



From the

NC Department *of the* Secretary of State



ELAINE F. MARSHALL, NC SECRETARY OF STATE



Guarding Your Assets in a Scary World



Presentation to
NC Coalition on Aging
May 28, 2024

Speaker:

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- This presentation is intended for educational purposes only and the information provided should not be construed as legal or investment advice.
- The views expressed are those of the presenter.
- Presenter believes all information is truthful and accurate; however, mistakes can occur and laws and regulations may change.
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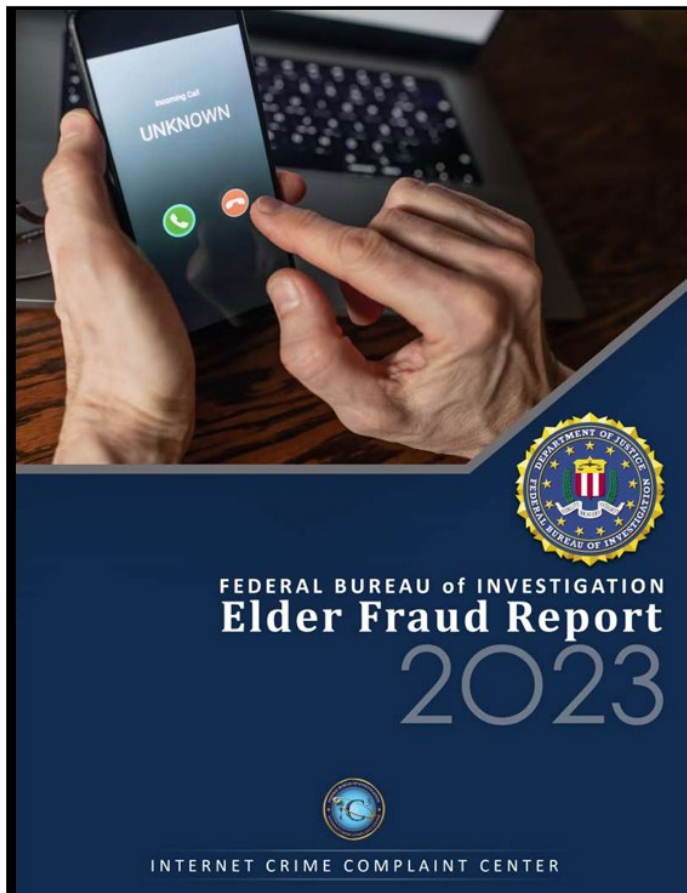


Investment Fraud -- Scope

In its 2023 report, the FBI's Internet Crime Complaint Center (IC³) reported:

- Receiving over 100,000 complaints from people 60+;
- Total losses exceeded \$3.4 billion during 2023; and,
- Investment scams were the **FIFTH** most reported type of crime, but ranked **FIRST** as the costliest, with reported losses greater than **\$1.2 billion**.

--Source: FBI's Internet Crime Complaint Center (IC³) "2023 Elder Fraud Report"
https://www.ic3.gov/Media/PDF/AnnualReport/2023_IC3ElderFraudReport.pdf





Financial Exploitation -- Scope

2023 COMPLAINTS BY AGE GROUP

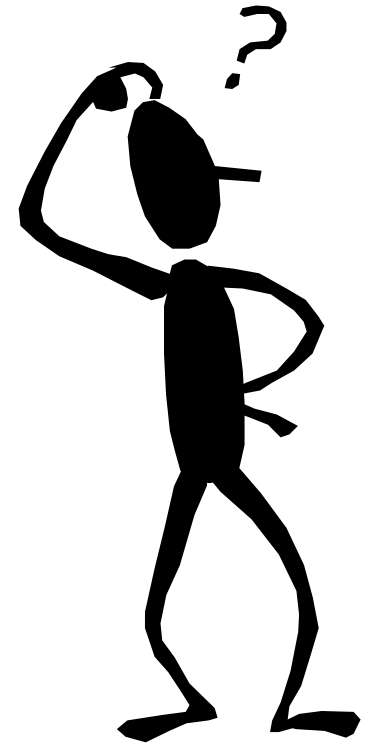
COMPLAINTS		
Age Range ²	Total Count	Total Loss
Under 20	18,174	\$40,703,428
20 - 29	6,2410	\$360,743,568
30 - 39	88,138	\$1,167,165,071
40 - 49	84,052	\$1,501,216,581
50 - 59	65,924	\$1,681,873,944
Over 60	101,068	\$3,427,717,654

² Not all complaints include an associated age range—those without this information are excluded from this table.

