

North Carolina Department of the Secretary of State

Hon. Elaine F. Marshall, Secretary

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NC Crowdfunding Bill Signed into Law

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Secretary of State Elaine F. Marshall says North Carolina's new state crowdfunding law strikes a careful balance between protecting investors and opening up new ways to invest.



Sec. Marshall with Gov. McCrory and other officials at crowdfunding bill signing.

The legislation, SB 481, also known as the Providing Access to Capital for Entrepreneurs and Small Business, or "PACES Act" passed overwhelmingly in the North Carolina General Assembly at the end of June and was signed into law last week by Governor Pat McCrory. Secretary Marshall joined the Governor and Senator Tamara Barringer, who co-sponsored the legislation, for the bill signing ceremony on NCSU's Centennial Campus. (Watch the video here: <http://bit.ly/2a10jKY>.)

The PACES Act will create North Carolina's first set of state laws to allow and to regulate investing through the crowdfunding platform where large numbers of local and small investors can invest in new business ventures or existing ones seeking to expand.

"All over our State, many new and small businesses find it difficult to access financial capital to start their venture, or to fund expanding their operations," Secretary Marshall said. "A new form of capital formation has emerged in the marketplace in recent years—crowdfunding—that allows companies to openly solicit and sell to Main Street investors, through the internet and elsewhere, and this legislation will permit small investors to invest this way in North Carolina."

Secretary Marshall praised the PACES Act for its focus on helping small businesses and start-up entrepreneurs, saying, "in an era where access to capital is extremely challenging, crowdfunding has the potential to be an innovative new way to infuse much needed financial capital into these sectors."

See "[Bill Signing](#)" on page 7



Ronald Earl McCullough

North Carolina Man Apprehended in Forex Scheme After Three Years on the Lam

Former Raleigh resident Ronald Earl McCullough, who fled the state after being indicted in July of 2013 in an alleged foreign currency exchange market (Forex) scheme, was captured this month in Atlanta, Georgia.

FBI agents took McCullough into custody July 12 at an Atlanta shopping mall.

The FBI, which had offered a \$5,000 reward for information leading to McCullough's arrest, reported that McCullough had attempted to disguise his appearance but acknowledged his identity when apprehended.

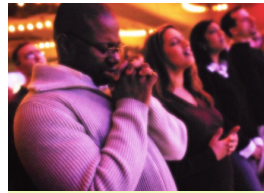
The Charlotte Division of the FBI issued an arrest warrant for McCullough in July of 2013 after he was charged with conspiracy, wire fraud, mail fraud, engaging in unlawful monetary transactions, and aiding and abetting.

McCullough, along with David Christopher Mayhew, allegedly solicited victims between January 2009 and May 2012 in what they described as an exclusive foreign exchange group. In a classic trait of affinity fraud, McCullough allegedly used victims' faith to draw them in, posing as a religious leader and telling victims he wanted to help other Christians build wealth.

McCullough's co-defendant, Mayhew, was convicted in federal court in June of 2015 of conspiracy, wire fraud, mail fraud, and money laundering.

McCullough and Mayhew allegedly told victims that their return was "guaranteed" and that the principal was safe and would be returned to them. They also allegedly promised investors high returns, often claiming victims could double their investment within 30 days.

Bank records indicate McCullough and Mayhew never successfully invested any money, but sometimes paid returns to investors for their initial investments, often encouraging them to reinvest larger sums in return. Much of the money was simply converted to their personal use to finance extravagant lifestyles, from clothes and cars to lavish homes.



Affinity Fraud: Fleecing the Faithful

Affinity fraud targeting religious groups has become an especially widespread problem, with swindlers found across all denominations. Be wary of investments that seem to benefit only those within your group. It makes little economic sense that an investment opportunity would be available only to members of a specific group, nationality or faith.

Exercise caution if a promoter relies on the testimonials of leaders within your group. Scam artists frequently win the trust of early investors by paying them high returns with money paid in by later investors.

Ignore claims that religion-based investment opportunities are not regulated. State and federal securities or commodities laws regulate almost all investments, including church bonds.

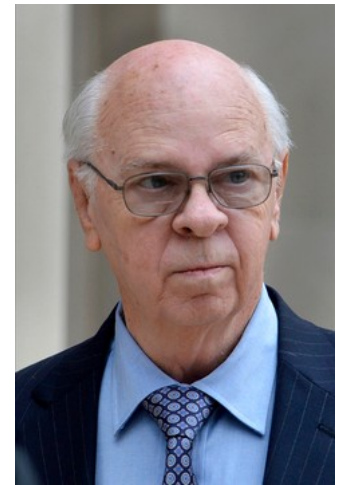
Check out the promoter and the investment yourself. Call the Secretary of State's Securities Hotline at 1-800-688-4507 to find out if the promoter and investment are registered in the State. With limited exceptions, North Carolina law requires both the person selling the investment and the investment product to be registered with the Securities Division.



Former ZeekRewards CEO Convicted Of Federal Charges for Operating \$900 Million Internet Ponzi Scheme

U.S. Attorney Jill Westmoreland Rose [announced](#) on July 21 that a federal jury sitting in Charlotte returned a guilty verdict against the former CEO of ZeekRewards for operating a \$900 million Internet Ponzi scheme. Following a three-week trial, the jury convicted Paul Burks, 69, of Lexington, N.C., of wire and mail fraud conspiracy, wire and mail fraud, and tax fraud conspiracy.

Michael Rolin, Special Agent in Charge of the United States Secret Service, Charlotte Field Division and Thomas J. Holloman III, Special Agent in Charge of the Internal Revenue Service, Criminal Investigation Division (IRS-CI) join U.S. Attorney Rose in making the announcement.



Paul Burks

“For nearly two years, Burks used deceit and dishonesty to engineer an extensive Ponzi scheme that amassed millions of dollars from thousands of victims, many in the Western District of North Carolina. This massive scam is one of the largest in breadth and scope ever prosecuted by this office. I commend the United States Secret Service and the IRS agents who worked closely with our prosecutors to unravel Burk’s fraud and to obtain a conviction against the mastermind of a scheme that has left so many victims with substantial losses. I want to remind the public to steer clear of ‘get rich’ schemes and to follow the old adage that if it looks too good to be true, it likely is,” said U.S. Attorney Rose.

“This verdict is the result of a joint investigative effort and it is representative of the commitment the U.S. Secret Service and our partners have towards ensuring those intent on defrauding the citizens of North Carolina and the United States are held accountable,” said Special Agent in Charge Rolin.

