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Dubious Overseas Investments

The Commission banned the advertisements of Imperial Consolidated Securities S.A., a Bahamas based company, at the end of March.

The company had been offering investment in a number of different overseas funds, particularly in the Nelson area. Some US\$2 million had been subscribed.

Since the Commission's action the company has offered to reimburse all New Zealand investors. We have encouraged these people to consider this opportunity carefully. We have also banned the advertisements of IMI Pacific Group Limited.



It's not the bulls and bears you need to avoid - it's the bum steers. Chuck Hill's

Test before you invest

Offers to invest in securities are made on the internet, by telephone calls and by personal approaches through church groups, tribal affiliations and personal friendships.

Investors should be careful to avoid schemes which appear attractive but may be dubious or

This company has been promoting schemes which appear to have much in common with so-called "prime bank schemes" which we have previously encountered and which appeared to us to be fraudulent. This present promotion is all the more worrying because it has been targeted at the less well-to-do investor.

"Hot" Offers

There has been an upsurge in the number of people receiving calls from overseas brokers. A hot investment opportunity is normally promised. Our experience is that many of these brokers are not bona fide. We note reports in the media that some 85 United States brokers are being prosecuted in the United States on racketeering and stock manipulation charges related to this type of scheme.

We remind investors of the very substantial risks associated with this approach to investment. If you wish to buy overseas stocks then consider whether a broker based in New Zealand and subject to New Zealand law, or an overseas broker already known to be of good standing, is better able to provide you with the necessary service.

- give few or no details about the issuer,
- promise unusually high returns,
- claim the investment is "safe" or "risk free"
- are "private" offers open only to a select few
- claim that returns come from "prime banks" or

Have you got that?

If you are offering securities on the internet how do you know that the prospective investor has "received" the investment statement?

This is one of several practical issues raised by funds managers during our recent discussions with them about their experiences with internet offerings.

Most respondents have said that the Securities Act 1978 caters well for the use of the internet in the securities offering process. However they see a role for the Commission in resolving any regulatory difficulties and we have proposed a Commission/industry forum to confer on issues which arise from time to time.

The discussions proved worthwhile and our thanks go to the funds managers who took part.

Exemption Notes

Notes on most of the exemptions from securities law granted by the Commission this year are now published on our web site. Our aim is to publish a note shortly after each exemption has been gazetted.

Each note provides:

- the title and Statutory Regulation number of the exemption,
- the sections of the law from which the exemption is granted.