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# Wisconsin DFI Announces Top Investor Threats for 2022

MADISON, Wis. – The Wisconsin Department of Financial Institutions (DFI) today released an annual list of top investor threats and urged caution before purchasing popular and volatile unregulated investments – especially those involving cryptocurrency and digital assets. The agency also announced guidance for investors, including steps they can take to protect themselves from fraud in the new year.

"Investments related to cryptocurrencies and digital assets are our top investor threat this year," said DFI Secretary-designee Cheryll Olson-Collins. "Stories of 'crypto millionaires' attracted some investors to try their hand at investing in cryptocurrencies or crypto-related investments this past year, and with them, many stories of those who bet big and lost big began appearing, and they will unfortunately continue to appear in 2022."

The top investor threats for 2022 were determined by a survey of state securities regulators conducted by the North American Securities Administrators Association (NASAA), of which DFI is a member. The annual survey is designed to identify the most problematic products, practices, or schemes facing investors. The following were cited most often by state and provincial securities regulators:

1. Investments tied to cryptocurrencies and digital assets,
2. Fraudulent offerings related to promissory notes,
3. Solicitations of money through social media and internet investment offers, and
4. Financial schemes connected to self-directed individual retirement accounts.

"Many of the fraud threats facing investors today involve private offerings, which federal law exempts from registration requirements and preempts states from enforcing important investor protection laws," said DFI Secretary-designee Olson-Collins. "Unregistered private offerings are generally high-risk investments without the same investor protection requirements as those sold through public markets."

Investors are urged to practice the following tips to identify and avoid investment scams:

1. Anyone can be anyone on the Internet. Scammers are spoofing websites and using fake social media accounts to obscure their identities. Investors should always take steps to identify phony accounts by looking closely at content, analyzing dates of inception, and considering the quality of engagement. To ensure investors do not accidently deal with an imposter firm, pay careful attention to domain names and learn more about how to protect your online accounts.

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2. Beware of fake client reviews. Scammers often reference or publish positive, yet bogus testimonials purportedly drafted by satisfied customers. These testimonials create the appearance the promoter is reliable – he or she has already earned significant profits in the past, implying the new investors can reap the same financial benefits as prior investors. In many cases, though, the reviews are drafted, not by a satisfied customer, but by the scammer. Learn how to protect yourself with NASAA's Informed Investor Advisory on social media, online trading and investing.

3. If it sounds too good to be true, it probably is. Bad actors often entice new investors by promising the payment of safe, lucrative, guaranteed returns over relatively short terms – sometimes measured in hours or days instead of months or years. These representations are red flags for fraud, as all investments carry some degree of risk, and the size of the potential profits are typically correlated with the degree of risk. Learn more about the warning signs of investment fraud.

The DFI's Division of Securities (DOS) recommends investors independently research registration of investment firms and companies offering investments. They should not use hyperlinks provided by the parties, and instead contact their state securities regulator, search the SEC's Investment Adviser Public Disclosure website or FINRA's BrokerCheck platform. Investors should be aware that scammers may misappropriate the CRD numbers of registered firms and individuals. Investors should contact their regulator if they suspect the firm is engaging in this type of tactic. The SEC's PAUSE Program lists entities that falsely claim to be registered, licensed, and/or located in the United States in their solicitation of investors, as well as entities that impersonate genuine U.S. registered securities firms or fictitious regulators, governmental agencies, or international organizations.

Individuals offering investments are obligated to truthfully disclose all material facts, and they must disclose the risks associated with each product. On the other hand, bad actors will often minimize or conceal risks, and use hyperbole to tout profits and payouts. Investors should pay attention to these details, as they can provide clues about the potential illegitimacy of a scam.

Bad actors may be impersonating licensed parties by using phony websites that place viruses or malicious software on victim's computers. Investors should continue to observe best practices for cybersecurity. The FDIC has issued guidance to assist consumers in protecting themselves from cyber-attacks.

Before making any financial decisions, the DFI recommends investors do their homework, ask questions, and contact the DFI's DOS by phone at (608) 266-2139 or by email at DFISecurities@dfi.wisconsin.gov for more information.

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