According to filed court documents, court proceedings, evidence introduced at trial and witness testimony:

From January 2010 through August 2012, Paul Burks was the owner of Rex Venture Group, LLC (RVG), through which he owned and operated Zeekler, a sham Internet-based penny auction company, and its purported advertising division, ZeekRewards (collectively “Zeek”). Burks and his conspirators induced more than 900,000 victims – including over 1,500 victims in the Charlotte area – to invest in their fraudulent scheme, by falsely representing that Zeekler was generating massive retail profits from its penny auctions, and that the public could share in such profits through investment in ZeekRewards. Burks and his conspirators, including Zeek’s former Chief Operating Officer Dawn Wright Olivares and her step-son and Zeek’s Senior Technology Officer Daniel C. Olivares, claimed at one point that investors would be guaranteed a 125% return on their investment.

Burks and his conspirators represented that victim-investors in ZeekRewards could participate in the Retail Profit Pool (RPP), which supposedly allowed victims collectively to share 50% of Zeek’s daily net profits. Burks and his conspirators did not keep books and records needed to calculate such daily figures. Instead, Burks simply made up the daily “profit” numbers. Contrary to the conspirators’ claims, the true revenue from the scheme did not come from the penny auction’s “massive profits.” Instead, approximately 98% of all incoming funds came from victim-investors, which were then used to make Ponzi-style payments to earlier victim investors.

In addition to promising massive returns on investments, Burks and his conspirators used a number of ways to promote Zeek to current and potential investors. For example, the conspirators hosted weekly conference calls and leadership calls, where participants could call in and listen to Burks and others make false representations intended to encourage victim-investors to continue to invest money and to recruit others to invest in Zeek. Burks also organized and attended “Red Carpet Events,” where victim investors came to hear details of the scheme in person. During these events, Burks and his conspirators made false representations about the massive retail profits generated by Zeek. They also used electronic and print media, including websites, emails and journals, to make false and misleading statements about the success of Zeekler to recruit victim investors.



As the Ponzi scheme grew in size and scope it became unsustainable and it eventually began to unravel as the outstanding liability resulting from the bogus 125% return on investment continued to rise beyond control. By August 2012, Burks and his conspirators fraudulently represented to the collective victims that their investments were worth nearly \$3 billion, but had no accurate books and records to even determine how much cash on hand was available to pay such liability. Contrary to representations made to victim investors, at that time, Burks and his conspirators had only \$340 million available to pay out investors. Over the course of the scheme, Burks diverted approximately \$10.1 million to himself.

Burks also failed to file corporate tax returns or to make corporate tax payments for his companies, among other things. In addition, for tax year 2011, Burks issued fraudulent IRS Forms 1099s, causing victim-investors to file inaccurate tax returns for phantom income they never actually received.

Burks will remain free on bond. A sentencing date for the defendant has not been set yet. The wire and mail fraud conspiracy charge, the mail fraud charge and wire fraud charge each carry a maximum prison term of 20 years and a \$250,000 fine. The tax fraud conspiracy charge carries a maximum prison term of five years and a \$250,000 fine.

Burks’ co-conspirators, Dawn Wright Olivares, Zeek’s Chief Operating Officer, and her step-son and Zeek’s Senior Technology Officer, Daniel C. Olivares, pleaded guilty in December 2013 to investment fraud conspiracy. Dawn Wright Olivares also pleaded guilty to tax fraud conspiracy. Both defendants currently await sentencing.

In announcing the conviction, U.S. Attorney Rose thanked the U.S. Secret Service and IRS-CI for investigating the case, and the U.S. Securities & Exchange Commission, Division of Enforcement for its assistance with the investigation.

The prosecution is handled by Assistant United States Attorneys Jenny Grus Sugar and Corey Ellis of the U.S. Attorney’s Office in Charlotte.

Additional information and updated court filings about this and related cases filings can be accessed at the district’s website: <http://www.justice.gov/usao/ncw/ncwvwa.html>.

The NC Department of the Secretary of State Securities Division reminds all potential investors that both federal and state securities laws generally require the issuers and/or promoters of investment opportunities either to be registered with our office, or qualify for an exemption from registration. Furthermore, the investment product itself must be registered or qualify for an exemption. Consequently, investors are encouraged to call the Securities Division at (800) 688-4507 to verify the registrations of both the promoters and the investment ***before*** giving money to anyone. For more information about Ponzi schemes, please download our [brochure](#).



Macon County Man Sentenced to 11 Years In Prison in \$2.5 Million FOREX Scheme

U.S. District Judge Martin Reidinger on July 5 sentenced the former operator of two companies located in the town of Franklin to 135 months in prison on federal securities fraud and money laundering charges, announced Jill Westmoreland Rose, U.S. Attorney for the Western District of North Carolina. Barry Carlton Taylor, 64, of Franklin, was also ordered to serve three years of supervised release and to pay nearly \$2.2 million as restitution to his victim investors.

“Taylor was a con artist who used lies and deception to convince his victims to hand over their hard-earned money. Contrary to his lofty promises of huge profits, Taylor’s investors – some of whom were elderly – sustained grave financial losses and may never be able to recover financially after falling prey to this scammer’s investment scheme,” said U.S. Attorney Rose.



According to filed court documents and the sentencing hearing, Taylor operated two limited liability companies in Franklin, “OTC Investments, LLC” (OTC) and “Forex Currency Trade Advisors, LLC” (FCTA). Beginning in August 2011, Taylor induced 18 victims to invest approximately \$2.5 million by falsely telling them he was an expert in the foreign currency exchange market (Forex) and that their investments would be pooled into trading accounts which he would manage and use to invest in FOREX. Court records show that Taylor falsely told his victims he had created a computer software system that could track the FOREX market, which enabled him to make investments that generated very high rates of return, as much as 2.5-percent per month.

According to court records, even though Taylor opened and maintained FOREX trading accounts in the names of his two companies neither company was registered as a commodity pool operator. Court records also show that Taylor deposited the funds he solicited into these trading accounts, but he then withdrew more than half of the victims’ money and lost the rest due to trading losses, fees and commissions. According to court records, by April 2015 there was very little or no investor funds remaining in the trading accounts.

Taylor concealed the losses by sending the victims false monthly statements, which represented that the investors’ principal was intact and that they were realizing profits as promised. Court records indicate that Taylor used money from other principal investors to make Ponzi-style payments to investors who had asked Taylor to withdraw their profits on their promised returns. Taylor also convinced some of the investors to reinvest their “commissions” rather than accepting payments, court documents show.

In furtherance of the fraudulent scheme, filed documents indicate that Taylor used a number of lies to further induce investors and to conceal the fraud. For example, in January 2015, Taylor sent his victims fraudulent emails claiming that he had halted FOREX trading due to events involving the Swiss National bank. In another example, court records show that Taylor created a fictitious entity and a fictitious person in order to send lulling emails to calm his investors, and later lied to victims telling them he was considering taking legal action against this fictitious individual who was supposedly responsible for their trading losses.

Contrary to promises made to his victim investors, Taylor diverted over half a million dollars of the victims’ investment funds and used the money to cover personal expenses, such as restaurants, entertainment and shopping, among others. Taylor pleaded guilty in January 2016 to fraud by commodities pool operator and concealment of money laundering charges.

