

New warning on boiler room scams

THE Financial Investigation Bureau (FIB) is warning investors to be wary if invited to purchase stocks and shares in companies on the recommendation of people representing firms they have never heard of. The Bureau says Boiler Room scams of this type have increased in volume in recent weeks and now feature a couple of new twists that might catch out the uninitiated.

The first is a switch of location. Many previous boiler room scams have been masterminded in the Far East using English-speaking backpackers. More recently, cases have arisen where the caller is based in Spain. In one of the latest scams the caller claims to be working for a firm in Switzerland and says the target's contact details have been passed on to him from a financial website. Being a recognised financial centre, Switzerland serves to add a degree of credibility to the offer, compared to say the Philippines.

Moreover, if the target shows interest, he is asked to deal with an escrow agent in California and send the money for the shares to an account in the US. The money is paid but the stock transfer is never made. The stock transfer agent for the company whose shares have been bought has never had any dealings with the escrow agent and has never heard of them. Once again, in a typical ruse the fraudster has used a middleman to add an extra layer to the transaction that he can distance himself from.

And when the victim goes back to the original Swiss firm to complain, they have built in an opportunity to sell further shares whilst agreeing to investigate the 'misunderstanding' with the American firm.

In a second twist, a victim who has recently bought shares in a boiler room scam may soon be contacted

by another company, allegedly unconnected, that offers to buy the shares at a price typically 10% above what was paid. Few investors can resist the opportunity to make a quick profit but before the deal can proceed they are told they must insure the transaction. To do this, they are asked to get an appropriate insurance certificate linked to a well-known insurer from their original broker, which of course entails paying an additional fee. The approach is part of the scam and once the insurance certificate is obtained the second company – in collusion with the first – withdraws its offer.

Commenting on the new developments, Jon Merrett from FIB notes that whilst credibility is always the key to a good fraud, the introduction of third parties either as escrow agents or 'interested' investors is proving a good way to reassure victims whilst enabling the fraudster a 'second bite of the cherry'.

"They are getting greedy," he says "but the average victim will not realise the true situation until they have been persuaded to part with more money, by which time it is invariably too late to rescue the situation.

"My advice to investors is never to buy anything on the basis of a 'cold call' whether by phone or email, and if you are tempted make sure you check all the parties out carefully before paying out any money.

"In these new cases the switch of location to a recognised financial centre is significant, as is any request to send funds to a third party in a different country. And if someone offers to buy your shares at an inflated price, have the good sense to realise you are already a victim and don't go throwing good money after bad in search of a quick profit. They don't exist."

Conference produces an unexpected bonus

THE power of networking was seen to good effect last month at FIB's annual conference when a fraudster being sought by one of the speakers was identified by two of the delegates. Both parties are now working together to run him to ground.

The fraudster, a former bank employee, had manufactured fake documentation to conceal the illegal transfer of \$650,000 to an account in another country. The transfer of funds request was in the name of a well-known and important customer and the money had been moved to Switzerland. Once this had been done the employee promptly resigned and left. He was thought to have returned to his home in the Lebanon but at the time of the conference had not been found.

During the presentation the fraudster's photo was flashed on the screen and soon after two delegates from the Lebanon came forward to say that they knew the man and where he could be found.

"This was a bit of a turn up and totally unexpected," commented FIB Assistant Director Jon Merrett "but it illustrates what can happen when bankers and fraud investigators from all over the world come together to meet and exchange views on their respective problems.

"The two delegates knew the man but had no idea he was wanted for insider fraud until they heard about the case and saw his photograph. Let's hope that working together with the bank he defrauded he will eventually be brought to justice. Fortunately, the funds in Switzer-

Continued on page 6