often comes with greater risk. Be skeptical of any investment that guarantees a high rate of return on your investment or does not disclose risk.

Red flag: unsolicited offers, including through social media

A new post on your Facebook wall, a tweet mentioning you, a direct message, an email, a text, a phone call, or any other unsolicited communication – meaning you didn't ask for it and don't know the sender – regarding an investment "opportunity" may be part of a scam. Be especially suspicious if you are told that the promotion is based on "inside" information or if you are asked to keep the investment opportunity confidential.

Investment scams exploiting the Zika crisis may include "[pump-and-dump](#)" schemes, where promoters "pump" up the stock price of a company by spreading positive rumors that incite a buying frenzy and then they quickly "dump" their own shares before the hype ends. Typically, after the promoters profit from their sales, the stock price drops and the remaining investors lose money.

[Microcap stocks](#) (low-priced stocks issued by the smallest of companies that trade in the "over-the-counter" (also called OTC) market), including [penny stocks](#) (the very lowest priced stocks), are particularly susceptible to pump-and-dump schemes. Publicly-available information about microcap companies often is scarce, making it easier for fraudsters to spread false information. →





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Lower Cost Options?

In addition, it is often easier for fraudsters to manipulate the price of microcap stocks because microcap stocks historically have been less liquid than the stock of larger companies (“liquid” investments are those that can be sold easily). Be aware of these microcap fraud warning signs:

- **SEC trading suspension:** [Check](#) if the SEC suspended trading of the company’s stock
- **Frequent changes in company name or type of business**
- **Unsolicited stock recommendation or heavy stock promotion**

Even in the absence of fraud, microcap stocks are among the most risky. For more information, read [Microcap Stock: A Guide for Investors](#).

Research the investment

Check whether an offering is [registered](#) with the SEC by using the SEC’s [EDGAR](#) database. If an offering is not registered with the SEC, check if it is registered with your [state securities regulator](#). If a company has not registered its securities, read our Investor Alert, [10 Red Flags That an Unregistered Offering May Be a Scam](#) (PDF).

Read recent [reports](#) that the company has filed with the SEC. If there are no reports, ask your broker for the “Rule 15c2-11” file, which may contain information about the company (the federal securities laws may require your broker to collect certain information).

Before investing in a company that claims its products or services relate to the Zika virus, carefully review all information you receive about the investment.

For more information about the Zika virus, visit the [Pennsylvania Department of Health](#). You can also visit the websites of the [Centers for Disease Control and Prevention \(CDC\)](#), [National Institute of Allergy and Infectious Diseases \(NIAID\)](#), [National Institutes of Health \(NIH\)](#), and [U.S. Food and Drug Administration \(FDA\)](#).



Before making any decisions with your money, ask questions, do your homework and contact the **Pennsylvania Department of Banking and Securities** at **1.800.PA.BANKS** or 800.600.0007. Visit [dobs.pa.gov](#) to learn more today.

Special thanks to the North American Securities Administrators Association (NASAA) [www.nasaa.org](#).