

“BANK” RELATED INVESTMENT FRAUDS

The financial markets are in turmoil. The value of many investments are falling. The income generated by safe investments such as CD's or bank savings accounts is declining as interest rates are lowered. Many of us on fixed incomes look around for other investments to increase our income, but there is a lot of confusions in the investment markets. Scam artists love to play on this confusion by offering “high return”, “safe” investments products.

Two of the most popular scams are Letters of Credit and Prime Bank Notes....

THE SCAMS:

Letters of Credit are documents issued by international banks to ensure payment for goods shipped across country boundaries. The con artist offers to sell the “letter of credit” at a discount because he needs the cash, and offers a high rate of interest to the investor. The victim will have to send money to an account, usually offshore, the letter is then used and the cash comes back. It never does. Legitimate letters of credit are never sold or used as an investment.

Prime Bank Notes, also called Prime Bank Guarantees or Debentures, are similar. They are offered as bank guarantees that can be bought at a discount and sold at face value, providing high returns in a short period. To entice the victim, these are said to be issued by the worlds “Prime” banks and claim to be vetted by the International Chamber of Commerce (ICC). In fact, the ICC has issued a warning to stay away from them. Again, you are asked to send money to a foreign bank, and the money disappears. While Prime Bank notes do exist, they are for bank-to-bank transactions only, and are never sold or traded in a public market.

NEW TWIST:

The con artists have added a new variation to these and other investment scams – the Nondisclosure Agreement. The victim is “required” to sign an agreement where they promise only to discuss the investment with the person offering the investment. This is to prevent you from independently verifying the opportunity. If you say you are going to the authorities, you are told the agreement prevents you from doing that. It just allows them time to get away.

PROTECT YOURSELF

As with all investment scams, the scam artists hope you are panicked and will jump quickly into the investment. Do NOT do that. Research all your investments and do not move quickly into anything without a lot of thought and research. Look for the following warning signs.

Warning Signs for Risky Investments:

- Any investment that has you sending money to an offshore, foreign bank.
- Anything that requires a Non-Disclosure or Non-Circumvention Agreement. Legitimate brokers do not use these.
- Anything that uses the terms Prime Bank Note, Guarantee, or Debenture, and Bank Letter of Credit. These products, while they do exist, are never traded on any legitimate public market.
- Anything that promises high returns, 100% or more, annually. They do not exist.
- Anything you do not understand.

As always, the best protection is to do your own research, and ask a lot of questions. The SEC (Securities Exchange Commission) provides guidance at www.sec.gov/investor/brokers.htm. This site also provides links to the North American Securities Administration (www.nasaa.org) and the Financial Industry Regulatory Agency (www.finra.org/index.htm) which has a tollfree broker check hotline (1-800-289-9999).

Lastly, if you are confused about the opportunity and cannot find independent information about it – WALK AWAY. It is better to lose a little income than to lose the whole investment.

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