--Source: FBI's Internet Crime Complaint Center (IC³) "2023 Elder Fraud Report"
https://www.ic3.gov/Media/PDF/AnnualReport/2023_IC3ElderFraudReport.pdf

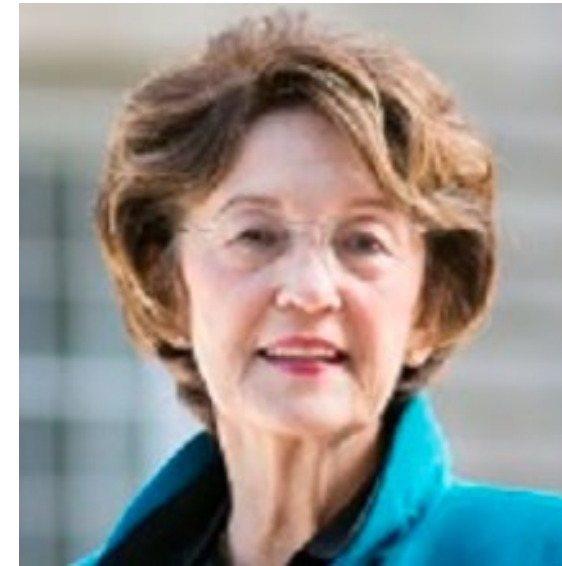
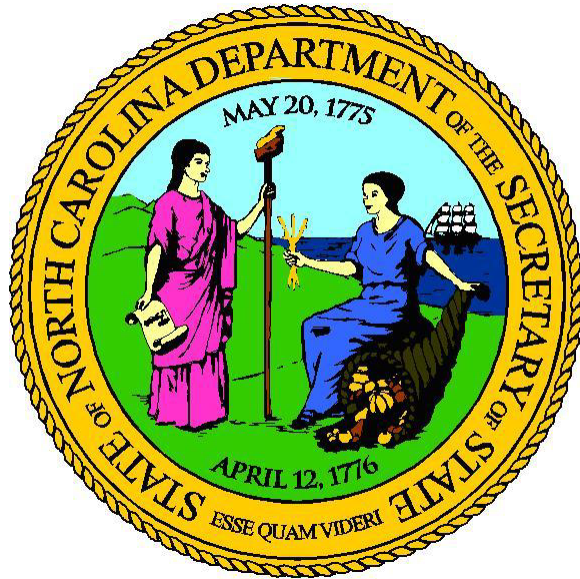


Investment Fraud -- Effects





NC Department of the Secretary of State



Hon. Elaine F. Marshall
Secretary of State



Investment Fraud

NC Department of the Secretary of State administers and enforces:

NC Securities Act (N.C.G.S. § 78A)

NC Investment Advisers Act (N.C.G.S. § 78C)

NC Commodities Act (N.C.G.S. § 78D)





What IS a “security”?

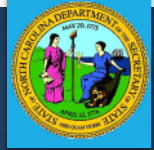
Full definition is found at N.C.G.S. §78A-2(11); however, ***in general***:

A “security” is any investment in which the investor has a reasonable expectation of making a profit as the result of the managerial or entrepreneurial efforts of others.



Why is this IMPORTANT to know?

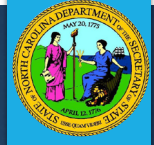
1. With limited exceptions, anyone who sells a security or provides investment advice **must** be licensed and registered with the Securities Division.
2. With limited exceptions, all securities **must** be registered with the Securities Division.



Single Best Thing You Can Do?

CALL US!!

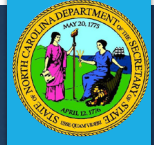
Investor Hotline: (800) 688-4507



Types of Scams



- I immigrated to the US in 1903 at age 20.
- In 1920, I devised a scheme that still bears my name today.
- I opened a company in Boston telling investors that I could provide a 100% return in just 90 days.



