

Conference Title: NFA Webinar

Date: Wednesday, 9th October 2024

Joel Giamalva: Hello everyone, and welcome to today's webinar hosted by NFA and the CFTC. It's just past the top of the hour, so we're going to get things started. My name is Joel Giamalva and I'm a communications specialist at NFA, the self-regulatory organization for the US derivatives industry. I'm joined by Melanie Devoe, the director of the Office of Customer Education and Outreach at the CFTC. Before we dive into the main content of today's presentation, I know Melanie has some housekeeping. She'd like to address. So I'll hand the reins over to her. Melanie.

Melanie Devoe: Hello, everyone. I just need to give a disclaimer before I get started. But first, I'd like to welcome you to this World Investor Week presentation. We really appreciate everyone who is taking the time to join us, and I hope that you find it informative. This will also be recorded. So if you want to go back and look at something in particular, you will be able to do so. But before I begin, I need to give a disclaimer that the views I'm about to share are my own. I also need to say that nothing in this presentation should be interpreted as an endorsement of any organization, group, or individual. With that we're ready to begin.

Joel Giamalva: Great. Thanks, Melanie. As this week is World Investor Week. World Investor Week is a week-long global campaign promoted by IOSCO to raise awareness about the importance of investor education and protection and highlight the various initiatives of regulators in these two critical areas. Ultimately, the week is designed to educate you, the investing public, on how to safely participate in the markets. World Investor Week offers a unique opportunity for IOSCO members to work in collaboration with all investor, education and protection stakeholders at both the local and international level.

Both NFA and the CFTC are members of IOSCO, and both of our organizations make investor education and protection a top priority. Today is an opportunity for Melanie and I to provide everyone with some information about our investor resources. Throughout the presentation,

Melanie and I will be covering a variety of free investor education and protection resources both our organizations offer to the public and how they can help you conduct due diligence.

Following our prepared remarks, we've allocated some time to answer any questions you might have. To ask a question, locate the box labeled Ask a question on the left side of your webinar screen. Please type the question you would like to ask into the box and click the send button. Melanie and I will get to these questions at the end of today's presentation. First, let's focus on the CFTC's investor resources. Melanie, I'll pass it over to you.

Melanie Devoe: Thank you very much. To introduce myself, my name is Melanie Devoe. I'm the director of the Office of Customer Education Outreach. And today I want to talk to you about the resources that the CFTC has. So first I want to talk you through our agenda. I am going to be sharing a brief overview of the Commodity Futures Trading Commission. Then I'll be discussing our anti-fraud resources, and I'll be focusing in on some common scams that we're encountering. And then I'll close it out with how and where to report a scam.

TC investor resources. So you can find these by going to [cftc.gov](https://www.cftc.gov). That's our agency's website and you will see there, the latest news is a press release about our World Investor Week offerings. But to find our investor education materials, I'd ask you to go to the Learn and Protect section, which is if you go see where the search button is, that red search button, it's down below the whistle. Once you click on that Learn and Protect section, there is a section called Fraud Center. And when you get to that page, you will be brought to what Joel is showing you now.

And I know this page has a lot of information on it, but the first thing I want you to notice is there's a series of big buttons, one that says romance fraud, digital asset frauds, forex frauds, precious metals frauds, and imposter frauds. If you were to click on each of these buttons, you'll find additional information. I also want to point out that our whistleblower alerts and a link to the whistleblower program are also available on this page.

Additionally, we have a fun trivia challenge if you want to test your knowledge on digital assets, you can take the quiz and see how you do. I also want to point out before I begin that we do have two buttons at the top. One says English and one says Spanish. So could you click on the one that says Espanol? I just want to show the audience how easy it is to translate this page into Spanish. And there you go. So if you are dealing with any customers or you have friends or family that are Spanish speakers, they can go to this website and see the materials in Spanish.