In announcing the sentence, Judge Reidinger said the losses to individual victims were great, many of whom were deprived of the security of their retirements. Taylor will be ordered to report to the Federal Bureau of Prisons to begin serving his sentence upon designation of a federal facility. All federal sentences are served without the possibility of parole.

Asheville Summit Takes on Elder Fraud

Financial professionals gathered in Asheville on June 29 for the 7th Annual Financial Fraud and Exploitation Summit to learn more about the growing threat of financial elder abuse and how they can help stop it.



Secretary Marshall appealed to financial professionals to be vigilant in fight against fraud.

Delivering the Summit’s keynote address, Secretary of State Elaine F. Marshall urged financial professionals to turn on their “scam-dar” in order to always remain alert to hints that a senior client might have been defrauded, or may be especially susceptible to fraud.

“What is Scam-Dar?” asked Marshall, “think Radar, except it is that moment when you finally tell yourself, that yes, investment crooks are actually walking the streets of the town where you live.”

Enforcement statistics bear that out. Marshall noted that in a 12 month period from 2014 to 2015 22 investment crooks were fined, charged, convicted or sentenced in cases worked by Secretary of State Securities agents and enforcement attorneys. At least 707 investors were victimized in those cases, losing a combined total of at least \$91 million.

Marshall urged financial professionals and others working with seniors to stay attuned to signs of heightened financial worry. She noted sometimes that sign might be a small comment about things happening in their clients’ lives, or new questions about unusual financial investments like foreign currency exchange, promissory notes or investments in precious metals or oil.

Summit-goers also heard from Special Deputy Attorney General David Kirkman, who manages the NC Attorney General’s Elder Fraud Unit.



Buncombe County Sheriff Van Duncan welcoming Summit goers.



In the News

Check out coverage of this summit from [WLOS-TV](#).

Also be sure to [listen](#) to Secretary of State Elaine F. Marshall and Special Deputy Attorney General David Kirkman being interviewed by Celeste Collins on WWNC-FM’s [Money Matters](#) program.

Kirkman noted that Senate Bill 140, passed in 2013, requires banks to report to local law enforcement and human services officials if they have concerns that a client has been targeted for financial fraud.

Kirkman also commented on the so-called “rule of 78.” Because there is a one-in-four chance that seniors who are 78 years-old or older will suffer some accelerated cognitive decline, scam artists frequently buy contact lists of people 78 or older in their area to specifically target them for fraud.

NC Crowdfunding Bill Signed Into Law

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Secretary Marshall also said it contained the right mix of investor protections and limits. “As we enter these new uncharted financial regulatory waters,” Marshall said, “we must remain vigilant in our efforts to protect investors and the public from scams and fraud.”

Marshall and other Secretary of State Division of Securities regulators have worked closely with General Assembly members during the past few years to craft the legislation that just passed in a way that has strong limits, investor rights, and enforcement safeguards, while opening up the world of crowdfunding investment to North Carolinians.

“This is a true bipartisan effort,” Marshall said. “My staff and I partnered with Senator Tamara Barringer and other key legislators, plus with Governor McCrory and Secretary of Commerce John Skvarla, the North Carolina Chamber of Commerce, advocacy groups, and many other economic leaders to think outside the box to write and pass this legislation that will create jobs here in North Carolina but still protect investors from financial crooks.”

The Secretary of State’s Office will next conduct rulemaking for the new law. Once rules are approved the law will allow businesses across North Carolina to raise up to \$2 million in capital from main street investors by issuing securities in transactions likely conducted online through registered web sites.

Anyone interested in making an investment should always first call the NC Secretary of State’s Securities Hotline at 1-800-688-4507 to make sure the person offering the investment, and the investment itself, are properly registered.



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NASAA Statement on House Passage of SeniorSafe Act

Statement from Judith M. Shaw, North American Securities Administrator Association (NASAA) President and Maine Securities Administrator following the July 5 vote in the House of Representatives to approve the [SeniorSafe Act of 2016 \(H.R. 4538\)](#):

“NASAA commends the U.S. House of Representatives for its resounding approval of H.R. 4538, the SeniorSafe Act of 2016, and looks forward to working closely with Sen. Susan Collins (R-ME), and other members of the Senate to secure its passage in that chamber.

“Senior financial exploitation is a critical policy challenge and NASAA appreciates that the full House of Representatives united to support H.R. 4538. The SeniorSafe Act will remove barriers that have frustrated efforts to report suspected cases of senior financial exploitation, and provide new tools to help financial services professionals recognize and report such exploitation to state securities regulators and other appropriate governmental authorities.”

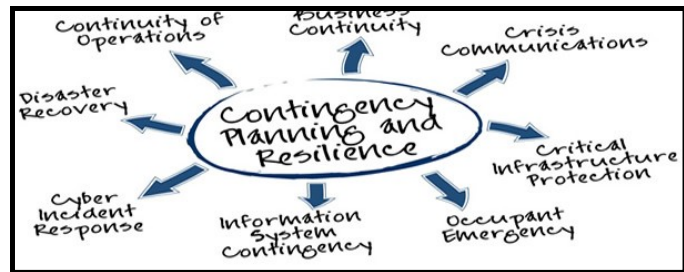


Advisers to Adopt Business Continuity and Transition Plans

Reflects Commission’s Latest Action to Enhance Regulatory Safeguards in the Asset Management Industry

The Securities and Exchange Commission [proposed](#) a new [rule](#) on June 28 that would require registered investment advisers to adopt and implement written business continuity and transition plans. The proposed rule is designed to ensure that investment advisers have plans in place to address operational and other risks related to a significant disruption in the adviser’s operations in order to minimize client and investor harm.

“While an adviser may not always be able to prevent significant disruptions to its operations, advance planning and preparation can help mitigate the effects of such disruptions and in some cases, minimize the likelihood of their occurrence, which is an objective of this rule,” said SEC Chair Mary Jo White. “This is the latest action in the



Commission’s efforts to modernize and enhance regulatory safeguards for the asset management industry, which includes rules previously proposed that would modernize the information reported to the Commission and investors, enhance fund liquidity management, and strengthen the regulation of funds’ use of derivatives.”

Business continuity and transition plans would assist advisers in preserving the continuity of advisory services in the event of business disruptions – whether temporary or permanent – such as a natural disaster, cyber-attack, technology failures, the departure of key personnel, and similar events.

The proposed rule would require an adviser’s plan to be based upon the particular risks associated with the adviser’s operations and include policies and procedures addressing the following specified components: maintenance of systems and protection of data; pre-arranged alternative physical locations; communication plans; review of third-party service providers; and plan of transition in the event the adviser is winding down or is unable to continue providing advisory services. The plans would be required to address these elements that are critical to minimizing and preparing for material service disruptions, but would permit advisers to tailor the detail of their plans based upon the complexity of their business operations and the risks attendant to their particular business models and activities.