Types of Scams



International Reply Coupon
(c.1920)

- Could buy the coupon in Rome for 1.5¢ each
- Could sell the coupon in Boston for 5¢ each
- 233% profit!!



Types of Scams

- I was deluged by investors, taking in \$1M in one 3-hour period.
- I went from being penniless to exceedingly rich to penniless and imprisoned in less than a year.





Types of Scams



- By the time I was exposed, I had taken investors for \$10M - \$15M (\$156M - \$234M in 2024!) while only investing ~\$50.
- What is my name?
- My name is: **Charles Ponzi**



Not “Fonzi”!





Types of Scams



We continue to refer to similar scams as **"Ponzi Schemes."**



Ponzi Schemes Are Alive & “Well”



This fellow was convicted of pulling off the biggest Ponzi scheme in history (~\$18B) and was sentenced in 2009 to 150 years in prison (died in April 2021).



Ponzi Schemes Are Alive & “Well” (Even in Small Town, NC!)



J.V. Huffman, Jr.

- Lived in Catawba Co.
- Active from 1991-2008
- Sold fake promissory notes
- Snared approximately 500 investors, bilking them out of ~\$25M
- Victims included:
 - Friends
 - Church members
 - Family
 - **Even Mother and Father!**



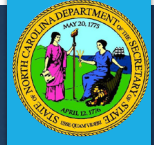
Ponzi Schemes Are Alive & “Well” (Even in Small Town, NC!)



J.V. Huffman, Jr.
DOC Number: 1188382

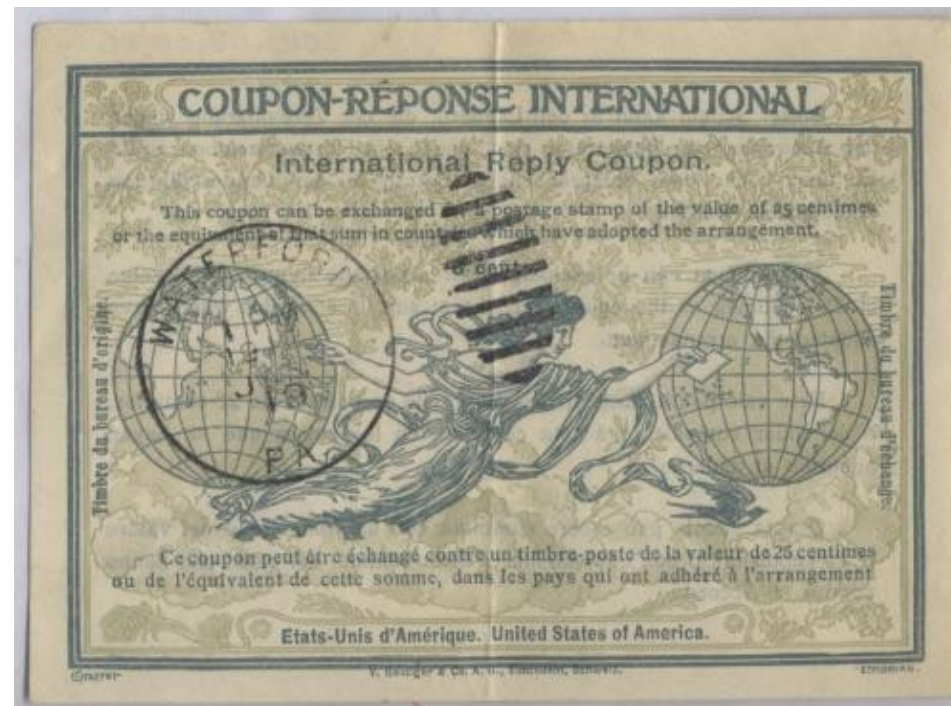
- Pleaded guilty in Jan 2010 to 28 felony counts, including 14 counts of securities fraud
- Sentenced to 30 – 40.5 years





Emerging Threats: 21st Century Ponzi Schemes

Remember this from the 1920s?





