



WARNING TO SHAREHOLDERS - BOILER ROOM SCAMS

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register/ and contacting the firm using the details on the register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the CFEB website www.moneymadeclear.fsa.gov.uk

May 2010

ICSA and FSA in joint initiative on boiler rooms warning

8 July 2008: The Financial Services Authority (FSA) and the Institute of Chartered Secretaries and Administrators (ICSA) Registrars Group are urging UK listed companies to help protect their shareholders from boiler rooms by sending them warnings about the scam.

'Boiler rooms' are high pressure sales firms, often based overseas, that target investors illegally offering them non-tradable, overpriced or even non-existent shares. Boiler rooms usually target existing shareholders by legally obtaining a company's list of shareholders.

To help protect people from these scams, the FSA and ICSA have produced an updated version of a free leaflet with warnings about boiler rooms, for listed companies to send to their shareholders. The leaflet, which was first published in 2006, provides useful information on how to identify a boiler room and what to do when they contact you. The FSA, with the assistance of share registrars, is also writing to individual listed companies to encourage them to send out the leaflets.

Shareholders and other consumers can avoid becoming victims of boiler room fraud by:

- Checking that anyone offering to sell them shares is authorised by the FSA;
- Reporting any company that cold calls them to sell shares, to the FSA.
- Hanging up the telephone if the caller persists.

Jonathan Phelan, FSA Head of Retail Enforcement, said:

"Boiler rooms remain a significant problem in the UK and people lose a shocking amount of money to these scams every year. Shareholders are targeted heavily in these scams and raising awareness is the most effective way of putting these companies out of business. It is in everyone's interest to ensure that people only deal with authorised brokers when buying shares.

"Investors who deal with an authorised firm have the protection of the complaint and compensation schemes if something goes wrong."

Andy Cotter, Chairman of the ICSA's Registrars Group said:

'The ICSA, its associated registrars, and many listed companies have made sustained efforts to make sure shareholders understand the risks that boiler

rooms present. No company wants its register used to target unsuspecting shareholders with high pressure sales offers – which is why I am confident that businesses will help by passing on the advice to their shareholders, either via postal mailings or online’.

Companies, registrars and FSA regulated firms can send the free leaflets to their shareholders and customers with other regular communications or by making it available on their own websites. An electronic copy of the leaflet is available here

NOTES FOR EDITORS

1. Anyone who has been cold called by companies offering to sell them shares can report this to the FSA by calling its consumer helpline 0845 606 1234 or by using the online form available on its consumer website www.moneymadeclear.fsa.gov.uk

2. Boiler rooms target investors in several ways:

- Selling at inflated prices US ‘Regulation S’ shares which are banned for sale to US investors.
- Recovery room fraud – offering to buy shares, for an upfront commission, back from people who bought their initial shares from a boiler room.
- Threatening unspecified ‘legal action’ and freezing the assets of potential shareholders who decide not to purchase shares, forcing them to go through with the trade;

3. The Institute of Chartered Secretaries and Administrators (ICSA) is the qualifying body for company secretaries and a leading authority on corporate governance. It publishes guidance notes and best practice guides and through its subsidiaries provides information and training, boardroom performance evaluation and dedicated software. The ICSA has 36,000 members worldwide and is represented in over 70 countries.

4. The FSA receives and deals with an average of 6,500 consumer enquiries a year on boiler rooms. Consumers can download a leaflet on boiler rooms, check whether a firm is authorised by the FSA, or if the firm calling is on the list of 500 known unauthorised firms which illegally target investors. The FSA works with a range of stakeholders including the City of London Police and international regulators to protect UK investors from boiler room fraud.

5. In the past 18 months, the FSA has taken action against 7 entities for acting as or assisting boiler rooms, including taking out injunctions, freezing assets, making people bankrupt and starting criminal investigations. In March, the FSA helped to refund about £1 million to UK investors.

6. The FSA regulates the financial services industry and has four objectives under the Financial Services and Markets Act 2000: maintaining market confidence; promoting public understanding of the financial system; securing the appropriate degree of protection for consumers; and fighting financial crime.

7. The FSA aims to promote efficient, orderly and fair markets, help retail consumers achieve a fair deal and improve its business capability and effectiveness.

ENQUIRIES

FSA Press Office: Abi Jones 020 7066 3232

ICSA Press Office: Rosie Hamilton 020 7612 7062

FSA Consumer Helpline: 0845 606 1234 (call rates may vary)

Websites: www.fsa.gov.uk , www.moneymadeclear.fsa.gov.uk