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COVID-19-Related Investment Schemes Anticipated

April 21, 2020 (LINCOLN, NEB.) — Amid the ongoing COVID-19 pandemic, the Nebraska Department of Banking and Finance (NDBF) is alerting investors to be on guard against an anticipated surge of fraudulent investment schemes.

“In these extraordinary times, the health and welfare of all must be our foremost concern, and that includes our financial health. Our focus remains on the protection of Nebraska investors,” said NDBF Deputy Director Claire McHenry.

NDBF warns investors that the fraudulent schemes launched amid COVID-19 outbreak will not be elegant. “Scammers will create schemes that require little or no advance planning and little sophistication,” Deputy Director McHenry said. “Most will simply be old scams dressed in new clothes.”

The North American Securities Administrators Association, of which NDBF is a member, anticipates fraudulent investment schemes will rise as a result of the ongoing pandemic. “Scammers will be targeting investors, taking advantage of recent developments in the economy, and preying on concerns about the regulated securities market,” said Deputy Director McHenry. “Investors must remain cautious to protect themselves.”

In particular, NDBF warns investors to be on the lookout for investments specifically tied to the threat of COVID-19. Scammers can be expected to develop schemes that falsely claim to raise capital for companies manufacturing surgical masks and gowns, producing ventilators and other medical equipment, distributing small-molecule drugs and other preventative pharmaceuticals, or manufacturing vaccines and miracle cures. The schemes often appear legitimate because they draw upon current news, medical reports, and social and political developments.

Scammers also will seek to take advantage of concerns with the volatility in the securities markets to promote “safe” investments with “guaranteed returns” including investments tied to gold, silver and other commodities; oil and gas; and real estate. Investors also can expect to see “get rich quick” schemes that promise quickly earned guaranteed returns that can be used to pay for rent, utilities or other expenses. These schemes also target retirees and senior citizens, falsely claiming they can quickly and safely recoup any losses to their retirement portfolios.

Investors must remain vigilant and protect themselves from new schemes tied to COVID-19 and recent economic developments. NDBF warns investors to stay clear of anything sounding too good to be true, such as guarantees of high returns with no risk, and to verify the licenses and registrations of investment professionals.

More information about the laws governing the securities industry in Nebraska can be found on NDBF's website at ndbf.nebraska.gov. If you have questions about any investment matter, call NDBF's Consumer Hotline toll free at (877) 471-3445 in Nebraska, or (402) 471-3445 if you are out of state.

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