The proposed rule and rule amendments also would require advisers to review the adequacy and effectiveness of their plans at least annually and to retain certain related records.

In addition to the proposed rule, SEC staff issued related guidance addressing business continuity planning for registered investment companies, including the oversight of the operational capabilities of key fund service providers.

The proposal will be published on the SEC’s website and in the Federal Register. The comment period will be 60 days after publication in the Federal Register.

“Brexit” and Market Risk: What You Don’t Know Can Hurt You

The following is an [investor alert](#) from FINRA:



The vote by Britain to leave the European Union was quickly felt the world over, creating market uncertainty and spiking volatility.

Most investors know that investing involves risks as well as rewards and that, generally speaking, the higher the risk, the greater the potential reward. While it is important to consider the risks in the context of a specific investment or asset class, it is equally critical that investors consider market risk.

We are re-issuing this Investor Alert—which was also published for investors around the world through the efforts of the International Organization of Securities Commissions—to outline the different types of market risks your investments may be exposed to and to describe steps you can take to minimize or manage those risks.

What Is the Difference Between Business Risk and Market Risk?

Risks associated with investing in a particular product, company, or industry sector are called business or "non-systematic" risks. Common business risks include:

- **Management Risk**—also called company risk, encompasses a wide array of factors that can impact the value of a specific company. For example, the managers who run the company might make a bad decision or get embroiled in a scandal, causing a drop in the value of the company’s stocks or bonds. Alternatively, a key competitor might release a better product or service.
- **Credit Risk**—also called default risk, is the chance that a bond issuer will fail to make interest payments or to pay back your principal when your bond matures.

By contrast, market risk, sometimes referred to as systematic risk, involves factors that affect the overall economy or securities markets. It is the risk that an overall market will decline, bringing down the value of an individual investment in a company regardless of that company's growth, revenues, earnings, management, and capital structure.

Here's an illustration of the concept of market risk: Let's say you decide to buy a car. You can buy a brand-new car under full warranty. Or you can buy a used car with no warranty. Your choice will depend on a variety of factors, like how much money you want to spend, which features you want, how mechanical you are, and, of course, your risk tolerance. As you research different vehicles, you'll find that some makes and models have better performance and repair histories than others.

But whichever car you chose, you will face certain risks on the road which have nothing to do with the car itself, but which can significantly impact your driving experience—including the weather, road conditions, even animals crossing the highway at night. While these factors may be out of your control, being aware of them can help prepare you to navigate them successfully.

What Are Common Market Risks?

Depending on the nature of the investment, relevant market risks may involve international as well as domestic factors. Key market risks to be aware of include:

Interest Rate Risk relates to the risk of reduction in the value of a security due to changes in interest rates. Interest rate changes directly affect bonds—as interest rates rise, the price of a previously issued bond falls; conversely, when interest rates fall, bond prices increase. The rationale is that a bond is a promise of a future stream of payments; an investor will offer less for a bond that pays-out at a rate lower than the rates offered in the current market. The opposite also is true. An investor will pay a premium for a bond that pays interest at a rate higher than those offered in the current market.



For instance, a 10-year, \$1,000 bond issued last year at a 4-percent interest rate is less valuable today, when the interest rate has gone up to 6-percent. Conversely, the same bond would be more valuable today if interest rates had gone down to 2-percent.

Inflation Risk is the risk that general increases in prices of goods and services will reduce the value of money, and likely negatively impact the value of investments.

For instance, let's say the price of a loaf of bread increases from \$1 to \$2. In the past, \$2 would buy two loaves, but now \$2 can buy only one loaf, resulting in a decline in purchasing power of money.

Inflation reduces the purchasing power of money and therefore has a negative impact on investments by reducing their value. This risk is also referred to as Purchasing Power Risk. Inflation and Interest Rate risks are closely related as interest rates generally go up with inflation. To keep pace with inflation and compensate for loss of purchasing power, lenders will demand increased interest rates.

However, you should note that inflation can be cyclical. During periods of low inflation, new bonds will likely offer lower interest rates. During such times, investors looking only at coupon rates may be attracted to investing in low-grade junk bonds carrying coupon rates similar to the ones that were offered by ordinary bonds during inflation period. Investors should be aware that such low-grade bonds, while they may to a certain extent compensate for the low inflation, bear much higher risks.



Currency Risk comes into play if money needs to be converted to a different currency to purchase or sell an investment. In such instances, any change in the exchange rate between that currency and U.S. dollars can increase or reduce your investment return. This risk usually only impacts you if you invest in stocks or bonds issued by companies based outside the United States or funds that invest in international securities.

For example, assume the current exchange rate of US dollar to British pound is $\$1 = \pounds 0.53$. Let's say we invest \$1,000 in a UK stock. This will be converted to the local currency equal to $\pounds 530$ ($\$1,000 \times \pounds 0.53 = \pounds 530$). Six months later, the dollar strengthens and the exchange rate changes to $\$1 = \pounds 0.65$. Assuming that the value of the investment does not change, converting the original investment of $\pounds 530$ into dollars will fetch us only \$815 ($\pounds 530 / \pounds 0.65 = \815). Consequently, while the value of the stock remains unchanged, a change in the exchange rate has devalued the original investment of \$1,000 to \$815. On the other hand, if the dollar were to weaken, the value of the investment would go up. So if the exchange rate changes to $\$1 = \pounds 0.43$, the original investment of \$1,000 would increase to \$1,233 ($\pounds 530 / \pounds 0.43 = \$1,233$).

Liquidity Risk relates to the risk of not being able to buy or sell investments quickly for a price that tracks the true underlying value of the asset. Sometimes you may not be able to sell the investment at all—there may be no buyers for it, resulting in the possibility of your investment being worth little to nothing until there is a buyer for it in the market. The risk is usually higher in over-the-counter markets and small-capitalization stocks. Foreign investments pose varying liquidity risks as well. The size of foreign markets, the number of companies listed and hours of trading may be much different from those in the U.S. Additionally, certain countries may have restrictions on investments purchased by foreign nationals or repatriating them. Thus, you may: (1) have to purchase securities at a premium; (2) have difficulty selling your securities; (3) have to sell them at a discount; or (4) not be able to bring your money back home.

Sociopolitical Risk involves the impact on the market in response to political and social events such as a terrorist attack, war, pandemic, or elections. Such events, whether actual or anticipated, affect investor attitudes toward the market in general, resulting in system-wide fluctuations in stock prices. Furthermore, some events can lead to wide-scale disruptions of financial markets, further exposing investments to risks.



Country Risk is similar to the Sociopolitical Risk described above, but tied to the foreign country in which investment is made. It could involve, for example, an overhaul of the country's government, a change in its policies (e.g., economic, health, retirement), social unrest, or war. Any of these factors can strongly affect investments made in that country. For example, a country may nationalize an industry or a company may find itself in the middle of a nationwide labor strike.



