

US regulator warns of Facebook pre-IPO scams

March 15 2011



A US financial regulator warned investors on Tuesday to be wary of con artists peddling non-existent shares in social media companies such as Facebook ahead of their going public.

A US financial regulator warned investors on Tuesday to be wary of con artists peddling non-existent shares in social media companies such as Facebook ahead of their going public.

The Financial Industry Regulatory Authority (FINRA) said the scams involved offering investors' access to private shares in social media companies ahead of their initial public offerings.

"Investors might think they are getting in on the ground floor of innovative [social media](#) companies, but instead find that they may have handed over real money for non-existent shares," John Gannon, FINRA

senior vice president for investor education, said.

"Any investor who receives an unsolicited offer to invest in a pre-IPO company should walk away," Gannon said in a statement.

FINRA noted that a company is allowed to sell shares in private transactions but said "these investments can be fraught with risk and are typically open to a select group of investors who meet certain income or asset thresholds."

"While most pre-IPO offerings are legitimate, some are frauds in which con artists sell shares they do not actually have," it said. "Recently, FINRA became aware of potentially fraudulent schemes to sell purported shares of Facebook."

FINRA said the US [Securities and Exchange Commission](#) had recently reached a settlement with a securities trader accused of bilking more than 50 US and foreign investors out of more than \$9.6 million in pre-IPO scams involving purported shares of [Google](#), [Facebook](#) and other companies.

(c) 2011 AFP

Citation: US regulator warns of Facebook pre-IPO scams (2011, March 15) retrieved 12 April 2024 from <https://phys.org/news/2011-03-facebook-pre-ipo-scams.html>

| |
|--|
| <p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p> |
|--|