But first let's switch it back to English so I can take everyone on a tour of the common areas of fraud. So Joel, could you click on the English button? Thank you very much. Okay. Next, Joel, I'm going to ask you to click on the button with a heart on it that says romance frauds. You might need to – yeah. Great. And so this is just to give you an example of one of the frauds that we're dealing with here at the CFTC. I'm going to talk a little bit about this particular fraud, just because it's so important for all Americans to know that it's out there.

So we have labeled this romance frauds. This fraud is also referred to as relationship confidence scams. But the bad guys call it pig butchering. And I know that's really despicable term, but that is what you might see it referred to in the media. So what this fraud is, is it starts out with a simple approach to the potential victim. You could receive a wrong number text. You could be approached on some social media app such as LinkedIn or Facebook, among many others, or you could be approached through some dating website or other type of internet website.

Next, the fraudster is going to try to encourage you to have some relationship of trust with them. So I'll use the wrong number text as an example, because that's something that I'm getting all the time. I get a wrong number text at least once a week, and they usually want me to either play golf or go to lunch. And I am not a golfer. And so I know right away that it's not for me. But usually I'll say something like, "Hey Dave, do you want to play golf at 2:00?" So I know it's not for me.

Anyway, what the fraudster is hoping you'll do is respond and say, sorry. Wrong number. If you do that, the next thing they're going to say is, "Oh, I'm so sorry. How's your day going?" "My name is Melanie. Can you –" and they'll try to start a conversation. Now, for a lot of people, this may not work for various reasons. However, for some people, particularly if they're lonely, if they're going through a difficult time in their lives, they may respond and then the fraudster will try to slowly establish a relationship of trust.

And this can go on for weeks, but eventually the fraudster will mention how wealthy they are. And then what we're seeing here at the CFTC, they'll say something about how they're wealthy because they trade cryptocurrency commodities, and they'll tell you that you could be wealthy too if you traded. And so we're seeing this very dangerous pattern where the victim, will invest just a little bit of money to humor their friend. It could be a relationship of trust or a romantic relationship. So they'll send them a little bit of money, and then they may be able to get some money out. But eventually, over time, the victim will invest everything they own.

So we've seen victims invest all of their available cash, and then victims take money out of retirement accounts. We've seen victims actually mortgage their homes, borrow money from friends and family. And the reason they're doing this is because on the other side, they're seeing a beautiful website that shows them that they're making lots and lots of money trading. But unfortunately, what's going on is that these websites are false and they're just showing the victim what they want to see. And unfortunately, the bad guys are actually taking the money and using it for their own benefit.

I want to just let you know that this fraud can happen to anyone. It can happen to extremely smart people with PhDs, doctors. It can happen to anyone. It's a very sophisticated scam that's run by transnational organized criminal syndicates. So anyone can be duped. And the more that we can talk about this fraud and how this wrong number text can leave you bankrupt and broken hearted, the better. So I just wanted to make sure that everyone is aware that this fraud is out there.

And I'm going to ask a favor of everyone, and that is to tell the story about this fraud. Because if you just tell one person and ask them to tell one person, hopefully we will make this fraud as well known as other frauds that we all know to avoid. But back to my investor education resources. I did want to point out, not only does that first paragraph give you a big description of the fraud, but then – and I'm going to ask Joel to expand some other sections of this.

The next section talks about the setup. So can you click on the scam. The next section talks about the scam itself. Become the do's and don'ts. The do's and don'ts section goes through what you should do and what you shouldn't do. You may need to double click on it for it to expand. Yep. There you go. And then if you click on the for more information. At the very bottom of the screen there's more. And then we have link to a couple of different things, some from other agencies that discusses this fraud or different customer advisories that we put out.

My office puts out an advisory roughly once every two months, sometimes more frequently. And we also have an email distribution list that you can sign up for if you want to receive these automatically. Otherwise, you can just go to this website cftc.gov/learnandprotect to find the various resources. Joel, can you go back to the home page? I just want to show them a couple more things before I go back to my slideshow. Yep. There you go.