Legal Remedies Risk is the risk that if you have a problem with your investment, you may not have adequate legal means to resolve it. When investing in an international market, you often have to rely on the legal measures available in that country to resolve problems. These measures may be different from the ones you may be used to in the US. Further, seeking redress can prove to be expensive and time-consuming if you are required to hire counsel in another country and travel internationally.

How Can I Manage Risk?

While you cannot completely avoid market risks, you can take a number of steps to manage and minimize them.

Diversify: As in the case of business risks, market risks can be mitigated to a certain extent by diversification—not just at the product or sector level, but also in terms of region (domestic and foreign) and length of holdings (short- and long-term). You can spread your international risk by diversifying your investment over several different countries or regions.



Do Your Homework: Learn about the forces that can impact your investment. Stay abreast of global economic trends and developments. If you are considering investing in a particular sector, for example, aerospace, read about the future of the aerospace industry. If you are thinking about investing in foreign securities, learn as much as you can about the market history and volatility, socio-political stability, trading practices, market and regulatory structure, arbitration and mediation forums, restrictions on international investing and repatriation of investment.

Learn more about the various types of investments options available to you and their risk levels. Inflation risk can be managed by holding products that provide purchasing power protection, such as inflation-linked bonds. Interest rate risk can be managed by holding the instrument to maturity. Alternatively, holding shorter term bonds and CDs provide the flexibility to take advantage of higher paying instruments if interest rates go up.

Some investments are more volatile and vulnerable to market risks than others. Selecting investments that are less likely to fluctuate with changes in the market can help minimize risks to a certain extent.

Conclusion

Investments involve varying levels and types of risks. These risks can be associated with the specific investment, or with the marketplace as a whole. As you build and maintain your portfolio, remember that global events and other factors you cannot control can impact the value of your investments. And be sure to take both business risks and market risks into account.



Online Dating and Investment Fraud: Always Check Your Sources

According to the Pew Research Center, an estimated 15 percent of American adults have used online dating services, a four percent increase from 2013. Despite its growing popularity, especially with the under-30 crowd and folks in their 50s and 60s, there are certain risks that go along with digital dating. Safety concerns. Loss of privacy. Fake or inflated profiles. Turns out you should add risk of financial fraud to that list.

Delving into the world of online dating can expose you to a range of potential financial risks such as [phishing scams](#), where con artists attempt to extract personal and financial information. With other frauds, like impersonation scams, the fraudster creates an online identity, develops a relationship and eventually tries to convince you to send money—perhaps for a ticket to visit or to cover some unexpected financial emergency. As the [Federal Trade Commission](#) (FTC) notes, some fraudsters go so far as to make wedding plans before vanishing into cyberspace.

The U.S. Securities and Exchange Commission (SEC) recently [announced](#) fraud charges and an asset freeze against a Connecticut man who is accused of defrauding investors—including six women he met through online dating websites. Before you invest with any seller or investment product, follow these tips.

1. Research the person offering the opportunity. You can quickly check to see if someone is registered to sell investments through FINRA's free online tool, [BrokerCheck](#), or the SEC's [investor.gov](#) website. **Do this research even if the individual is a friend, romantic interest or family member.**

2. Ask questions about the investment. Questions requiring facts and hard numbers help remove romance and emotion from the discussion. Ask as many questions as you want so you feel confident that you know what you're buying and understand the risks and costs. For example, you may want to ask the following:

- What are the risks of this investment?
- How much does it cost initially to purchase the investment?
- What, if any, additional or ongoing costs will I have to pay?
- How liquid is this investment? If I need to sell or cash in the investment, how readily can I do so?
- What happens if I decide to sell or cash in my investment? Are there surrender charges? Other fees?
- For what type of investor is this investment a good or bad idea?
- Is the investment registered? If so, with which regulator?

If your romantic partner can't or won't answer your questions to your satisfaction, then the investment is probably not right for you. And be sure to get a second opinion from someone who has no connection to the opportunity.

3. Know the warning signs of fraud. These [signs](#) include promises of quick profits, “guaranteed” returns or pressure to send money immediately. Also, an investment professional should never ask to borrow money from you or encourage you to name them as a beneficiary or executor of your estate.

And when it comes to “romance scams,” steer clear of affinity fraud. That's when you may be tempted to invest in something you hear about from friends, family, a group you're affiliated with or a romantic interest. Our brains tell us that when people around us are all doing something, it must be okay. But this isn't always the case, especially with investing. You need to do your homework before determining whether an investment is right for you.

If you ever think a claim about an investment might be exaggerated or misleading, [send a tip](#), [file a complaint](#) with FINRA or the [SEC](#), or call the NC Secretary of State's Securities Hotline at 1-800-688-4507.



Updated Investor Alert for Seniors: Five Red Flags of Investment Fraud

Older Americans are often targets of investment fraud. The SEC's Office of Investor Education and Advocacy is issuing this Updated [Investor Alert](#) to help seniors identify signs that what is offered as an investment may actually be a fraud. Below are five "red flags" seniors should look out for when making an investment decision.

Unregistered and Unlicensed Sellers. Always check whether the person offering to sell you an investment is registered and licensed, *even if you know him or her personally*. Unregistered and unlicensed persons commit many of the frauds that target older investors. Researching the background of the individuals and firms selling you investments, including their registration/license status and disciplinary history, is easy and free:

Use [Investor.gov's free online database](#) to search for your investment professional.

Contact the NC Secretary of State's Securities Division at 1-800-688-4507.

You can also call the SEC's Office of Investor Education and Advocacy directly to help research the person and firm selling you the investment: (800) 732-0330 (open 9:00 a.m. to 5:30 p.m. EST Monday through Friday).

Promises of High Returns with Little or No Risk. The promise of a high rate of return, with little or no risk, is a classic warning sign of investment fraud. Every investment carries some degree of risk, and the potential for greater returns usually comes with greater risk. Avoid putting money into "can't miss" investment opportunities or those promising "guaranteed returns." Remember – if it sounds too good to be true, it probably is.

Pressure to Buy Quickly. No reputable investment professional should push you to make an immediate decision about an investment, or tell you that you have to "act now." If someone pressures you to decide on an investment without giving you time to do your research, walk away.

Free Meals. Be wary of "free lunch" seminars. The ultimate goal of free meal investment seminars is typically to lure new clients and to sell investment products, not to educate the public. If you decide to attend one, commit to yourself before the seminar that *you won't purchase anything or open an account while at the seminar*. Even if the free meal does not come with a high-pressured sales pitch, you should expect the "hard sell" in subsequent contacts from the person selling the investment.

