

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

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Media Release

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The MFSA warns the public against international share scams
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The Malta Financial Services Authority (MFSA) warns the public against the activities of the company **Drexel Asset Management** (Drexel) which has been approaching Maltese consumers through unsolicited or cold calls to invest money in foreign securities without the necessary authorisation. It would appear that Drexel personnel are calling from Japan or Malaysia.

MFSA hereby informs the public that Drexel does not have the appropriate authorisation to provide any type of financial services activities in Malta.

The MFSA warns members of the public against investing in shares or other securities through companies that solicit for business through unsolicited or cold calls. These companies may be part of an international share scam which has victimised investors in several countries.

The MFSA would like to take this opportunity to remind investors not to enter into any financial services transaction unless they have ascertained that the entity with whom the transaction is being made holds a licence to provide such services from the MFSA or other reputable financial services regulator. A list of entities licensed by the MFSA is available from www.mfsa.com.mt.

The MFSA's warning follows several complaints from Maltese investors who have been approached by Drexel during these past few days. The cold-calling company has tried to entice potential investors by offering the shares of foreign companies, either listed on foreign stock exchanges or unlisted, at a discount to its quoted market price. The potential investor is usually told that he can "make a profit straight away".

Drexel's approach is also referred to as "boiler-room" operations in which the company uses high pressure sales tactics, or sometimes provides false or misleading information, to sell securities to potential investors. High pressure sales tactics are generally used by an army of unqualified salespeople over the telephone (using pre-distributed sales scripts) to cold call or lure investors into buying securities.

The MFSA urges the public to be cautious or risk becoming victims of these international share scams.

Persons wishing to obtain additional information are invited to contact the MFSA's Consumer Complaints Manager (telephone: 800 74924, e mail address: consumerinfo@mfsa.com.mt).

Note to editors:

The MFSA would appreciate if the following section is published by way of feature (or any other suitable form of publication) to increase public awareness of such scams.

How to identify a “cold-calling” or “boiler-room” share scam

Members of the public may identify these cold-calling share scams by looking out for the following features:

1. Potential investors are most often contacted by telephone. They may also be contacted by mail, e-mail or fax. These communications are unsolicited, and the investor often has no idea how the cold-calling company obtained his contact information.
2. The cold caller may or may not provide his name or details of his company. Where details are provided, the address of the cold-calling company would usually be in a foreign country. Hence, potential investors would have difficulty checking the physical existence of the company. Often, the address or telephone number given is that of a “virtual-office provider” which acts as a conduit for the company, which can be located anywhere in the world.
3. Potential investors would be offered shares in companies which are listed on a foreign exchange. The shares offered to potential investors may actually exist on international exchanges/markets or are quoted on the over-the-counter (OTC) market. Thus, if the investor were to check the name of the company via any price-quotation service or the Internet, he would find a quotation of the company's stock price.
4. The cold-calling company would usually try to entice potential investors by offering the shares at a discount to its quoted market price. The potential investor is usually told that he can “make a profit straight away”.
5. The cold-caller is usually very pleasant with the potential investor during the introductory telephone call. If the potential investor declines to invest, the cold caller would persist and continue calling, and the pressure for the potential investor to accept would gradually mount. In many cases, cold callers adopt aggressive sales tactics.
6. Upon agreeing to purchase the shares, the potential investor would be instructed to wire payment (telegraphic transfer) to an offshore or foreign bank account.
7. After payment has been made, the investor would face difficulty in getting his share certificates, despite numerous enquiries. Sometimes, the cold-calling company would indicate that the share certificates were being held for “safe-keeping”. In either case, the investor would find it difficult to realise the cash value of his shares.
8. In some cases, the investor would receive share certificates, but would realise that the purchased shares are not ordinary shares but instead restricted shares, which normally contain restrictions on sale or transfer.

What to do if approached by a cold-caller

Members of the public are advised to take the following actions when approached by a cold caller:

1. Note down the name and business address of the cold caller. Check it against the list of licence holders available on the MFSA website at www.mfsa.com.mt. If in doubt, contact the MFSA.
2. If the caller says that it he/she is a broker dealer or investment adviser licensed by an authority abroad, ask for the name of the foreign regulator by whom it is licensed. Investors may ascertain whether the statement is true by calling the foreign regulator. Most financial sector regulators also have websites which would have a list of licensed or registered persons. It should be noted that all persons conducting dealings in securities in Malta are required to be licensed by MFSA. The MFSA strongly advises potential investors to verify that a financial intermediary is licensed by a reputable jurisdiction before remitting funds.
3. Check whether the shares and share price quoted are valid, although in many instances cold callers would quote actual shares listed or quoted on a foreign exchange.
4. Request for further information on the company to be invested in, such as its annual reports, prospectuses and financial statements.
5. If members of the public come across the above tactics or are suspicious of the caller's credentials as an investment adviser, it is advisable to hang up the telephone and cease contact with the cold caller upon obtaining the necessary lead information as suggested above.
6. Members of the public in Malta are invited to contact the MFSA's Consumer Complaints Manager (telephone: 800 749 24, e-mail address: consumerinfo@mfsa.com.mt) for more information.

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