



Customer Advisory: Beware of Fee Scams Targeting Workers Sidelined by COVID-19

The Commodity Futures Trading Commission advises the public that unregistered brokers selling binary options, foreign exchange (forex) programs, and cryptocurrencies are targeting people who lost their jobs due to the coronavirus outbreak. The scams are primarily conducted on social media and via messaging apps. The fraudsters convince their victims they can earn unrealistically high profits from home, but later force the victims to pay excessive “fees” and “taxes” to get their supposed earnings. The profits are not real and the fraudsters disappear when the victims stop paying.

What to Consider

Trading forex, binary options, and digital assets is highly risky. No program, automated trading system, or individual can guarantee returns of thousands of dollars in just a few hours or days of trading.

In fee scams, the earnings are never real. The fraudster's goal is to get investors to pay the upfront deposit and later pay ridiculously high commissions, taxes, and fees. The promise of huge profits is dangled in front of the investors to make the fees and taxes look like a small percentage of what they've earned. But when all is said and done, the investors are out their deposits, and the money they've spent chasing their phony earnings.

Always remember:

- Risks, fees, and commissions should always be disclosed before accounts are opened.
- Never pay more money to withdraw from your own account.
- Most individual speculators will pay taxes on gains when they file their personal income taxes. U.S. brokers will not collect or withhold taxes from trading accounts.
- Do not pay for trading advice, or pay people to trade for you if they are not registered with the CFTC or other U.S. regulators, especially if you have only met online, communicated through messaging apps, or if they operate outside the United States.
- Designated contract markets for binary options and retail forex dealers also must be registered with the CFTC before they can solicit U.S. customers. [Check](#) their registration status before you deposit any money.

How Fee Frauds Happen

Victims are typically introduced to the phony brokers online. Sometimes, a member of a

Success is Easy to Fake Online

Social media and online videos are full of people claiming to be instant millionaires and Wall Street wizards, but take all that with a grain of salt. Profiles, websites, past trades and profits can be easily faked. Here are some warning signs of “brokers” you should avoid:

- You only engage online; you can't identify the broker's physical location or headquarters.
- The broker communicates via messaging apps.
- You're asked to pay in Bitcoin or other digital assets.
- You're promised or guaranteed unrealistic returns in a short amount of time.
- The broker or firm is not registered with the CFTC; to check, visit [cftc.gov/check](#).
- The broker or firm operates outside the United States.



discussion or group will recommend a broker who's making him or her a lot of money. Many of these frauds sell the victims on affiliate plans that will boost their profits if they recruit others into the scheme, making them unwitting participants in the fraud. The group post is typically accompanied by a link to a Telegram chat, Whatsapp number, or other messaging app.

In the messaging app, victims may see reports of payouts to other traders. These are fake statements that are meant to convince traders that other people are making money in the program. The names and amounts are not real. The customers are told that if they join the broker's program, by paying the upfront deposit, they will receive tens of thousands of dollars in a very short amount of time—commonly a few hours, days or weeks. Often, the customers are shown small, medium and larger amounts they can deposit; the more they pay, the more they will make or the faster it will accumulate. Sometimes the customers are directed to a website to provide their payment information, or may be asked to pay the deposit directly to the broker's wallet using bitcoin or other digital assets.

Once the deposit is made, investors receive live text updates or regular statements showing how fast their money is supposedly growing. At the end of the required investment period, the broker has exceeded all expectations. Except, when the investors try to claim their \$15,000 or \$25,000 in gains, for example, they're told they first have to pay a \$1,500 commission. When they pay the commission, they are told they have to pay another \$800 in taxes. When they pay the taxes, they are asked for another \$200 in money transfer fees, and so on until the customer finally refuses to pay or the fraudster disappears. In the complaints received by the CFTC, the dollar amounts vary, but this pattern is consistent.

Preying on At-Home Workers and the Unemployed

The CFTC has received hundreds of fee fraud complaints in recent months, however these frauds are now targeting those who have become recently unemployed or are now working from home because of the coronavirus outbreak. More group discussions now talk about how easy it is to earn money from home or make money trading with no experience.

Before making any trade or investment, be sure you fully understand how the markets function, the products you are trading, and the fees, commissions, and risks involved. Ask people providing you advice or trading on your behalf where they are physically located—ask for an office address—and if they are registered with the CFTC. If they say “yes,” ask for their registration ID number, and verify their registration information at cftc.gov/check before depositing any money. If you are sent to a trading platform, be sure that company is registered too. Registration is no guarantee against fraud. However, it does indicate that individuals have passed thorough background checks and specific proficiency tests, and that firms and trading platforms meet certain financial and customer protection requirements.

If you believe you've been a victim of fraud, submit a tip at cftc.gov/complaint.