

Title:

Avoiding Forex-Related Frauds and Scams

Word Count:

2149

Summary:

Marquez, author of The Part-Time Currency Trader, wants you to take precautions when shopping around for forex brokers.

Keywords:

forex, currency, currencies, trading, invest, wealth

Article Body:

A lot of people have been 'burnt' from scam operations on the Internet. Their sites may look so perfectly legitimate that you doubt whether they would have gone through all that trouble building a trading platform just to steal your money. Beware.

The first thing I look for is the geographical location of the broker. If I find that they are based in a country where the financial industry is, in my opinion, relatively unregulated and under-developed, I quickly forgo signing up. This is terrible news for honest brokers in those countries, but your job as a trader is to protect your capital. If you lose that, then you cannot trade. The onus is on them to convince you that they will do the right thing by you as an investor.

I started out with an Australian broker. Currently I am using an American one. I have not tried UK-based brokers but the British financial industry is one of the best. Companies that are based in countries such as Japan , Germany and France are probably just as good too, if their website speaks your language.

Notice any license numbers that they may have registered with regulatory bodies that act like government watchdogs who oversee the finance and investments industries. These are organisations that impose strict rules to safeguard your investment. Some of these rules may include the requirement that brokers segregate all customer funds from the operational funds of the business. Your money is required to be put in highly-reputable banks and the funds are only withdrawn from these accounts upon specific withdrawal requests.

Take note that there are some fake regulatory bodies being thrown around in cyber-space as well. Take a look at how long they have been operating for. Try and search out any reviews or comments made about

them. See if you can find forums where traders have discussions about their brokers.</p>

<p>Below is a list of things to keep in mind to help you avoid being a victim of a scam: </p>

<p>• Stay Away From Opportunities That Sound Too Good To Be True </p>

<blockquote>

<p>There are people who may have just acquired a large amount of money just and recently are the same and are shopping around for safe investment vehicles. These may include retirees who have access to their retirement funds. It is understandable why retirees would be drawn to 'high-return, low-risk investments'. This is also what makes them very vulnerable. If you identify yourself to be one of these people, be careful. A lot of deceitful characters are after your money. Furthermore, only allocate a tiny amount of your money to trading until you can start growing it. Not all people can trade successfully, so it is a venture you should take on haphazardly. It is your life savings at risk. </p>

</blockquote>

<p>• Avoid Individuals Or Organizations Who Claim To Predict Or Guarantee Large Profits </p>

<blockquote>

<p>Any form of trading is hard. Trading currencies is no different. Be wary of statements that make it sound easy. Statements like: </p>

<p>• "Whether the market moves up or down, in the currency market you will make a profit"; </p>

<p>• "Make \$1000 per week, every week"; </p>

<p>• "We are out-performing 90% of domestic investments"; </p>

<p>• "You'll make returns of 70% a year"; </p>

<p>• "Here is a no-risk strategy". </p>

<p>If they could make such returns, why would they even bother letting you know about it. </p>

</blockquote>

<p>• Be Wary Of Companies Who Downplay Investment Risks</p>

<blockquote>

<p>Hold your wallet tight and zip up your purse when companies say that written risk disclosure agreements are routine formalities imposed by the government. Watch out for statements like: </p>

<p>• "With a \$10,000 deposit, the maximum you can lose is \$200 to \$250 per day"; </p>

<p>• " We promise to recover any losses you have ".

</p>

</blockquote>

<p>• Be Wary Of Companies That Claim To Trade
In The 'Interbank Market' </p>

<blockquote>

<p> Do not believe it when some people say that they
have access to the 'Interbank market' or that they can give you access to trade
in that market because that's where bargain prices can be obtained. This is not
true. The 'interbank market' is not a place, it is not a physical building. It
is simply a loose network of currency transactions that are negotiated between
big financial institutions and other large companies. </p>

</blockquote>

<p>• Ethnic Minorities Are Often
Targeted</p>

<blockquote>

<p> Ethnic newspapers and
television 'infomercials' are sometimes used to attract Russian, Chinese and
Indian minorities. Sometimes these ads offer so-called 'job opportunities for
account executives to trade foreign currencies', whereby the recruited 'account
executive' is expected to use his own money to trade currencies and would often
times be encouraged to recruit members like their friends and family to do the
same.

</p>

</blockquote>

<p>• Seek Out The Company's Background
</p>

<blockquote>

<p>Check any information you receive to be sure that
the company is who they claim to be. If at all possible, try and get the
background of the people operating the company. Do not rely solely on oral
statements and promises made by the company's employees. </p>

</blockquote>

<p>• If You Are In Doubt, It Is Not Worth
Risking Your Money</p>

<blockquote>

<p> If after trying to solicit information and at
the end of it all, you are still in doubt about the credentials of a particular
company, my suggestion is to start looking elsewhere. </p>

<p>You may find further information by contacting
government 'watchdogs' because they keep up to date with trends and reports
regarding scams and other fraudulent activities. Please check the resource
section of this site for the information of organizations that regulate the
securities industry, sorted by country. There is also a list of brokers that you

may want to look at. </p>

</blockquote>

<p>

This is an excerpt, modified from the book: The Part-Time Currency Trader.