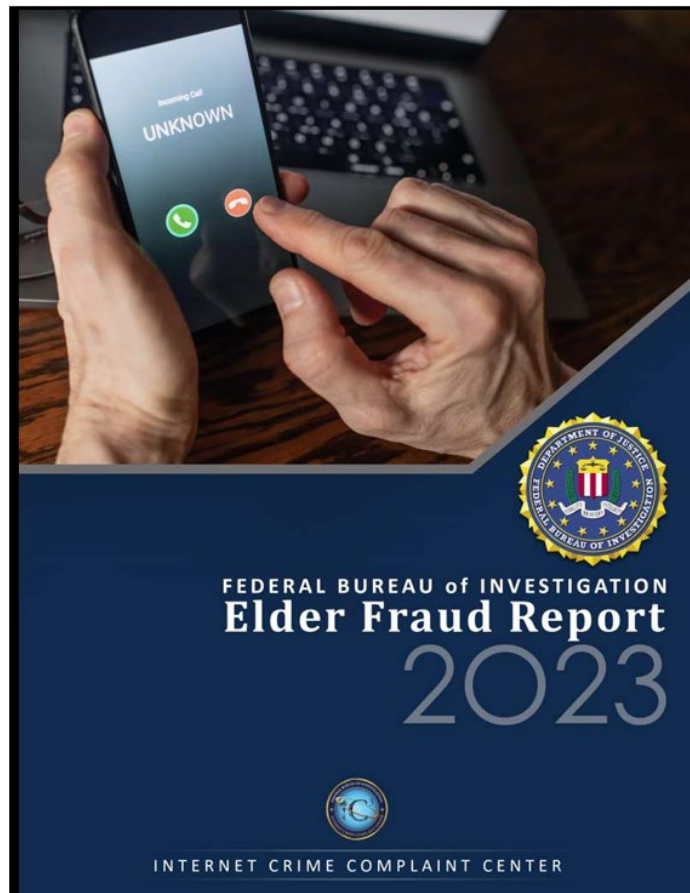
Emerging Threats: 21st Century Ponzi Schemes

Meet its 21st Century Cousin: Cryptocurrencies!





Emerging Threats: 21st Century Ponzi Schemes



“The largest losses among complainants over the age of 60 are from **cryptocurrency investment scams**, which account for approximately **64% of all losses** related to cryptocurrency for this age group.”

--Source: FBI's Internet Crime Complaint Center (IC³) "2023 Elder Fraud Report"
https://www.ic3.gov/Media/PDF/AnnualReport/2023_IC3ElderFraudReport.pdf



Emerging Threats: 21st Century Ponzi Schemes



- Cryptocurrencies exist **only** on the internet as part of the **blockchain**.
- They are **not regulated, backed, or insured** by any government.
- **No guarantee** that you can exchange them for fiat currencies like US Dollar or the Euro.
- Their **values** are only what other people are prepared to pay for them on the internet.



Dangers of Crypto Investing

Power Mining Pool
MINING TO THE POWER OF 7

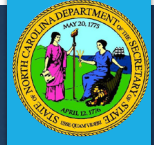
Home | Opportunity | FAQ's & Support | Member Login | Sign Up

Why Choose Power Mining Pool?

Two brothers,
Andrew & Mike Conti based in central Europe,

Achieved **great success** mining some of the
most profitable crypto currencies.

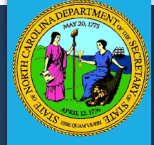
Would you trust cartoon characters with YOUR money?