So we just spent a bunch of time discussing those relationship confidence scams, which the bad guys called pig butchering. But I do want to point out that we have other resources available. So in addition to these confidence scams, we also have various types of digital asset frauds, which we're seeing, including Ponzi schemes. We're also seeing artificial intelligence being used in some of these schemes, and artificial intelligence is getting more and more advanced. So the bad guys can now, unfortunately, use artificial intelligence to their advantage, and they can make it seem like there's someone they're not. Both through voice cloning and through the ability to create what they call, deep fakes, which is basically an image of someone that they're not.

We additionally have a section on forex frauds and precious metals frauds. Forex frauds, this is something you've probably – if you've been tracking the CFTC for a while, this is something we've been dealing with for a long time. And this is when a fraudster convinces someone to trade in foreign currency pairs. But sometimes, unfortunately, the fraudster just takes the money. So we have a bunch of information about that particular fraud.

We also want to point out that we're having a growing problem with precious metals frauds. For those of you who are familiar with the CFTC's enforcement cases, we filed several cases in this area. One neat thing that we did and Joel, I'm sorry, can you double click on the precious metals frauds and then go to more resources? We created a bunch of videos. We have an actual enforcement attorney talking through different things about precious metals fraud.

So, Joel, if you could scroll down just a little bit, you're going to see we have a bunch of videos there. And that gentleman you're seeing is JonMarc Buffa. He's with the Division of Cooperative Enforcement, and he's describing some common scams. So a lot of people don't like to read. I'm one of those people. I like to watch a video. So we're trying to develop more video content so that you can see it there. Now, Joel, I just want to show them one last thing. If you can go to the home page and I should cover imposter scams as well. We're seeing people impersonate the CFTC.

I would ask that, please read that section for information on impersonation frauds. We're seeing people impersonate the CFTC or other government officials. So we have some tips for you there. The last thing I want to show you, Joel, can you go to the Learning Resources tab? And that is not on the whistle side but the other side of the screen? Yep. There you go. So here, this is another way to look at our advisories. And several of these have been translated into simplified Chinese. So if you know someone who reads Chinese, that's another option for them. They can go and click on the Chinese symbol there and they can get to our Chinese content.

I also wanted to let you know that if you just want to see the latest and greatest news, another way to look at it is by going to these learning resources and looking at the top of the investor resources that are available at cftc.gov/learnandprotect. We will be adding more content there. And we also have an email address which is education@cftc.gov. Feel free to reach out to us there. If you have any content that you would like to suggest we add, we're always looking to add new content.

Let me take you to the next slide. So we've just done a very brief tour of what we have on the website. I believe this will be recorded so that you can watch it later, but I just want to leave you with a couple of general pieces of advice. As I said, I would like everyone to be cautious of unsolicited texts. These may be coming from a fraudster who's linked to a transnational organized crime syndicate. The FBI had reported losses of \$3.96 billion related to these frauds last year. So those are just the reported losses. So we want all Americans to be cautious and to be aware of these frauds. So if you get that unsolicited text, the one thing you could do is you could send it to junk. Most of our phones, there's a button where you can press send to junk, and that is the best thing to do.

I also want to take a moment to mention that the transnational organized crime syndicates are using – according to the United Nations, they are using human trafficking victims to conduct these frauds. So there are victims on both sides. This is a problem that unfortunately is growing. So we really want you to be cautious of those unsolicited texts. Second thing we would caution is that try to keep the conversations on the original platform. So stay on that dating or social media platform.

Try to avoid taking conversations to encrypted messaging apps. Several of the United States platforms have fraud detection software, so they may be able to notice. If you're on the original platform using their technology, they may be able to notice that the person is trying to scam you. So please do take caution there. We'd also like to say, as the FBI does, take a beat and hold off on acting immediately on investment ideas.

Another thing you could do is talk to someone you trust before you invest. This is a great way to mull things over. We've unfortunately seen people invest their entire life savings in things and then lose their life savings. We really don't want that to happen to you. So please consider talking to someone you trust before you make that investment decision. Additionally, for the futures products, you can check registration status by going to nfafutures.org/basic.net. For securities, you can also do a broker check going to FINRA.