Red Flags in the Financial Professional's Background. Even if an investment professional is in good standing with his or her regulators, you should be aware of potential red flags in the professional's background. SEC, FINRA, and state securities regulator records can be used to identify red flags for potential problems, including: (1) employment at firms that have been expelled from the securities industry; (2) personal bankruptcy; (3) termination; (4) being subject to internal review by an employer; (5) a high number of customer complaints; (6) failed industry qualification examinations; (7) federal tax liens; and (8) repeatedly moving firms.

Five Minutes Could Save Your Life Savings!



Is that individual offering you an investment opportunity licensed to sell securities in North Carolina? Is the investment opportunity itself registered? Know before you sign!

While registration in and of itself is no guarantee against fraud, not being registered is a very big red warning flag. We urge you to take five minutes to call our NC Securities Hotline at 1-800-688-4507 to see if the person you have been dealing with – perhaps even for years – is properly registered and/or has a disciplinary history.

Pick up the phone and call us. You owe it to yourself and your family to check.

Make plans to attend BBB's

Consumer Protection Seminar



Tuesday, August 23, 2016

University City United Methodist Church - Fellowship Hall
3835 West W.T. Harris Blvd. • Charlotte, NC 28269

Registration & Exhibits Open: 8:15am | Program: 9am - 12:30pm

KEYNOTE SPEAKER:

**Elaine F. Marshall,
N.C. Secretary of State**

Joining Secretary Marshall
are representatives from the
N.C. Department of Insurance,
the banking industry and
law enforcement



TOPICS: Medicare fraud, investment scams and schemes,
financial exploitation, online banking and shopping - is it safe?
What is a "skimmer" and why should I care? and much more....

Light
Refreshments
Provided!

This event is FREE, but registration is requested.

TO REGISTER: Email - info@transitiontamers.com or
Call - 704-927-8623

(simply leave your name and the number attending)

EVENT QUESTIONS? Email: khenderson@charlotte.bbb.org

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North Carolina
ASMP
Empowering Seniors To
Prevent Healthcare Fraud



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Tamers
simplifying lives one move at a time

AARP
Real Possibilities



Calendar of Upcoming Events

A representative from the Securities Division will be giving an anti-fraud presentation on the following dates and locations. Dates and times are subject to cancellation (although cancellations are rare), so please call the contact number listed to confirm the event is still on before leaving for it. All presentations are free and open to the public unless otherwise indicated. If you would like to schedule a speaker for your church, business, group or organization, please contact [John Maron](#) or [Leo John](#) at (800) 688-4507. For a complete list of all upcoming events, please check out our online [calendar](#).

Date	City	Details
8/4/2016	Thomasville	"Investment Fraud: Guarding Your Assets in a Scary World" anti-fraud presentation to residents of Piedmont Crossing. A representative of the NC Department of the Secretary of State Securities Division will give a presentation on investment frauds aimed at the elderly as well as on the Advance Health Care Directive Registry which the Department maintains. This event is open only to members and guests of Piedmont Crossing. Time: 2 PM—3 PM. For more information, please register your attendance by contacting Blair White at bwhite@uchas.org or 336-474-3605.
8/9/2016	Durham	"Investment Fraud: Guarding Your Assets in a Scary World" presentation. A representative of the NC Department of the Secretary of State Securities Division will give a presentation on investment frauds aimed at the elderly as well as on the Advance Health Care Directive Registry which the Department maintains. This event is free, but open only to Senior CommUnity Care of North Carolina clients. Time: 11 AM—12 PM. For more information, please register your attendance by contacting Allison Whitaker, LRT/CTRS, Assistant Recreation Coordinator, at (919)-425-3030.
8/9/2016	Greensboro	"Changing Financing Options for Startups," presentation. Location: HQ Greensboro, 11 W Lewis Street. Time: 5:30 PM — 8:00 PM. A representative of the NC Department of the Secretary of State Securities Division will discuss things that all new startups need to know when starting and financing a new business, and how the Department of the Secretary of State can assist. This presentation is free, Free, but registration is requested. For more information and to register, contact Sara Pilling at sarap@hqqgreensboro.com
8/12/2016	Cary	A representative of the Secretary of State's Office will speak about the Elder Investment Fraud & Financial Exploitation (EIFFE) Prevention program. Information will include the signs of financial elder abuse and community resources available if you suspect elder abuse. Location: Cary Senior Center, 120 Maury Odell Place. Time: 9:30 AM—10:30 AM. This event is open to the public, but registration and fee may be required. For more information, go to www.townofcary.org .

- 8/13/2016 Raleigh Boots to Business: Reboot - Entrepreneurial Training for Veterans. A representative of the NC Department of the Secretary of State will be participating in this free entrepreneurship workshop for veterans. Topics include: Basics of Opportunity Recognition; Financing Your Venture; Your Competitive Space; Small Business Certifications; and more! This event is free and open to Veterans of all eras, Service members (including National Guard and Reserves) and their spouses. The full agenda is available on our online [calendar](#). Register at <http://boots2business.org/rebootapply/>. Location: North Carolina National Guard Headquarters (Auditorium), 1636 Gold Star Drive. Time: 8 AM — 5 PM. Reasonable arrangements for persons with disabilities will be made if requested at least two weeks in advance. Contact: 919-532-5525 or Patrick.Rodriguez@sba.gov. Location: North Carolina National Guard Headquarters (Auditorium), 1636 Gold Star Drive. Time: 8 AM — 5 PM.
- 8/18/2016 Oxford “Scam Jam” anti-fraud workshop. Representatives of the NC Secretary of State’s Office, the NC Department of Justice Consumer Protection Division, and the NC Department of Insurance Senior Health Insurance Information Program will present information to help you steer clear of a wide range of financial scams. Topics covered will range from identity theft and investment scams to Medicare fraud. Location: Granville County Senior Services, 107 Lanier Street. Time: 1 PM — 4 PM. For more information, contact Sheila Brown at sbrown@kerrtarcoq.org.
- 8/23/2016 Charlotte Secretary of State Elaine F. Marshall will join speakers from the NC Attorney General’s Office, the NC Department of Insurance, and Wells Fargo at the Charlotte BBB Consumer Foundation’s Consumer Protection Seminar. Learn how to steer clear of a wide range of scams, from Ponzi schemes to Medicare fraud, as well as important tips to keep your personal information safe when shopping and banking online. This event is free and open to the public, but registration is requested. To register, email info@transitiontamers.com or call 704-927-8623. Location: University City United Methodist Church, 3835 West WT Harris Blvd. Time: 9:00 AM—12:30 PM. For more information, contact Kim Henderson at khenderson@charlotte.bbb.org.
- 8/24/2016 Clinton Elder Investment Fraud & Financial Exploitation Prevention & AHCDR (Advance Health Care Directive Registry) Presentations at Sampson Regional Medical Center, located at 607 Beaman St. These presentations are free, but open only to guests of Sampson Regional Medical Center. A representative of the NC Department of the Secretary of State Securities Division will conduct two one-hour presentations, from 12 PM to 1 PM, and from 1:30 PM to 2:30 PM. Both presentations will explore the signs of abuse among the elderly and discuss what resources are available when abuse is discovered or suspected. Participants will learn elder abuse awareness and how to encourage providers to build questions into their admissions process to determine whether an elder may be experiencing some form of financial abuse. Also discussed will be the services provided by the Advance Health Care Directive Registry, which the Department maintains, and how these services can be of assistance. Participants will also learn about other available resources. For more information, please contact Jill Cairney at jcairney@sampsonrmc.org.