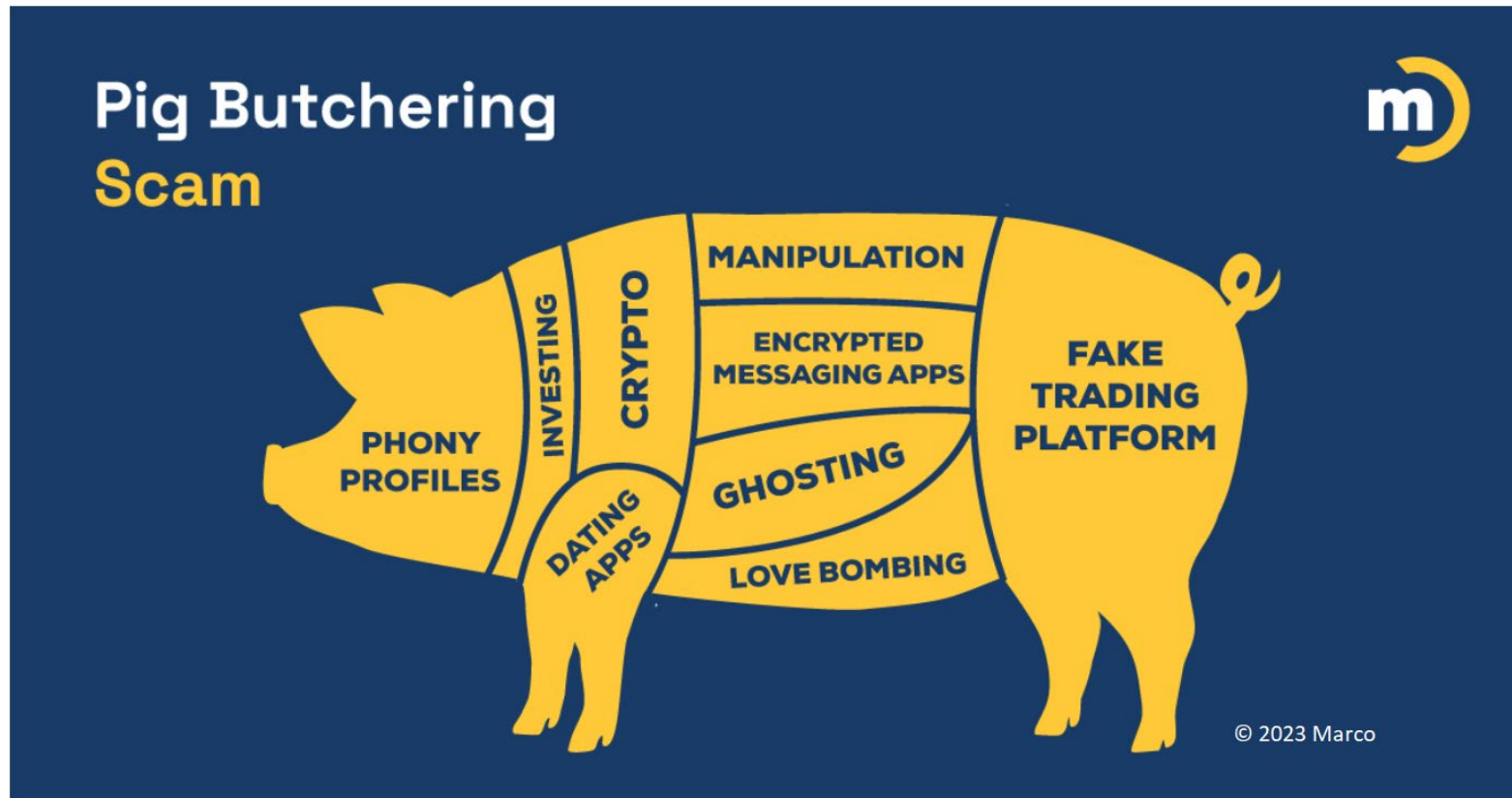
Dangers of Crypto Investing

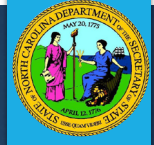


If so, these characters have a **DEAL** for you!



