



# *DCCA NEWS RELEASE*

BUSINESS REGISTRATION DIVISION

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## **INVESTING ONLINE RESOURCE CENTER**

WASHINGTON, D.C., August 28, 2001 - The 20-month-old Investing Online Resource Center ([www.investingonline.org](http://www.investingonline.org)) was relaunched today with a major new "investor simulator center" and other Web-based educational tools designed to zero in on the five most frequently experienced problem areas that state securities regulators have identified in the process of dealing with hundreds of online investor complaints. Five major topics - margin accounts, after-hours trading, limit orders, how to sign up for online account and avoiding online hype schemes - now are addressed in detail for the first time on the non-profit IORC site.

"We launched the Investing Online Resource Center during the real boom days for Web trading and we have learned with the recent slow down where the real problems are for online investors," said Deborah Bortner, president of the North American Securities Administrators Association, and director of the Securities Division of the Washington Department of Financial Institutions. "Our philosophy in redesigning IORC was not just to tell people what they need to know in general terms, but also to tackle the trouble spots where small investors are most likely to experience woes. State securities regulators are dealing with hundreds of these cases and we made sure that this Web site reflects what we know is going on in the real world."

The Investing Online Resource Center is the only independent, non-commercial organization dedicated solely to serving the individual consumer who invests online or is considering doing so. Launched on December 15, 1999 by the Washington State Department of Financial Institutions Securities Division, IORC originally was projected to be able to achieve one million hits in its first 12 months. Instead, that milestone was reached in about two weeks without a single dollar being spent on advertising. The IORC Web site logged a total of 15 million hits in its first 20 months, which ended on August 15, 2001. More than two dozen online brokerage firms link to IORC Web site as part of their investor education efforts.

DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS

BENJAMIN J. CAYETANO, Governor

KATHRYN S. MATAYOSHI, Director

NOE NOE TOM, Deputy Director

In January 2001, the North American Securities Administrators Association (NASAA), the national organization of the 50 state securities regulators, took over management of the site, raising its profile from a single-state effort to a truly national undertaking. More than 10 state securities agencies and over two dozen online brokerage firms collaborated to provide their perspective during a six-month-long redesign of the look and content of the IORC Web site. NASAA Online Investor Education Committee Chair Daphne Smith, who also serves as assistant commissioner of securities of the Tennessee Department of Commerce and Insurance, coordinated input from a team of state securities regulators from Kansas, Washington state, Texas, Tennessee, West Virginia, Georgia and Maryland

Schwab, Datek, SiebertNet, FOLIOfn and Patagon USA were the five online brokerage firms that served as an industry "mini committee" reviewing all new and revised content on the IORC Web site.

"Having worked on investor education and securities regulation at the state and the national level, I know what a great demand there is from investors for educational information written in plain English," said Nancy Smith, vice present for Web Content and Investor Education at FOLIOfn, and former director of the U.S. Securities and Exchange Commission's Office of Investor Education and Assistance. "The IORC is addressing this need with timely and easy-to-use information geared towards the full spectrum of investors. Anyone who invests online should bookmark this site."

#### **KEY NEW FEATURES OF IORC**

In addition to information about investor rights, a guide to online broker ratings, and myths about online trading, the new Investing Online Resource Center features a three-module "investor simulation center" with Flash interactivity and other new tools. The Web site also is "gated" so that potential online investors are steered to information most useful to them and investors already online are directed to information geared to their needs. The new features of the Web site include:

- ? Margin account simulation. Since most new online investors do not appear to understand how margin accounts work, this new IORC simulation module goes beyond explaining the math of margin to put visitors through scenarios in which the price of a stock in a margin account rises and falls. IORC visitors get a chance to see in graphic terms the implications of margin accounts and exactly what they need to understand about them.
  
- ? Limit/market order simulation. In response to numerous situations in which small investors might have avoided problems by using limit

orders for the purposes of selling stock, this new IORC simulation module walks the visitor through a scenario in which the use of a market and limit order lead to dramatically different outcomes. Visitors to the IORC investing simulation center are permitted to pick a scenario, watch the outcome unfold, and then go back and try the other scenario.

- ? Online investment "hype" simulation. Based on the numerous cases that they have handled to date, state securities regulators helped to work out the details of this IORC simulation module in which an investor is emailed by an unknown party with news of a drug company that supposedly is about to announce a major cure. The investor then must decide how to proceed. Under one outcome, the IORC site visitor is victimized in a hype scheme that involves the pumping and dumping of a thinly traded stock that gyrates on the basis of bogus Internet hype.
- ? New account sign-up. In all too many cases, regulators see problems where new online investors signing up to trade do not understand the implications of their account agreement, particularly as they relate to margin account provisions and the wealth/risk-taking profile that is used to determine suitability. This portion of the new IORC site walks investors through each key phase of a typical account sign up process and "flags" the key details about each part of the account form.
- ? The facts about after-hours trading. Even though interest in after-hours trading remains high among online investors, most have little understanding of how this aspect of the financial world works. The revamped IORC site includes a "fact and fiction" discussion of what is ... and what is not ... involved in after-hours trading.

#### **ABOUT IORC**

First unveiled on December 15, 1999, the Investing Online Resource Center is the only independent, non-commercial organization dedicated solely to serving the individual consumer who invests online or is considering doing so. IORC was created to: set out the key facts about online investing; make available information needed for informed decision-making by consumers; and to outline the rights of online investors and dispute resolution alternatives.

The IORC is funded by NASAA, the Washington State Department of Financial Institutions and the Investor Protection Trust (IPT). The IORC Web site

was created and launched under the auspices of the IPT by the Washington State Department of Financial Institutions' Securities Division, which is a state government agency.

The Investing Online Resource Center is an official project of NASAA. Organized in 1919, the North American Securities Administrators Association is the oldest international organization devoted to investor protection. In the U.S., NASAA is the voice of the 50 state securities agencies responsible for efficient capital formation and grassroots investor protection. NASAA is a voluntary association with membership consisting of the 66 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, Canada, and Mexico.

A streaming audio recording of the August 28th news conference will be available online at [www.investingonline.org/journalist.html](http://www.investingonline.org/journalist.html)

For more information contact Jenny Kefauver or Scott Stapf, The Hastings Group, 703/276-1116, ext. 256, or [jkefauver@hastingsgroup.com](mailto:jkefauver@hastingsgroup.com). or visit IORC on the web at [www.investingonline.org](http://www.investingonline.org)

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