

# Look Out for Coronavirus-Related Investment Scams

## - Investor Alert

Feb. 4, 2020

*The SEC's Office of Investor Education and Advocacy is issuing this Investor Alert to warn investors about investment frauds involving claims that a company's products or services will be used to help stop the coronavirus outbreak.*

Fraudsters often use the latest news developments to lure investors into scams. We have become aware of a number of Internet promotions, including on social media, claiming that the products or services of publicly-traded companies can prevent, detect, or cure coronavirus, and that the stock of these companies will dramatically increase in value as a result. The promotions often take the form of so-called "research reports" and make predictions of a specific "target price." We urge investors to be wary of these promotions, and to be aware of the substantial potential for fraud at this time.

- Be cautious of claims that a company's products or services can help stop the coronavirus, especially claims that involve microcap stocks. These claims may be made as part of fraudulent "pump-and-dump" schemes.
- You may lose significant amounts of money if you invest in a company that makes inaccurate or unreliable claims. You may not be able to sell your shares if trading in the company is suspended.
- Submissions of tips, complaints, or referrals relating to suspected securities fraud or wrongdoing can be made online at <https://www.sec.gov/tcr>.

Although false statements relating to coronavirus may be about any company, **microcap stocks** may be particularly vulnerable to fraudulent investment schemes, including coronavirus-related scams. Microcap stocks are low-priced stocks issued by the smallest of companies. There is often limited publicly-available information about microcap companies' management, products, services, and finances. This can make it easier for fraudsters to spread false information about the company and to profit at the expense of unsuspecting investors.

For example, in a "pump-and-dump" scheme, promoters "pump" up, or increase, the stock price of a company by spreading positive, but often false, rumors. These rumors cause many investors to purchase the stock. Then the promoters or others working with them quickly "dump" their own shares before the hype ends. Typically, after the promoters profit from their sales, the stock price drops and the remaining investors lose most of their money.

When investing in any company, including companies that claim to focus on coronavirus-related products and services, **carefully research the investment** and keep in mind that investment scam artists often exploit the latest crisis to line their own pockets.

Additional Resources

Updated Investor Alert: Fraudulent Stock Promotions

Microcap Fraud

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