



Department of Commerce & Consumer Affairs
Office of the Securities Commissioner
335 Merchant Street, Honolulu, HI 96813

Common Threats to Hawaii Investors

- **Ponzi Schemes**

Named for the swindler Charles Ponzi, who in the early 1900's took investors for millions by promising 40% returns. The premise is simple: pay early investors with money raised from later investors. There is no real underlying business. Eventually the scheme collapses and the promoters walk away rich. The "taking from Peter to pay Paul" idea.



- **Unregistered Individuals Selling Securities**

Individuals who sell securities or provide investment advice are required to register before they can offer their services to the public. Hawaii law requires all brokerage and investment adviser firms and their sales staff to be registered with DCCA Securities Compliance Branch. Be sure to check with our office before you invest to be sure the seller or representative is legitimate. Remember - "No registration, No sale".

- **Affinity Fraud**

It is human nature to trust people who are like you. Con Artists are increasingly targeting religious, ethnic, cultural and professional/union groups to gain trust and then steal the life savings of trusting members. Stay alert and ask questions, even if it's a close friend "letting you in on a great deal".

- **Unregistered Investment Products**

It pays to remember that legitimate investment securities products must be registered with the state securities office before they can be offered for sale to the public. Con artists bypass this requirement because they know that stringent state securities registration requirements protect investors from illegitimate offerings of promissory notes, high-yield investments, oil & gas. Call our office to check if the investment being sold to you is registered.

- **Variable Annuities**

These are complicated products that agents sell without thoroughly explaining. Many investors are not being told about high surrender charges, hidden fees & costs, long lock up periods, penalties for withdrawals and steep sales commissions that agents often earn when they move investors into variable annuities. Some investors also are misled with claims of guaranteed returns. Variable annuities are unsuitable for many retirees because of long lock-in periods and high penalties for early withdrawal.

To report investment fraud, call 58SCAMS (587-2267)/Toll Free 1-877-HI SCAMS

Visit our website at www.investing.hawaii.gov

"Protecting Hawaii Investors"