

Personal Security Series

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Market Manipulation or “Pump and Dump” Fraud

Living in a world in which we are consistently connected, sharing our information (both knowingly and unknowingly) and instant gratification for those answers, or help, we seek, has made our vulnerability volatile. This series will deal with heightening our awareness on fraudulent behaviors. The information was provided directly from the Federal Bureau of Investigation website, <https://www.fbi.gov/scams-and-safety/common-fraud-schemes>. I have copied much of the information directly from this website. It does not provide attributes to any specific author(s).

The FBI indicates that seniors are especially vulnerable to these schemes. Seniors tend to have more money, making them better targets. Most seniors are trusting and polite. They are less likely to report a fraud because they are embarrassed they were scammed, do not realize they were scammed until well after or just don't know how to go about reporting a scam. Seniors also are more susceptible to promises that can make their retirement years more “Golden” and are easy victims to those false promises.

I must say it is depressing to see and hear about all the scams that exist out there. Seniors are not the only prey out there. These con artists come up with ingenious ways to get your guard down and cause you to react without thinking.

Market manipulation fraud—commonly referred to as a “pump and dump”—creates artificial buying pressure for a targeted security, generally a low-trading volume issuer in the over-the-counter securities market largely controlled by the fraud perpetrators. This artificially-increased trading volume has the effect of artificially increasing the price of the targeted security (i.e., the “pump”), which is rapidly sold off into the inflated market for the security by the fraud perpetrators (i.e., the “dump”). This results in illicit gains for the perpetrators and losses for innocent third-party investors. Typically, the increased trading volume is generated by inducing unwitting investors to purchase shares of the targeted security through false or deceptive sales practices and/or public information releases.

A modern variation on this scheme involves largely foreign-based computer criminals gaining unauthorized access to the online brokerage accounts of unsuspecting victims in the United States. These victim accounts are then utilized to engage in coordinated online purchases of the targeted security to affect the pump portion of a manipulation, while the fraud perpetrators sell their pre-existing holdings in the targeted security into the inflated market to complete the dump.

Tips for Avoiding Market Manipulation Fraud:

- Don't believe the hype.
- Find out where the stock trades.
- Independently verify claims.
- Research the opportunity.
- Beware of high-pressure pitches.
- Always be skeptical.

On a personal note, we do not recommend any security that is thinly traded, though I have recommended mutual funds and ETF's that I have personally invested. That is not a "pump and dump".

The real message here is to stay on our guard. I felt as I prepared for this series that it is only a matter of time before I become susceptible to any of these. There are many innovative crooks out there and some may exist in our own families. I don't mean these newsletters to be scary, but it's current life in the USA. Unfortunately, with the internet and little tracing, it's hard to get and convict the scoundrels. We hear too often of those that have been affected by fraudulent dealings and hope that writing and distributing information on it may help you become more aware of these scams so that if you are ever in this type of situation, a red flag will come up and cause to KEEP YOUR GUARD UP!

Our comprehensive program at Edu4Retirement, Inc. is designed to teach people about retirement and the various issues that confront each person as they make their solo journey into retirement. To obtain copies of other series, visit our website at <http://www.edu4retirement.com/p/newsletters>.

We are forever learning as we go through this process, since family dynamics, personal desires and amounts involved can be infinitely different. However, the patterns we see in personal behavior and decisions of our clients make our experience very helpful to most.

Michael Callahan and Steve Tillona are available for any questions that may arise as you make this journey. You may contact us at:

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