But there's one other thing or actually two other things I want to point out. There's a new technology out there, and we can't recommend a particular technology avenue because there are numerous providers that give you this option, and it's a new technology. So we can't say that it would be 100% guaranteed. But there is something called a reverse image search which you might want to consider doing. As I said again, it's not guaranteed. But sometimes people have done that reverse image search and they've learned that the person they've been communicating with is actually from a stock photo.

So if you were to do a reverse image search and find that the person is in a stock photo, that would be another warning sign that this is likely fraud. So again, lots of caution around there. It's a new technology and it can either run hot or cold. But several providers, and we're not recommending a particular one. But several providers have this technology. One of them is Google. So just take a look at that and consider that as an option.

The final thing I want to talk about is how you can look up the age of the sites domain registration using something called ican.org. So if you go to this website, and again, we're not recommending any website, but this is possible. You could go to lookup.ican.org and you can enter the website domain and then click lookup. And you can see when the site was created. This can be useful knowledge because if the person that you're communicating with is saying that this trading website has been up for a decade, and you find that it was just registered two weeks ago, that'll give you that additional indicia of fraud. So these are some tools that we discuss further on

cftc.gov/learnandprotect. But we just wanted to have a slide on this so you could take a look in case you wanted to do that.

So what should you do? I know we're giving you a lot of bad news about fraud. Well, the one thing we really ask is, next time you are in a situation where you have to have an awkward conversation instead of talking about the weather, we'd ask that you share the information about these frauds. And we definitely want you to warn people in your network that these frauds are out there. Knowledge is power. And if you know that, that innocuous text could be from someone who's trying to rob you of your life savings, that's a very powerful message that you can use to avoid getting defrauded.

We would like to encourage victims to report their losses. They can report at cftc.gov/complaint. And they can also report at www.ic3.gov. We also encourage you to report your losses to your bank. If you were using a cryptocurrency exchange, you can report your losses there. So reporting is really – it's good because it helps us understand the size of the problem. I know it may be embarrassing to report, but it is really helpful to law enforcement and regulators such as the CFTC to understand what's happening. So we encourage you to take that step. Now, again, if you have any additional questions, comments, or you'd like to make a connection, please email us at education@cftc.gov. Thank you very much for your time. And I'll turn it back over to Joel.

Joel Giamalva: Great. Thank you for all the information, Melanie. I'd like to present NFA's investor resources now. Investor protection is a key component of NFA's mission. NFA offers a variety of resources to help investors learn how the markets work, and about the firms and individuals offering investment opportunities in the derivatives markets. Investor education arms the public with the knowledge needed to make informed decisions and avoid dealing with bad actors.

NFA's website provides the best access to all of NFA's investor protection and education offerings. One of the most useful tools NFA provides is a comprehensive online database called Basic that

investors can use to search the registration and disciplinary history and financial information of firms and individuals currently or previously in the derivatives industry. Basic is completely free to the public. And NFA recommends all investors use the tool to research the background of derivatives industry firms and professionals before investing. You can search this database using the name of a firm, an NFA ID number, the name of an individual, or the name of a pool.

When using Basic, remember to confirm that the name, main business address, and phone number listed on the Basic profile exactly match the name, main business address, and phone number used by the firm or a professional soliciting you. Illegitimate firms sometimes utilize names similar to those of current NFA members in an effort to deceive investors. For example, ABC commodities LLC is not the same as ABC Limited. And remember, an NFA ID alone does not demonstrate NFA membership.

Reach out to NFA's Information Center using the details shown in Basic if you have any doubts about a firm's legitimacy. NFA's Information Center representatives are also available to answer any investor questions and provide additional information on any NFA related topic. This is a very helpful resource that's just a phone call or email away. NFA's investor web page offers a variety of investor education materials and resources, including information on best practices for investors who are just getting started with investing, FAQs, brochures, periodic investor advisories regarding time sensitive updates and scam alerts, and webinars on hot topics for the investing public.

