

# Spot investment scams; Stop investment scams - Pump and Dump? Jump Away!

Hong Kong's Securities and Futures Commission (SFC) has recently through various medium issued warnings about investment scams conducted through social media. Received any stock tips from acquaintances/strangers via social media or instant message apps? Read on to find out why you should not believe in such investment tips.



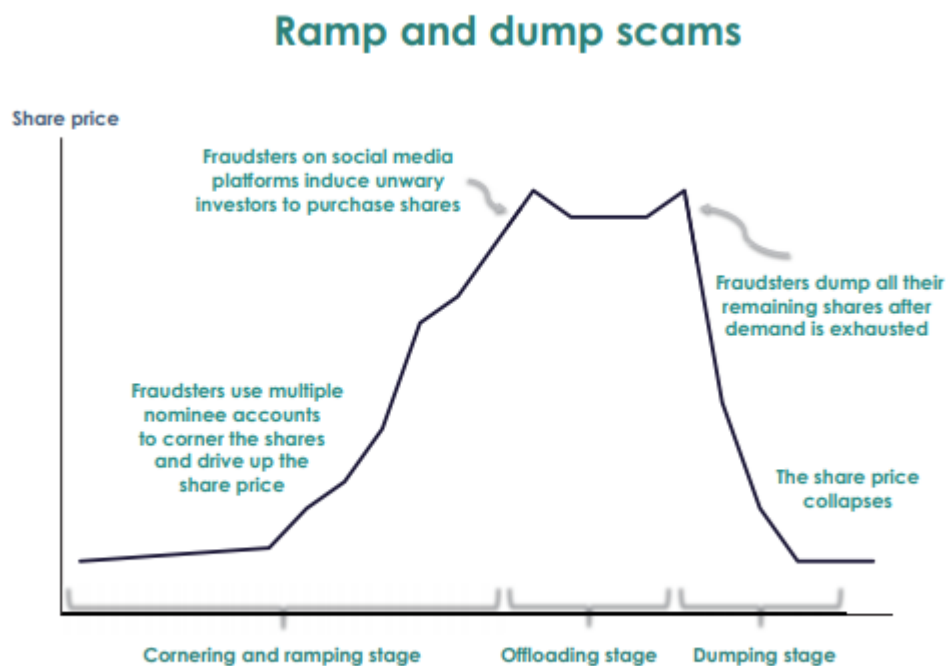
Photo by [Max](#) on [Unsplash](#)

In recent months, as reported on various news media, there have been an uptick in the number of retail investors who have fallen victim to investment scams, and especially “Pump and Dump” (also known as “Ramp and Dump”) scams that, according to Hong Kong [SFC’s compilation](#), account for about 20% the market manipulation cases that are currently under investigation.

The Singapore Police Force has also issued an [advisory](#) back in May 2019 to notify the public that the Commercial Affairs Department (“CAD”) had received complaints relating to suspected “pump and dump” scams involving companies listed on the Hong Kong Stock Exchange.

In the September 2020 special edition of “[Enforcement Reporter](#)” published by Hong Kong SFC, a “Pump and Dump” scam is similarly described as a form of stock market manipulation, whereby the scammers “pump” up the share price of a listed company via different methods, before subsequently “dumping” the company shares at artificially high prices to their victims. As further illustrated in the “[Enforcement Reporter](#)”, there are typically three stages in “Pump and Dump” scams, namely cornering and ramping, offloading and dumping. The process of the scam is also illustrated in the following chart published in the article.

Chart 1: Three different stages of Pump and Dump / Ramp and Dump scams



Source: Hong Kong Securities and Futures Commission, Enforcement Reporter Special Edition September 2020: [https://sfc.hk/-/media/EN/files/ER/Reports/Enforcement-Reporter/SFC-Enforcement-Reporter\\_Sep2020\\_EN.pdf](https://sfc.hk/-/media/EN/files/ER/Reports/Enforcement-Reporter/SFC-Enforcement-Reporter_Sep2020_EN.pdf)