- 9/9/2016 Leland Investment fraud presentation for the Brunswick County Newcomers Club. Location: Brunswick County Community College 2050 Enterprise Drive NE, 2nd Floor. Time: 9:30 AM -- 10:30 AM. This presentation is free, but open to club members and their guests. Click [here](#) for more club information. A representative of the NC Department of the Secretary of State will join a representative of the U.S. Commodity Futures Trading Commission (CFTC) in giving an anti-fraud presentation to members of the Brunswick County Newcomers Club.
- 9/10/2016 Cary Guarding Your Assets in a Scary World workshop. A representative of the NC Department of the Secretary of State Securities Division will give a presentation on investment frauds aimed at the elderly as well as on the Advance Health Care Directive Registry which the Department maintains. This event is free, but open to members of White Plains United Methodist Church and their guests. Meeting will take place in the Christian Life Center behind the main building. Location: White Plains United Methodist Church, 313 SE Maynard Road. Time: 8 AM—9AM.
- 9/16/2016 Raleigh Triangle Case Management Society Conference at North Raleigh Hilton. This event is open to Triangle CMS members only. Registration required. For registration details, please visit: <http://trianglecmsanc.org/conferences/fall-conference/>. A representative of the NC Department of the Secretary of State Securities Division will provide a presentation entitled "Combating Frauds Against the Elderly: A Partnership Working Together" Older adults are the number one victims of fraud. Many people don't think they can become a victim of investment fraud. Neither did the nearly 500 people who trusted J.V. Huffman, Jr., of Conover, NC, or the 100 people who trusted Sid Hanson, of Charlotte, NC, with approximately \$25 million and \$30 million (respectively) of their money! Want to learn how to avoid becoming a victim of investment fraud? Join us and learn how to recognize and avoid possible investment scams. You will also learn how to spot the red flags of potential investment fraud, learn how to do your due diligence, and the questions to ask your investment professional. This seminar will help you to understand what to do if you become a victim of an investment scam. Information will also be presented on the Advance Health Care Directive Registry which the Secretary of State's office maintains. Presented by John Maron, Director of the Investor Protection and Education Services Division of the North Carolina Department of the Secretary of State.
- 9/21/2016 Cary NC LAMP (Legal Assistance for Military Personnel) CLE. A representative of the NC Department of the Secretary of State Securities Division will present at the 2016 Military and Veteran's Affairs Committee (MVAC) CLE on Legal Assistance for Military Personnel (LAMP) to discuss the signs of abuse among the elderly as well as what resources are available when abuse is discovered or suspected. Also discussed will be the services provided by the Advance Health Care Directive Registry, which the Department maintains, and how these services can be of assistance. Location: NC Bar Association Conference Center, 8000 Weston Pkwy. Time: 1PM—2PM.

- 9/22/2016 Wilmington Modern Times, Modern Crimes workshop. . Come learn from the experts how to protect yourself and your loved ones from falling victim to a variety of scams and frauds. A representative of the NC Secretary of State's office will be among the many speakers during this anti-fraud workshop. For more information, contact Jane S. Jones, Director, Area Agency on Aging, Cape Fear Council of Governments, at (910) 395-4553 ext 209. This event is free and open to the public. Location: Carolina Bay at Autumn Hall, 5553 Old Garden Road. Time: 8:30 AM—2:00 PM.
- 9/23/2016 Charlotte Centralina Area Agency on Aging Annual Conference. A representative of the NC Department of the Secretary of State will give a presentation from 1:15 - 2:30 PM entitled, "Prevention of Elder Investment Fraud and Financial Exploitation". Location: Friendship Missionary Baptist Church, 3400 Beatties Ford Road. Time: 8:00 AM - 4:00 PM. This presentation will train healthcare providers to look for the signs of financial abuse or exploitation among their elderly patients and make appropriate referrals, either to community resources or to Adult Protective Services when abuse is discovered or suspected. The program is designed to raise awareness of the issue in the minds of providers, encourage them to build questions into their routine patient intake screening to determine whether their patients may be experiencing some form of financial abuse, and know what resources are available for further assistance. Registration is required. For more information and to register, please visit <http://centralina.org/centralinaaging/events/annual-aging-conference-2016/>.
- 9/24/2016 Morganton "Investment Fraud: Guarding Your Assets in a Scary World" presentation. Location: St. Charles Borromeo Church, 728 W. Union Street. Time: 11:00 AM -- Noon This event is free. As part of a larger event for older adults today, a representative of the NC Department of the Secretary of State Securities Division will give a presentation on investment frauds aimed at older Americans as well as on the Advance Health Care Directive Registry which the Department maintains. For more information, contact Sandra Brakefield at (704) 370-3220.



On The Docket

The following cases are ones in which the Securities Division has had some involvement, either as the lead investigative agency or in a supporting role.

Darren Joseph Capote, of Patterson, NY, was indicted on July 11, 2011, in Ashe County Superior Court on three Class C felony counts of securities fraud. He is alleged to have defrauded an elderly victim in Ashe County. He was released from custody on a \$100,000 secured bond. His next hearing is set for September 26, 2016.

David Alan Topping, of Oak Island, NC, was arrested by law enforcement agents with the NC Secretary of State Securities Division on November 4, 2014 and charged with one felony count of securities fraud. The Brunswick County Sheriff's Office also charged Topping with one felony count of obtaining property by false pretenses and one misdemeanor charge for solicitation to obtain property by false pretenses. A Brunswick County Grand Jury has indicted Topping on the felony charges, which are now pending in Superior Court. Topping is alleged to have defrauded multiple victims out of more than \$100,000. He is currently out of jail on a \$250,000 unsecured bond.

Charles Caleb Fackrell, of Booneville, NC, pleaded guilty on April 12 in federal court to one count of securities fraud. A sentencing hearing has not yet been set. Fackrell is still facing trial in state court on charges of obtaining property by false pretenses. He is currently in the custody of the U.S. Marshals Service under a \$2.25 million bond.



News from the Regulators

The following are links to selected public notices issued by one or more securities regulator. Click the links to view the full notices. These are offered for informational purposes only.

[Americans' Financial Capability Growing Stronger, but Not for All Groups: FINRA Foundation Study](#)

July 12, 2016 — While Americans as a whole are feeling less financial stress, making ends meet remains a daily struggle for millions — particularly women, millennials, African-Americans, Hispanics, and those lacking a high school education. These findings come from the National Financial Capability Study (NFCS), released July 12 by the FINRA Investor Education Foundation (FINRA Foundation).

