

INVESTMENT SCAM BOILER ROOM

Threat

Have you ever received cold calls by a professional-sounding stockbroker who offered you investment opportunities that seem too good to be true? It is probably an attempt by the fraudster of the investment scam, also known as “boiler room scam”.

Description

In business, the term boiler room refers to an outbound call centre selling questionable investments by telephone. It typically refers to a room where scammers work using unfair, dishonest sales tactics, sometimes selling penny stocks, private placements or committing outright stock fraud.

Consequences

The brokers of the boiler room actually create a market by attracting buyers, whose demand for the stock drives up the price; this gives the owners of the company enough volume to sell their shares at a profit, a form of pump and dump operation where the original investors profit at the expense of the investors taken in by the boiler room operation. Sometimes the brokers will pay an early dividend to give the investment credibility.

After the fraud is unveiled, the fraudster may contact the victim and claim to be a law enforcement agent. They offer to assist the victim to recover the loss but at a fee.

Awareness

- If you are considering any investment which seems too good to be true, then it probably is.
- Keep in mind that authorized investment firms are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Always check with the relevant financial authority to ensure that the investment firm are registered and authorized.
- Beware of scammers claiming to be from an authorized firm, copying its website or giving you false contact details. Contact the firm using a phone number that you have sourced reputable.
- Seek independent and professional financial advice before you sent any money.

For more information, please contact your ANZ representative.

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