InteractiveBrokers

RISK DISCLOSURE REGARDING RAMP AND DUMP SCAMS

Interactive Brokers Hong Kong Limited ("IB") is furnishing this disclosure to you because the Hong Kong Securities and Futures Commission, global regulators and law enforcement agencies have noted an increasing trend where investors are being targeted by scammers trying to manipulate unwary investors into purchasing stock in certain companies, which ultimately result in profits for the scammer and large losses for the investor.

Interactive Brokers wants to make you aware of these scams so you are able to avoid them.

Please also remember that IB does not provide investment advice. Be wary of anyone stating otherwise. If necessary, please obtain independent professional financial advice before making any investment decisions.

These scams are often perpetrated via social media. In some cases, the scammers work to establish a relationship of trust (sometimes under the pretext of friendship or romance). In other instances, the scammers may claim to be a famous investment advisor. The scammers may encourage investors to join an investment group on a social media platform or chat app, where investment advice is disseminated. These scammers then tell the investor to purchase shares in specific companies at inflated prices based on some non-public information or connection that the scammer claims to have with the company or its management. Typically, the scammers encourage investors to purchase thinly traded stocks with low market capitalization (including "penny" stocks), which are easier for the scammers to manipulate and profit at the expense of the investor. Once the investors follow the scammer's instructions and inadvertently push up the price of the stock by buying shares, the scammer can then sell their own large holdings which can then dramatically reduce the price of the company's shares. This type of scam is known as a pump-and-dump or ramp-and-dump scam. This can result in large losses for the investors.

Accordingly, we encourage you to please take the time to read and understand the information at this link on the SFC website; it may prevent you from losing your life savings. For further examples from IFEC, please click here.

Here are some of the main points from the SFC notice:

1. **Be skeptical**
   In the virtual world, fraudsters can easily disguise themselves. Be skeptical of the identities of anyone you meet online, particularly if they claim to be an investment advisor or celebrity. Be especially vigilant when offered unsolicited investment advice by online "friends."

2. **Pay attention to warning signs**
   Below are some red flags that may be signs of a scam, including ramp-and-dump scams:

   - Unsolicited investment advice.
   - Substantial share price increase without positive news about the company.
   - Suggestions to purchase small cap stock with low liquidity, especially if many of the shares are held by a small group.
   - Your online "friend" asks you to send a screenshot of your trading record.

3. **Do your homework**
   Many of the stocks recommended by the operators of these scams were overvalued and there was no obvious justification for their prices to surge. Investors are strongly advised to do their own homework on a company before investing in it, or seek independent advice from licensed investment advisors.

4. **Be wary of investments that sound too good to be true**
   If an investment sounds too good to be true, it often is. Remember that there is no such thing as a low-risk investment with high guaranteed returns - a claim frequently used by fraudsters to entice unwary investors by manipulating their fear of missing an opportunity.

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