



Commonwealth of Kentucky
Public Protection Cabinet
Department of Financial Institutions

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INTERNET, SOCIAL MEDIA SCAMS TOP THREATS TO KENTUCKY INVESTORS

DEPARTMENT OF FINANCIAL INSTITUTIONS ANNOUNCES TOP THREATS FOR 2021

FRANKFORT, Ky. (March 8, 2021) – The Department of Financial Institutions (DFI) today reminded investors to be on the lookout for investment schemes pitched through the internet and social media.

“Kentuckians deserve for their hard-earned dollars to stay safe,” said Gov. Andy Beshear. “Investing can help our families build wealth and achieve their goals, but it’s important to be careful through this process so your money works for you, not a criminal who would steal from our people.”

“Investors should be particularly careful about investment opportunities they learn about online that involve precious metals, cryptocurrencies, promissory notes and foreign exchange markets,” said Marni R. Gibson, DFI’s Director of Securities.

The North American Securities Administrators Association (NASAA), of which DFI is a member, identified schemes related to these products as the top threats facing investors this year by surveying state and provincial securities regulators throughout the United States, Canada and Mexico. The survey found the following **top threats to investors in 2021**:

1. **Internet- or social media-based frauds.**
2. **Investments related to cryptocurrencies and precious metals**, especially those purchased through self-directed individual retirement accounts (SDIRAs). SDIRAs lack the services and protection of traditional IRAs and can be fertile soil for scammers.
3. **Foreign exchange schemes.** In particular, enforcement officials expect to see a resurgence of high-yield foreign exchange and cryptocurrency-related schemes, disguised as membership or investment programs.

“In Kentucky, more than 15% of the complaints received by the Division of Securities in 2020 involved allegations of fraud,” Gibson said. “While complaints in the commonwealth involved a

wide variety of products, the top five categories were IRA/CD accounts; stocks and bonds; oil and gas investments; promissory notes; and private placements.

“Nearly one-third of complaints involved securities, firms or individuals that were not properly registered with the department, as required by law,” Gibson said. She recommends that investors should always ask if the salesperson and the investment itself are properly registered. Kentuckians can confirm this information by contacting DFI or visiting the department’s website at <http://kfi.ky.gov>. “Working with a properly registered investment professional affords investors certain legal protections,” Gibson added.

The NASAA survey indicated that 82% of state and provincial securities regulators anticipate that bad actors will continue to attempt to leverage investor fear and anxiety related to changes in financial markets and the economy due to COVID-19 to sell securities illegally this year.

“Bad actors always try to leverage vulnerabilities wherever they can be found. We expect to see an uptick in complaints from investors lured into programs offering the promise of high returns as a way to supplement income lost as a result of the pandemic,” said Gibson.

Investment offers that sound “too good to be true” often share similar characteristics. The most common telltale sign of an investment scam is an offer of guaranteed high returns with no risk. All investments carry the risk that some, or all, of the invested funds could be lost.

“Anyone who says an investment offer has no risk is not being honest,” Gibson said. “Investing is a long-term proposition. Get-rich schemes are built on empty promises and empty pockets.”

Before making any financial decisions, ask questions, do your homework and contact the Division of Securities at (502) 573-3390 or by visiting <http://kfi.ky.gov> for more information.

For more information on the top investor threats, visit <https://www.nasaa.org/investor-education/fraud-center/top-investor-threats/>.

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DFI, <http://kfi.ky.gov>, is an agency in the Public Protection Cabinet. For more than 100 years, it has supervised the financial services industry by examining, chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI’s mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, encouraging economic opportunities, and promoting sound financial decisions through financial literacy and empowerment programs.