Growing Threat: Pig Butchering

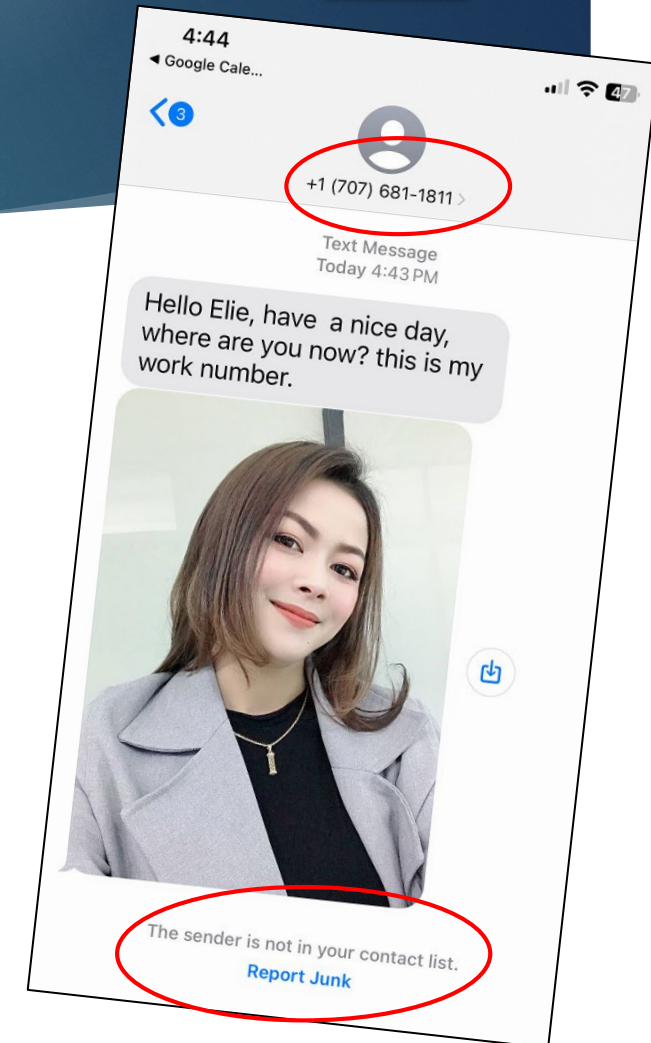


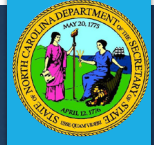


Growing Threat: Pig Butchering

- So named in reference to the practice of fattening a pig before slaughter.
- “Long con” with a slow build up.
- Often begin with scammers contacting targets seemingly at random.
- As the scammer gains the target's trust, the scammer uses social engineering techniques to manipulate the target into making phony investments, before disappearing with the funds.

Source: “‘Pig Butchering’ Scams: What They Are and How to Avoid Them,” FINRA (12-13-22)
<https://www.finra.org/investors/insights/pig-butchering-scams>





Growing Threat: Pig Butchering

Heavy Promotion of Cryptocurrencies!

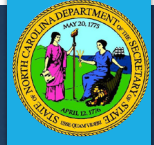




Growing Threat: Pig Butchering

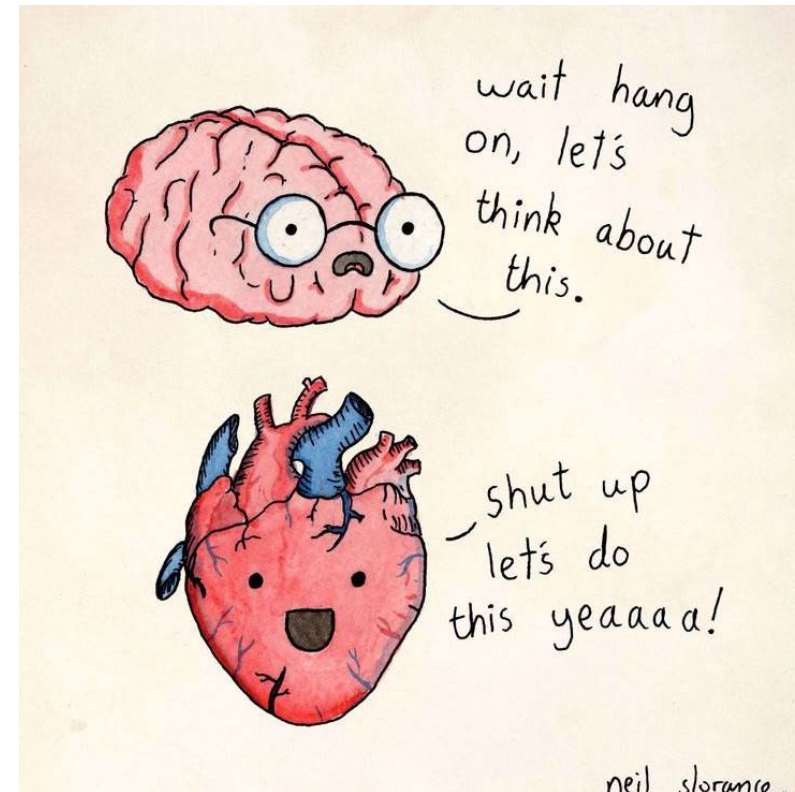
- There is significant interconnectivity between individual pig butchering scams; and,
- There are clear links to transnational organized crime groups, many of which operate from South East Asia.

