The Wolf of Wall Street

Introduction

- *The Wolf of Wall Street* is a 2013 American biographical black comedy crime film directed by Martin Scorsese and written by Terence Winter, based on the memoir of the same name by Jordan Belfort.

- It recounts Belfort's perspective on his career as a stockbroker in New York City and how his firm Stratton Oakmont engaged in rampant corruption and fraud on Wall Street.

Jordan Belfort

Early ventures:

- Became a door-to-door meat and seafood salesman on Long Island, New York : business was an
- initial success.
- Employed several workers and sold 5,000 pounds (2,300 kilograms) of beef and fish a week.
- The business ultimately failed, as he filed for bankruptcy at 25.
- A family friend helped him find a job as a trainee stockbroker at L.F. Rothschild.

Stratton Oakmont:

- Belfort founded Stratton Oakmont as a franchise of Stratton Securities, then later bought out the original founder.
- Stratton Oakmont functioned as a boiler room that marketed penny stocks and defrauded investors with the "pump and dump" type of stock sales.
- Stratton Oakmont at one point employed over 1,000 stock brokers and was involved in stock issues totaling more than US$1 billion.
- The National Association of Securities Dealers began pursuing disciplinary actions against Stratton Oakmont in 1989, culminating in its permanent shutdown in 1996.
- Belfort was then indicted for securities fraud and money laundering.

Equity Stocks

- Equity is the value of an asset less the amount of all liabilities on that asset.

- It can be represented with the accounting equation: Assets -Liabilities = Equity.

- In finance, equity is one’s degree ownership in any asset after all debts associated with that asset are paid off.

- Stocks are equity because they represent ownership in a firm, though ownership of shares in a public company generally does not come with accompanying liabilities.

- Forms of equity:
  - private equity
  - shareholders' equity
  - real property value
  - ownership equity

Penny Stocks

- A penny stock typically trades outside of the major market exchanges at a relatively low price and has a small market capitalization.
- Considered as highly speculative and high risk.
- Trade over-the-counter through the OTC Bulletin Board (OTCBB) and pink sheets.
- Penny stocks are high-risk investments with low trading volumes.

Microcap Stock Frauds

- Form of securities fraud involving stocks of "microcap" companies, generally defined in the United States as those with a market capitalization of under $250 million.

- Many microcap stocks are penny stocks, which the SEC defines as a security that trades at less than $5 per share.

- Microcap fraud encompasses several types of investor fraud:
- Pump and dump
- Chop stocks
- Dump and dilute
- Other unscrupulous brokerage practices.

Pump And Dump

- Form of microcap stock fraud that involves artificially inflating the price of an owned stock through false and misleading positive statements.
- Individuals or organizations buy millions of shares, then use newsletter websites, chat rooms, stock message boards, press releases, or e-mail blasts to drive up interest in the stock.
- Once the operators of the scheme "dump" sell their overvalued shares, the price falls and investors lose their money.
- Stocks that are the subject of pump and dump schemes are sometimes called "chop stocks".

Chop Stocks

- Stocks that are the subject of pump and dump schemes are sometimes called " chop stocks.

- It is purchased at pennies per share and sold by unscrupulous stock brokers to unsuspecting retail customers at several dollars per share.

- The brokerage firm generally acquires the block of stock by purchasing a large block of the securities at a negotiated price that is well below the current market or it acquires the stock as payment for a consulting agreement.

- The subject stocks usually have little or no liquidity prior to the block purchase.

- There is a large benefit and an inherent conflict of interest for the firm and the broker to sell these "proprietary products”.

Jordan’s Downfall

Reasons:

- **Market Manipulation:-**

He used false identities and false accounts to hype up the stock prices even though the stock prices were very less.

- **Boiler Room Techniques:-**

Stock brokers made false promises and used unfair sales tactics to sell penny stocks at high prices for the 50% commission.

- **Pump and Dump :-**

Firstly increasing the price of the stock or "Pumping"and selling or "Dumping" then on the public.

Thank you.