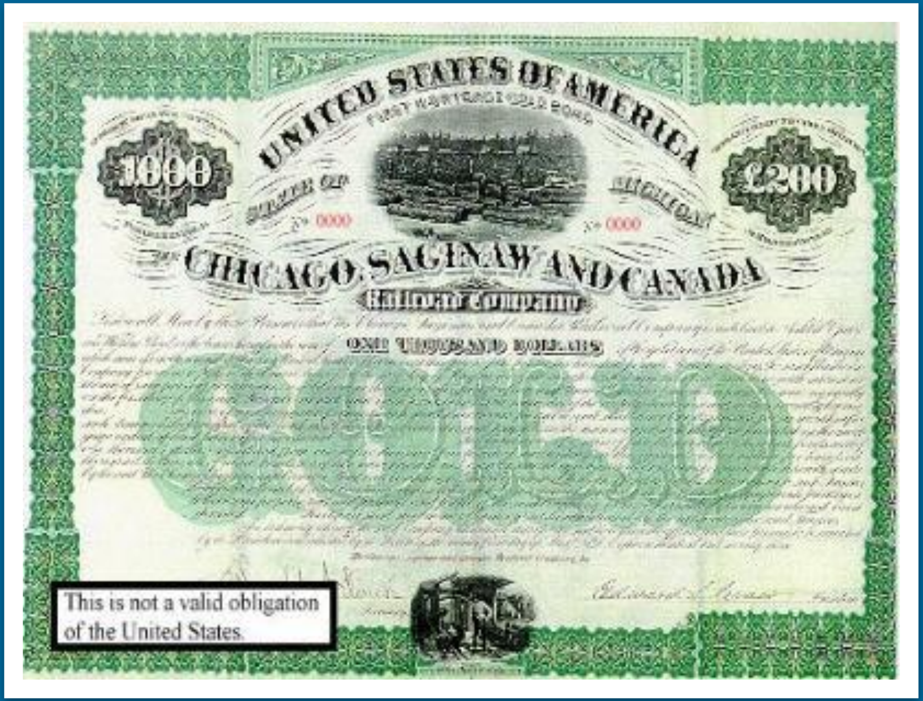
Securities fraud

Securities fraud, also known as stock fraud and investment fraud, is a deceptive practice in the stock or commodities markets that induces investors to make purchase or sale decisions on the basis of false information, frequently resulting in losses, in violation of securities laws.

A central problem is offers of risky investment opportunities to unsophisticated investors who are unable to evaluate risk adequately and cannot afford loss of capital.



Securities fraud can also include outright theft from investors (embezzlement by stockbrokers), stock manipulation, misstatements on a public company's financial reports, and lying to corporate auditors.

Pervasiveness of securities fraud

Securities regulators and other prominent groups estimate civil securities fraud totals approximately $40 billion per year.

Fraudulent schemes perpetrated in the securities and commodities markets can ultimately have a devastating impact on the viability and operation of these markets.

Characteristics of victims

Any investor can become a victim, but persons aged fifty years or older are most often victimized, whether as direct purchasers in securities or indirect purchasers through pension funds.

Not only do investors lose but so can creditors, taxing authorities, and employees.

Characteristics of perpetrators

Potential perpetrators of securities fraud within a publicly traded firm include any dishonest official within the company who has access to the payroll or financial reports that can be manipulated to:

- ***overstate assets***
- ***overstate revenues***
- ***understate costs***
- ***understate liabilities***

Thank you for your attention!