



ICSA REGISTRARS GROUP ISSUES SHAREHOLDER WARNING ON BOILER ROOM SCAMS

The Institute of Company Secretaries and Administrators (ICSA) Registrars Group has today produced a warning for use by listed firms after the latest spate of boiler room scams. It was produced to raise awareness of the scam, after a recent survey carried out by the FSA revealed that, among a sample of just 100 victims, average losses were £20,000 and some reported losses over £100,000.

'Boiler rooms' are high pressure sales firms, often based overseas, who target investors – often sophisticated investors* - to illegally offer them non-tradeable, overpriced or even non-existent shares. They acquire shareholder lists legitimately using data supplied under the Companies Act or from other sources.

The warning, which can be distributed with other mailings to shareholders or via websites, suggests shareholders:

- ensure they get the name and contact details of any unsolicited caller;
- check that they are properly authorised by the FSA before getting involved; and
- report approaches from any unauthorised firm to the FSA.

Speaking at the annual ICSA conference, ICSA Registrars Group chairman, John Roundhill, said: "The Companies Bill will introduce greater protection for

shareholders with tighter rules on access to registers including a new offence of 'abuse of the register' and proposed changes to the requirement for shareholder details to be included in Annual Returns. But it will do little to protect the investors whose names and contact details are already in circulation amongst the boiler room operators. The number of overseas unauthorised broking firms currently known to the FSA that are or have been involved in this type of fraud currently stands at almost 270 different named organisations. We therefore need to create maximum awareness amongst shareholders."

Types of fraud include:

- the sale, at inflated prices, of US 'Regulation S' shares – banned for sale to US investors because they are considered too risky and only tradeable after 12 months to other, non-US investors;
- threats of unspecified 'legal action' and the freezing of assets made against potential shareholders who decide to not purchase shares, forcing them to go through with the trade;

In August, the FSA announced the winding up of Securetrade & Title Company Limited (STT) for arranging investment deals without authorisation contrary to section 19 under the Financial Services & Markets Act (FSMA) 2000, after 500 investors had paid up to 90p each for shares worth just 16p because of boiler room 'commission'.

John Roundhill continued: "Over the past year many Plc's shareholders were targeted by overseas boiler rooms. Some companies mailed a specific warning to all private investors on the register and, for a company with a large number of registered holders, this would come at a significant cost. The format of the warning we are launching today means that this can be done without, at least, added mailing costs."

"The message has been endorsed by the FSA and ICSA and will be available for use by companies should they wish to use it from today. A copy can be

found on both the ICSA and FSA websites. Companies, registrars, FSA regulated firms and others are free to download it to make it available for the protection of UK investors and shareholders.”

Jonathan Phelan, head of retail enforcement at the FSA said: "We know that experienced investors are most heavily targeted by boiler rooms and this warning will support our work to get the message across to those who are vulnerable. Raising awareness is the most effective means of putting boiler rooms out of operation."

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Notes to editors:

* In June, the FSA published a survey of 100 investors hit by boiler room fraud. It found that:

- 64% of them were over 50;
- 41% had been investing for more than 11 years;
- 13% were conned by more than one boiler room.

Regional Breakdown of 100 respondents:

| Region | Respondents targeted | Victims | Average Investment |
|----------------------|----------------------|---------|--------------------|
| London/South East | 31 | 20 | £21,823 |
| South West | 9 | 2 | £4,000 |
| Midlands/East Anglia | 25 | 12 | £23,714 |
| North East | 7 | 4 | £8,833 |
| North West | 10 | 8 | £14,642 |
| Scotland | 8 | 5 | £26,100 |
| Northern Ireland | 5 | 4 | £27,250 |
| Wales | 5 | 3 | £22,800 |

ICSA

With over 100 years' experience, the Institute of Chartered Secretaries and Administrators (ICSA) is the recognised global voice on governance and regulatory issues in the private, public and not-for-profit sectors. Working with governmental and other statutory bodies, ICSA promotes best practice and provides guidance on good governance. As the qualifying body for company secretaries and senior administrators, ICSA has 44,000 members and 28,000 students in over 70 countries. www.icsa.org.uk

The FSA

The FSA runs a boiler room awareness campaign. For further information on boiler rooms visit www.fsa.gov.uk/consumer. Consumers can download a leaflet on boiler rooms, check whether a firm is authorised by the FSA, or if the firm calling is on the list of 'known unauthorised firms'. Consumers that have been targeted by a boiler room can report information via a form on the FSA website or by calling the FSA contact centre on 0845 606 1234.