

Investor Alerts

Boiler Room Alert: If You Get a Call Like This, Don't Bite—and Don't Buy

Boiler room-style calls are characterized by high pressure sales pitches from people who call you out of the blue, working from a list or simply dialing from a phone book. FINRA is issuing this alert because we have seen an increase in aggressive calls touting the next hot stock. Callers tend to target seniors, and have been all-too successful in conning people of all ages into buying penny stocks and other speculative investments.

The best way to avoid unsolicited calls and potential scams is to equip your phone with a caller ID device or service—and if the number is unknown to you, don't pick up. Many scammers won't bother to leave a message on your voicemail. If you do answer and the caller begins an aggressive pitch, calmly say no and hang up the phone. If you have questions or concerns about a caller or investment, you can speak to a representative at FINRA's [Securities Helpline for Seniors](#) (1-844-574-3577).

Scam Characteristics

Here are some common characteristics of recent boiler room scams:

- Callers use hard-sell tactics to pressure investors into buying shares that promise high returns on "can't miss" investment opportunities. Repeated, and more aggressive, calls are common. The investments touted are often low-priced "penny" or [microcap stocks](#), though higher priced stocks and other types of investments may be pitched. Investors who purchase shares often find that the sales pitches are fraudulent and the shares they bought are virtually worthless.
- Callers purport to work for organizations that offer stock recommendations. **However, the organizations in the situations we've seen recently are not registered with FINRA, not associated with any FINRA-registered firm, and in most cases may not be involved with any legitimate business entity.** The callers themselves may use fake names and credentials, or disguise their phone numbers to make it appear as if the call is from a reputable broker-dealer or firm (also known as [Caller ID "spoofing"](#)). Use [FINRA BrokerCheck](#) to verify whether a firm and individual are registered to sell securities. Use the internet to check the validity of addresses, phone numbers and other information about the organization or individual. To report suspected Caller ID spoofing, go to the FCC's online [Consumer Help Center](#) to file a consumer complaint.
- Callers engage in "[pump-and-dump](#)" [scams](#) in which victims are conned into buying shares through their online brokerage accounts to inflate a stock's price. One elderly couple was talked

into buying nearly \$900,000 worth of virtually worthless microcap stocks. Another senior investor purchased over \$500,000 of a microcap stock while on the phone with the caller.

- In some cases, cold callers are simply out to steal a victim's money, a little at a time. One retired investor was talked into sending two checks totaling \$2,500 to what turned out to be a mail drop box, with no actual business associated with the address.
- Not all calls are cold calls. "Account executives" may contact individuals who have visited or signed up with a website that promotes low-priced stocks. The "account executive" or a person associated with the website will make a hard sell for one or more low-priced stocks or other speculative investments.

If You Receive a Boiler Room Call

While cold calling for legitimate investments does take place, follow these tips to help you avoid losing money to a boiler room-style pitch:

- Do not say "yes" to stock purchases from an aggressive cold caller, even if the claims sound plausible, particularly if the stocks being recommended are very low priced. The best fraud pitches are designed to sound believable, and counter every possible doubt or opposition. **Don't feel guilty about hanging up. Not answering at all, or putting down the phone, are generally the best and safest responses to a cold caller or anyone aggressively pitching low-priced stocks or other investment opportunities.**
- Do not give boiler room callers a second chance. Hang up. It's common boiler room practice to follow up to see if you purchased the stock they recommended. If you haven't invested—they will keep pressuring you. If you have invested—they will try to convince you to invest more.
- Do not make wire transfers or put investment purchases on a credit card if a cold caller asks you to do so. The same holds true of pushy demands to send a check quickly. Do not send checks to PO boxes or addresses that are not associated with a registered securities firm. Addresses for registered firms can found on FINRA BrokerCheck—and a quick internet search or mapping app can help you figure out whether the address is a warehouse or commercial mail service provider. Legitimate brokerage firms have policies in place to set up and fund brokerage accounts and rarely, if ever, demand "immediate" transfers of funds.

If you believe you're a victim of this scam, act quickly. If you have sent money, contact your financial institution, credit card company or local law enforcement to make them aware of your situation and see whether you can stop payment. You can also file a complaint using our online [Complaint Center](#) or [send a tip](#) to FINRA's Office of the Whistleblower.

Additional Resources

- FINRA Alert: [Avoiding Investment Scams](#)
- FINRA Alert: [Cold Calls from Brokerage Firm Imposters—Beware of Old-Fashioned Phishing](#)
- FINRA Securities Helpline for Seniors: 1-844-574-3577

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