



## Press Release

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### **The Division of Banking and Securities Releases List of Top Investor Threats** *Investors urged to approach unsolicited offers with caution*

December 29, 2015 ANCHORAGE—The Alaska Division of Banking and Securities urges investors to use caution when approached with unsolicited investments, especially those involving promissory notes, oil and gas deals and real estate investment opportunities, which topped the annual list of top investor threats.

“Education and information are an investor’s best defense against investment fraud,” said Kevin Anselm, director of the Division of Banking and Securities. “Investors should always be wary of unsolicited financial advice or investment opportunities. Before making any decisions with your money, ask questions and make sure you understand the risks.”

Compiled from a survey of members of the North American Securities Administrators Association, the most cited products and schemes across the country in 2015 were:

1. **Unregistered Products/Unlicensed Salesmen:** The offer of securities by an individual without a valid securities license should be a red alert for investors. Con artists also try to bypass state registration requirements and pitch unregistered investments with a promise of limited or no risk and high returns. During the time covered by the survey, the Alaska Division of Banking and Securities issued [four orders](#) involving the sale of unregistered securities. The division also issued orders permanently barring two individuals operating as unlicensed investment advisers from working in the securities industry in Alaska.
2. **Promissory Notes:** In an environment of low interest rates, the promise of high interest-bearing promissory notes may be tempting to investors, especially seniors and others living on a fixed income. Average investors should be cautious of offers of promissory notes with durations of nine months or less. Short-term notes that appear to be exempt from securities registration have been the source of most of the fraudulent promissory note activity identified by regulators. Legitimate promissory notes are marketed almost exclusively to sophisticated or corporate investors with the resources to research thoroughly the companies issuing the notes and to determine whether the issuers have the capacity to pay the promised interest and principal.
3. **Oil/Gas Investments:** Many oil and gas investment opportunities, while involving varying degrees of risks to the investor, are legitimate in their marketing and responsible in their operations. However, as with many other investment opportunities, it is not unusual for unscrupulous promoters to attempt to take advantage of investors by engaging in fraudulent practices. Fraudulent oil and gas deals are

frequently structured with the limited partnership in one state, the operation and physical presence of the field in a second state, and the offerings made to prospective investors in states other than the initial two states. As a result, there is less chance of an investor dropping by a well site or a nonexistent company headquarters. Such a structure also makes it difficult for authorities and victims to identify and expose the fraud. During the survey period, the Alaska Division of Banking and Securities took [action](#) against an oil and gas venture offering investment opportunities in Texas without registering those interests as required by the Securities Act.

4. **Real Estate-Related Investments:** Troublesome real estate-related investments identified by securities regulators included products that often carry higher risk such as non-traded real estate investment trusts (REITs), timeshare resales, and brokered mortgage notes. For example, non-traded REITs are sold directly to investors rather than being traded on exchanges as conventional REITs are. Non-traded REITS can be risky and have limited liquidity, which may make them unsuitable for certain investors.
5. **Ponzi Schemes:** The premise is simple: pay early investors with money raised from later investors. Ponzi schemes promise high rates of return with little risk to investors. The scam sometimes yields the promised returns to early investors but eventually there is not enough money to distribute to new investors. The only people certain to make money are the promoters who set the scam in motion.

In addition to the top national threats, the Alaska Division of Banking and Securities also noted multiple instances of out-of-state broker-dealers making unsolicited calls to Alaska investors to sell them risky, sometimes unsuitable, investments. The division recently [took action](#) against one such broker-dealer and was able to obtain restitution for the victim.

Contact the Division of Banking and Securities for detailed background information about those who sell securities or give investment advice, as well as about the products being offered. The division can be reached at 907-269-8140 or by email at [dbsc@alaska.gov](mailto:dbsc@alaska.gov). Consumers may also check the national registration information and background of a broker or brokerage firm at [brokercheck.finra.org](http://brokercheck.finra.org) or information about an investment adviser at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

The Division of Banking and Securities, along with the Division of Corporations, Business and Professional Licensing, the Division of Insurance, the Alcohol and Marijuana Control Office, and the Regulatory Commission of Alaska, is an agency housed within the Alaska State Department of Commerce, Community and Economic Development tasked with protecting consumers in Alaska. For additional information about the division, please visit [commerce.alaska.gov/web/DBS](http://commerce.alaska.gov/web/DBS). For additional information about the Department of Commerce, Community and Economic Development and its other agencies, please visit [commerce.alaska.gov](http://commerce.alaska.gov).

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