The study measures four key components of financial capability: making ends meet, planning ahead, managing financial products, and financial knowledge and decision making. Drawing on a data set comprising responses from more than 27,000 U.S. adults, the NFCS is one of the largest and most comprehensive financial capability studies in the country.

Among the study's most significant findings:

- More than one in five Americans (21 percent) have unpaid medical debt, and women are more likely than men to put off medical services due to cost, such as seeing a doctor, buying needed prescriptions or undergoing a medical procedure;
- Nearly half of respondents with a high school education or less could not come up with \$2,000 in 30 days in the event of an emergency (45 percent) compared to only 18 percent for respondents with a college degree;
- Twenty-nine percent of 18 to 34-year olds with a mortgage have been late with a mortgage payment, compared with 7 percent for the 55+ age group;
- Hispanics and African-Americans are much more likely to use high-cost forms of borrowing like pawn shops and payday loans compared to whites—39 percent for African-Americans, 34 percent for Hispanics and 21 percent for whites; and
- Only 37 percent of respondents are considered to have high financial literacy, meaning they could answer four or more questions on a five-question financial literacy quiz—down from 39 percent in 2012 and 42 percent in 2009.

However, the percentage of respondents reporting no difficulty in covering monthly expenses and bills has increased from just over a third in 2009 (36 percent) to nearly half in 2015 (48 percent), and the percentage of respondents with emergency funds has increased from 35 percent in 2009 to 46 percent in 2015.

State-by-state results are available for the 2015, 2012 and 2009 survey years. You can read North Carolina's results [here](#).

Notice of Request for Public Comment Regarding a Proposed Amendment to the NASAA Statement of Policy Regarding Real Estate Investment Trusts

The North American Securities Administrators Association (NASAA) is requesting public comment on proposed amendments to the NASAA Statement of Policy Regarding Real Estate Investment Trusts (REIT Guidelines). Comments are due on or before September 12, 2016.

The proposal would add a uniform concentration limit of 10 percent of an individual's liquid net worth, applicable to their aggregate investment in a REIT, its affiliates, and other non-traded REITs, as defined therein. Liquid net worth consists of cash, cash equivalents, and readily marketable securities. The proposal also includes a carve-out for Accredited Investors under the income and net worth standards set forth in Regulation D, Rule 501.

The proposal also includes a recordkeeping requirement for the Sponsor or any person selling shares on behalf of the Sponsor or REIT. Such individuals must maintain records of the information obtained from Shareholders to ensure compliance with the concentration limit for a period of at least six years. Further, the Sponsor must disclose in the Prospectus the responsibility of the Sponsor and any person selling shares on behalf of the Sponsor or REIT to make every reasonable effort to ensure compliance with the concentration limit based on the information the Shareholder provides.

The proposal includes additional Administrator discretion in its application, including by providing for application of the concentration limit "Unless the Administrator determines that the risks associated with the REIT would require a lower or higher standard." Finally, the proposal distinguishes a suitability analysis from concentration limit compliance, by providing that adhering to the concentration limit does not satisfy the independently required suitability determination under the Guidelines, existing administrative rules, or the rules of a self-regulatory organization. The proposal requires the Prospectus to include language clarifying this distinction.

CFTC Staff Approves a Public Comment Extension for a Rule Amendment Certification Filing by ICE Futures U.S.

July 13, 2016 —The U.S. Commodity Futures Trading Commission's (CFTC) Division of Market Oversight (DMO) announced that it has granted ICE Futures U.S. a 15-day extension of the public comment period and a 45-day extension of the stay period for Submission No. 16-67, dated June 1, 2016. ICE Futures U.S. had requested both extensions. Comments must be submitted on or before July 29, 2016. The extended stay will expire on October 28, 2016.

The original public comment period was scheduled to expire on July 14, 2016 and the stay on September 13, 2016. DMO stayed the filing based on Section 5c(c)(2) of the Commodity Exchange Act (CEA) and §40.6(c)(1) and §40.7(a)(2) of CFTC's regulations. The stay is based on the premise that the submission presents novel or complex issues that require additional time to analyze and may be inconsistent with the CEA or CFTC regulations. Under the rule amendment certification, ICE Futures U.S. would clarify that parties to a block trade may engage in pre-hedging or anticipatory hedging of the position they believe in good faith will result from the consummation of the block trade, except for an intermediary that takes the opposite side of its own customer order.

Comments may be submitted electronically through the CFTC's [Comments Online Process](#). All comments will be posted on the CFTC's website. The ICE Futures U.S. submission is available under [Industry Filings](#).

[SEC Proposes Rules to Enhance Order Handling Information Available to Investors](#)

July 13, 2016 —The Securities and Exchange Commission has voted to propose rules that for the first time would require broker-dealers to disclose the handling of institutional orders to customers. The proposed rules also would expand the information included in existing retail order disclosures.

“These proposed rules are intended to bring order handling disclosure in line with modern technology and market practice, providing valuable information to retail and institutional investors about how their orders are treated,” said SEC Chair Mary Jo White. “This information should provide investors more transparency and a powerful new tool to more effectively monitor broker-dealer routing decisions, especially when combined with the additional disclosures from alternative trading systems proposed by the Commission late last year.”

The proposed rules would require a broker-dealer to provide a customer, upon request, a report on its handling of that customer’s institutional orders (orders in exchange-listed stocks with an original market value of at least \$200,000), containing specified monthly data for the previous six months. The customer-specific report also would require detailed order handling information for each venue to which the broker-dealer routed institutional orders for the customer and would be presented in the aggregate and broken down by passive, neutral, and aggressive order routing strategies. Separately, the proposed amendments would require broker-dealers to make public on a quarterly basis aggregated reports of their handling of all institutional orders.

The Commission is seeking public comment on the proposal for 60 days following its publication in the Federal Register.

All investors are strongly encouraged to contact the Securities Division at (919) 733-3924 or toll-free at (800) 688-4507 to check that their investment professional is properly registered ***before*** transferring any assets to that person’s control. One five-minute telephone call to the Securities Division could protect your entire life’s savings from being stolen from you. For a wealth of investor education information, please visit our web site, www.sosnc.gov. Click on the yellow box entitled “Investment Securities.”

This newsletter is produced by the Investor Education Program of the Securities Division of the North Carolina Department of the Secretary of State. If you have questions or comments about this publication, or would like to schedule an investor education presentation with your group or organization, please email [John Maron](mailto:John.Maron@sosnc.gov), Director of the Investor Education Program, or call (919) 807-2106.

Please help us publicize the educational information in this mailing by forwarding it to your contacts around the state. If you no longer wish to receive mailings from the Securities Division, please send an email to: jmaron@sosnc.gov with “Remove from mailing list” in the subject line.

Remember that if an investment sounds too good to be true, it *probably* is!