

BOILER ROOM CONCERNS TO CONSIDER

Licensing Requirements to Sell Securities Investments

Any person or company that seeks to sell securities in Utah must be properly licensed as broker-dealer or agent under Utah law. Licensing creates a public record of the company and its agents. Investors should review those records prior to investing.

Investors should verify that both the company and individual agent are licensed. Investors should also review the licensing and registration records of the company and individual agents. These records allow investors to consider how long the company and agent have been in business, whether customers have filed complaints against the company or agent, and whether the company or its agents have any other derogatory information on their records (e.g. regulatory actions, bankruptcies). You can [Verify a License](#) and [Check Out an Investment](#) online or by calling the Division at (801) 530-6600.

Fraud Concerns

Many boiler rooms and their agents either fail to provide investors with disclosure documents or there are inadequate disclosures in the documents provided. The omission or misrepresentation of material information in the offer or sale of a security is considered securities fraud.

Sometimes investors trust the person selling the investment and rely on that relationship rather than reading the written disclosures and verifying information from independent sources including regulatory filings, licensing and registration.

See the Tools and Resources section for online databases and other resources to investigate the background of the company and broker before investing with them.

Pump and Dump Schemes

Boiler rooms may be used in “Pump and Dump” schemes. Boiler rooms are used to hype and tout or “pump” a company’s stock raising the stocks value and price share in the market. Insiders and promoters sell or “dump” their shares at the peak of the pricing and make huge profits on the frenzy. Once the profits are taken, the shares are no longer hyped and artificial market trading is no longer supported, investors will find the price of their shares falling or becoming worthless.

These schemes frequently appear through unsolicited e-mail messages.