

SCAM REPORT
MILTON TOWNSHIP S.A.L.T. COUNCIL MEETING JUNE 10, 2024

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Pig-Butchering Scam

Background: The scam derives its name from the practice of fattening a hog before slaughter. The scam originated in China but now targets victims worldwide. Criminals contact victims online, establish a rapport, and gradually gain their trust over time. Victims are lured into investing in phony securities, sometimes with cryptocurrency, after which the fraudsters disappear with the funds.

How it works: Scammers look for victims by creating fake profiles on social media and dating websites. They use attractive photos that portray opulent, glamorous lifestyles. When scammers find suitable targets, they build trusting relationships by staying in contact and sharing information about family, health, and work. The "grooming" process may take weeks or months to complete.

When scammers believe they have bonded sufficiently with victims, the conversations slowly turn to investment-related topics. Scammers share information about their "connections" with advisors at well-known financial institutions. They describe the guidance they received from the advisors and how their investments grew substantially by following their recommendations. Scammers establish further credibility by creating bogus monthly statements for their accounts and sharing screenshots of the statements with victims. The goal is to convince victims to open an account at these institutions.

Victims soon believe they can grow their portfolios if they follow the scammer's advice. They open a brokerage account and begin investing small amounts of money. They are further encouraged when they start receiving fake statements showing modest gains. As their accounts show continued growth, they invest larger amounts. Victims are unaware that the brokerage firms are shams, the statements they receive are bogus, and the money they invest goes to scammers.

After a time, the investments suddenly plummet, and the victims face huge losses. When confronted by their victims, scammers display compassion and claim they can help recover the lost money. Victims are urged to invest in other securities whose market values are projected to increase rapidly. Those who wish to stop investing and liquidate their accounts are informed that taxes and fees must first be paid before the funds can be withdrawn. If they refuse to pay the taxes and fees, they are "ghosted" by the scammers, and further communications cease. All investment funds and fees paid to the scammers are lost and cannot be recovered.

How to protect yourself

- Do not respond to unsolicited messages from unknown senders.
- Do not share personal or financial information with individuals you do not know.
- Be wary of unsolicited investment advice or tips from individuals you do not know, regardless of any "proof" they have of their success.
- Before investing money in securities recommended by someone you do not know, try to meet the individual in person in a public place. If the person refuses, you are not dealing with the party in the profile photo.
- Verify that an individual is registered to sell securities as required by law by going to *brokercheck.finra.org*.
- Be wary of anyone who tries to sell you investments that are "guaranteed" to provide high returns.
- Do not trade securities based on "insider" information not made available to the public. It is illegal to do so, and violations carry stiff penalties, including fines and imprisonment.

Notify the following agencies if you are a victim:

- Federal Trade Commission (*ftc.gov*)
- FBI's Internet Crime Complaint Center (*www.ic3.gov*)
- Illinois Attorney General Senior Citizens Consumer Fraud Helpline (telephone: 1-800-243-5377 or email: *seniorhelpline@ilag.gov*)
- Your local police department

[Sources: NBC, FINRA]