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ARKANSAS SECURITIES DEPARTMENT

Arkansas Securities Department Expands Annual Top Investor Threats List

JOBS Act Implementation Prompts Additions of Threats to Small Business Owners

Little Rock – The Arkansas Securities Department today expanded its annual listing of financial products, practices and services that threaten to trap unsuspecting investors to include lurking dangers facing small business owners.

“With the rollout of rules required by the JOBS Act, investors and small business owners alike must be on heightened alert for questionable investment offers and services,” said Arkansas Securities Commissioner, A. Heath Abshure.

The Commissioner said he is concerned that the recent lifting of an 80-year-old ban on the advertising of private offerings, mandated by the JOBS Act, will lead to greater abuse by unscrupulous promoters. The implementation of the JOBS Act also has created opportunities for unregulated third parties to provide ancillary services.

“Whether a crowdfunding portal or an accredited investor aggregator, it is important to do your due diligence and to understand that use of an unregulated third party to provide such services does not change your obligations under federal and state securities laws,” Abshure said. “Investors are not alone in their potential to be scammed. Using a fraudulent portal means both the business and the investor stand to lose.”

The following list of the Top 10 financial products and practices that threaten to trap unwary investors and small business owners was compiled by the North American Securities Administrators Association (NASAA), of which the Arkansas Securities Department is a member:

2013 Top Threats to Investors & Small Businesses

Persistent Threats

- Private Offerings
- Real Estate Investment Schemes
- High-Yield Investment & Ponzi Schemes
- Affinity Fraud
- Scam Artists Using Self-Directed IRAs to Mask Fraud
- Risky Oil & Gas Drilling Programs

New Investor Threats

- Proxy Trading Accounts
- Digital Currency

New Small Business Threats

- Capital-raising Pitfalls
- Unregulated Third-party Service Providers

Source: North American Securities Administrators Association Enforcement Section

The Commissioner reminded investors to independently verify any investment opportunity as well as the background of the person and company offering the investment. State securities regulators can provide detailed background information about those who sell securities or give investment advice, and about the products being offered. “You wouldn’t trust your health to an unlicensed doctor, so why jeopardize your financial health by trusting your hard-earned money to an unlicensed broker or investment adviser?” Abshure said.

More information about each of the 2013 Top Investor and Small Business Threats is available on the Arkansas Securities Department website at www.securities.arkansas.gov.

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