Source: "Pig Butchering Scams: What the Data Shows," TRM Insights, February 7, 2023
<https://www.trmlabs.com/post/pig-butchering-scams-what-the-data-shows>



Think With Your Head, Not Your Heart

- Be wary of the emotional appeal.
- Remember, investing is a **business decision** and should be subjected to the same rigorous analysis you would for any other business decision.





Think With Your Head, Not Your Heart





Single Best Thing You Can Do?

CALL US!!

Investor Hotline: (800) 688-4507



What Is Being Done?

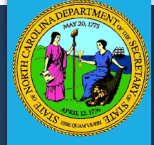
HelpVul (Help for Vulnerable Adults) platform

- Joint initiative with NC DHHS Division of Aging.
- Secure electronic environment where simultaneous referrals can be made by financial institutions to county APS and Secretary of State's Office.
- APS offices can load similar referrals from the community.
- Currently used in NC, PA, FL, GA, MO, MT, San Francisco (all of CA soon).
- About 65 financial institutions, including SECU and Fidelity.

UNIFORM REPORTING PORTAL

HelpVul is a platform that addresses suspected exploitation of older adults by harnessing secure technology to connect financial services, APS, state securities regulators and law enforcement. The portal streamlines reporting across organizations, facilitates collaboration, and improves outcomes for vulnerable adults.





One Final Thing: Advance Health Care Directives Registry www.sosnc.gov/health

We also manage the Advance Health Care Directive Registry.

If you or family member have any of the following:

- ▶ Health Care POA;
- ▶ Declaration of a Desire for a Natural Death;
- ▶ Advance Instruction for Mental Health Treatment; and/or
- ▶ Declaration of an Anatomical Gift

The North Carolina
Department of the
Secretary of State

Advance
Health Care
Directive

NCSOS

Registry

Phone: (919) 814-5400 P.O. Box 29622
Fax: (919) 807-2215 Raleigh, NC
Email: ahcdr@sosnc.gov 27626-0622

www.sosnc.gov



Advance Health Care Directives Registry

www.sosnc.gov/health

We will scan the documents and send two Registry Cards with a file number and password and QR code for instant access to record(s). (Original documents will be returned.)

BENEFITS:

- ▶ Directives are secure and retrievable 24/7/365 from anywhere with Internet access.
- ▶ Reduces family strife – loved one's wishes are known.
- ▶ Not limited to NC residents – Family in states without a registry may send their documents to us and we'll store them just as we do for residents.
- ▶ Only \$10.00 for each document!



One Final Thing: Trademark Protection

We also enforce the state's trademarks statutes. Fake products and goods not only represent theft of someone else's intellectual property, in the case of fake prescription medications, can actually cause serious health problems.

If you suspect counterfeit products, please report them to us. See the information on our website at:

https://www.sosnc.gov/divisions/trademarks/trademark_counterfeit_enforcement

VERIFY
BEFORE YOU BUY

**ACCORDING TO THE
FDA, 97% OF ONLINE
PHARMACIES ARE
ILLEGITIMATE AND
UNSAFE.**

Even experts have difficulty identifying a fake online pharmacy from its website alone. What looks like a discount online pharmacy from Canada or the U.S. could be a rogue website from anywhere in the world. Highly sophisticated criminal enterprises are utilizing malware, engaging in identity theft, and selling medicine that does not work, or worse, is dangerous to your health.

[Learn more at VerifyBeforeYouBuy.org](https://www.verifybeforeyoubuy.org)



VerifyBeforeYouBuy.org is a free service from the Center for Safe Internet Pharmacies (CSIP), a nonprofit founded by the White House and global technology companies. The **North Carolina Secretary of State** is partnering with CSIP to protect consumers from counterfeit drugs and unsafe online pharmacies.



Contact Information

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