NFA issues a quarterly investor newsletter, in an effort to keep investors up to date on recent initiatives, upcoming events, and helpful resources. This includes investor education and protection resources from other regulators to help investors spot and avoid different kinds of frauds, including imposture and romance scams. The investor newsletter also includes a list of recent enforcement actions taken against members or associates that violated NFA's rules.

If an NFA member or associate engages in conduct that puts customers, the futures markets, or other members at risk, NFA has the authority to take disciplinary actions against them and immediate action is taken accordingly. In cases of fraud, NFA has a system on their website for investors to file complaints if they believe that an NFA member has treated them improperly or has improper business practices. Customer complaints help NFA staff in our member monitoring and enforcement efforts.

These complaints often lead to disciplinary actions, actions that help protect investors by removing bad actors from the marketplace. NFA's objective to identify violations of its rules and take appropriate action and complaints help us in those efforts. If the complaint is against a non-member, the website also helps investors file directly with the appropriate agency based on their situation.

NFA's investor webpage also includes information on its arbitration program. NFA offers an affordable and efficient arbitration program to help customers and members resolve futures and forex related disputes. Arbitration is a process where the parties present their arguments and supporting evidence before an impartial third party or panel who decides how the matter should be resolved. Arbitration is a popular dispute resolution alternative to time consuming and costly litigation.

Finally, NFA's investor webpage links to Futures Fundamentals. Futures Fundamentals is a one stop educational resource designed to simplify and explain the complex derivatives markets. This collaborative effort between NFA, CME Group, FIA, IFM and ICE provides educators, students and the investing public with articles, videos and interactive activities intended to explain the role of the futures markets in everyday life. Futures Fundamentals is a driving force in an industry wide effort to provide risk management education to learners at all levels. I highly recommend reviewing this website if you are new to the world of derivatives.

You can subscribe to NFA's investor mailings to stay up to date on the latest information, including warnings about fraud and news about upcoming webinars and other educational events for investors. I would also recommend subscribing to NFA's communications and following our LinkedIn page for the latest information from NFA. And with that, we've reached our Q&A portion. There's a question from David on how do I download the slides? I do know that this webinar will be archived several days after this webinar has finished. That will be the best resource to look at the slides and listen to our webinar afterwards. Melanie, do you want to take the second question?

Melanie Devoe: Sure. So the second question is which regulatory agency, CFTC or NFA audits, examines the digital assets and broker dealers are similar, but investors turn to CFTC or NFA to complain about digital asset issues. That is a great question. So right now, the CFTC has jurisdiction over the futures markets, futures options and swaps. And we have anti-fraud and anti-manipulation over the underlying cash markets. So we have the bitcoin futures contract and the Ethereum futures contract. So we have we have anti-fraud and anti-manipulation authority over the underlying.

However, it is not the same situation as with the futures market. So if you're talking about, who has jurisdiction over Bitcoin futures and Ethereum futures, you should send those complaints to the CFTC related to any regulatory concern. If you're dealing with anti-fraud and anti-manipulation issues, you should send those complaints to us. If it's dealing with a commodity, if it's dealing with a security, then the SEC would be the one to handle the securities issues.

Joel Giamalva: Great. Thank you, Melanie. Move on to the final question here. Can you share your names and contact information again please? My name is Joel Giamalva. I work at NFA. I'm a communications specialist. You can reach me at jgiamalva@nfafutures.org.

Melanie Devoe: And my name is Melanie Devoe. And you can reach me at mdevoe@cftc.gov. And I'm just scrolling through the slides. We also have a contact information here. I don't know if you guys can see it. It's education@cftc.gov.

Joel Giamalva: Okay. Not seeing any more questions here. So that's going to do it for today's webinar.

Before we sign off today, I want to remind everybody that you will be able to access both a transcript and a recording of today's webinar on NFA's website in the coming weeks. You can reference that at any time, if you want to go over what we've covered today. I also encourage you to share this webinar with your colleagues so they can stay informed of NFA's and the CFTC's customer protection offerings. Thank you again everyone for joining. I hope you learned something new and enjoyed the webinar. Thank you and have a great day!

Melanie Devoe: Yes. Thank you. Have a great day.