## **Legit or Sus? Signs that the Stock Tips you received is a “Pump and Dump” scam**

1. If the tips were provided by casual acquaintances or complete strangers who have reached out to you via social media (including platforms such as Facebook, Instagram, LinkedIn, and online dating websites or apps) or through Instant Messaging (IM) applications (such as WeChat, Whatsapp, Line, Telegram and etc.).
2. The contacts may portray themselves as likeable, attractive, educated or credible individuals, and could have been frequently and enthusiastically contacting you to build friendship or may even initiate romantic relationship.
3. They start to casually mention about knowing key personnel or latest happenings in listed companies and may begin to provide insider information. They may also be self-proclaimed investment teachers/gurus/professionals who start to persuade you to join in other like-minded individuals in their social media or IM chat groups.
4. The contacts lure you with promises of getting rich together.
5. The companies “recommended” by such contacts may be listed on reputable exchanges with relatively lower market capitalisation and liquidity, while shareholding concentration are typically higher. Such characteristics allow the company’s share price to be easily manipulated as compared to high market cap stocks with better liquidity and keen retail investors’ interest.
6. If you have started investing based on their tips, you may have benefited from such trades as the share price could start to project a sharp upward trajectory. Despite the quick rise in share price, positive news on such companies may be scarce or unavailable in the public domain. The contacts may also request for screenshot proofs of your transactions in the recommended stocks.

7. After the share price start to fall off the cliff, the contacts may become totally uncontactable.

## The Four I's to Safeguard Yourself from Pump and Dump Scams - Stay Informed, Be Incredulous, Inquire, Isolate!

Prevention is always better than cure, and monetary losses in the case of investment scams.

Apart from being able to

*(Stay) Informed*

There are plenty of resources available for retail investors to help them identify scams and frauds. For instance, Hong Kong SFC has recently launched an official [Facebook page](#) and a campaign to educate the investor community and to warn them against the use of social media platforms by fraudsters to scam investors.

The [Investor Financial Education Council](#), a subsidiary of SFC has also issued [practical guidance](#) for investors to help them identify the warning signs of internet scams. Investors could also check the names of organisations

SFC also publishes on its website [a list of companies with high shareholding concentration](#), as such companies may be more susceptible to share price manipulation.

In Singapore, the National Crime Prevention Council (NCPC) has set up an information portal ScamAlert.sg to promote awareness of the scams and frauds. The [investment scam](#) page also has a section where scam victims and survivors share their stories and experiences on how they fell victim to such investment scams.

*(Be) Incredulous*

When something sounds too good to be true, it is likely that it is just that. This also applies to the persona and background of individuals who have been befriending you on social media. Be incredulous and skeptical of the impression (often fake) portrayed by them and be even more skeptical when they proclaim to be well-connected to business and has access to insider information, or if they begin to offer unsolicited investment advice that could help you get rich.

In the investment world, the higher the returns, the higher the risks, hence any claims or promises of guaranteed investments with quick and high returns should probably set off red alert alarms.

### *Inquire, Inquire and Inquire*

Among the wide range of tactics adopted by the scammers to establish trust with the victim includes adopting fake identifies, where impersonating licensed and professional persons to offer investment recommendations. Ask questions to verify the background of the said person, or request to see licensing or accreditation proofs.

For instance, investors can check if an entity is blacklisted on the Monetary Authority of Singapore (MAS) Investor Alert List, or check the identity using resources such as the financial institution's directory, register or representatives, and investor alert list, which can be found on the MAS website ([www.mas.gov.sg](http://www.mas.gov.sg)).

Do not blindly believe any claims from social media contacts and conduct your own due diligence. Be inquisitive and question the authenticity and reliability of any information received, and ask plenty of questions to verify the investment merits of the stocks tips.

For listed companies, investors could also make use of the tools and information available on the platform, including the Chart Centre, Stock Screener, Stock Factsheet and etc to assess information pertaining to valuations, market cap, shareholding, and liquidity of the stocks to see if the stocks in question fit the description of easily manipulated stocks.

## *Isolate & Ignore*

Be wary and vigilant of any invitations from strangers or supposedly famous personalities on social media to connect. If in doubt or if the contacts begin to display any of the warning signs described above, hit the block button and stop the conversation and connection.

Already provided any personal information to the scammers or already invested in the stocks? Consider reaching out to the authorities to flag out the case. Investors based in Singapore could also contact the Anti-Scam helpline at 1800-722-6688.

### References:

1. Singapore Police Force – Police Advisory: Pump And Dump Scams Involving Hong Kong Listed Companies ([https://www.police.gov.sg/Media-Room/News/20190504\\_OTHERS\\_Police\\_Advisory\\_Pump\\_and\\_dump\\_scams\\_involving\\_Hong\\_Kong\\_listed\\_companies](https://www.police.gov.sg/Media-Room/News/20190504_OTHERS_Police_Advisory_Pump_and_dump_scams_involving_Hong_Kong_listed_companies))
2. Hong Kong Securities and Futures Commission – <https://www.sfc.hk/en/>
3. ScamAlert SG - <https://www.scamalert.sg/scam-details/investment-scam>