

Kansas Securities Commission Shares Information on Investment Fraud

by Chris Biggs, Kansas Security Commissioner



The office of the Kansas Securities Commissioner enforces the Kansas Blue Sky Laws. The “Blue Sky Law” refers to legislation originally enacted by Kansas in 1911 to protect Kansans from fraudulent investments. Kansas was the first state to pass such laws. The term “blue sky” refers to an investment being worth only so much Kansas blue sky. Our office is entrusted with the mission to protect and inform Kansas investors, to promote integrity and full disclosure in financial services, and to foster capital formation.

We license and also enforce ethical standards for stock brokers who sell securities and investment advisers who give financial advice for money. We also determine whether investments which are securities are appropriate to sell in Kansas. A “security” may be defined as “any investment of money in which there is an expectation of profit based upon the work of others.” We also

investigate and prosecute people who defraud Kansas through violations of our securities laws. Securities law is complex and it is impossible to write everything a potential investor would need to know to protect themselves from fraud.

Our message is simple: Call our office to make sure that any person selling a security and the actual investment are properly registered with our office --- before any money is invested.

Unfortunately, there are those out there who can and do separate people from their hard-earned money through deceptions, mismanagement and downright fraud. In 1932 Kansas Supreme Court Justice Rosseau A. Burch wrote, “The inordinate birth rate of the 'sucker' is proverbial, and there is no birth-control measure adequate to inhibit the spawning of unscrupulous individuals who prey upon those who are easily duped. Hence we have a blue sky law.” Kansans are known for their friendliness and their trusting nature and this makes it easy for those “unscrupulous individuals” to take advantage of them.

Our office works to uphold that early tradition of protecting Kansans, and to improve the effectiveness and visibility of the office. We’ve increased prosecutions, industry audits, and continue to expand our education efforts by reaching out to the public but we can only do so much.

Here’s where you, the reader, come in. Take the time to use the resources we have available to help you make safe and informed investments. Don’t get scammed, investigate before you invest by contacting our office. Anyone selling securities to a person in Kansas must be licensed by our office or have some sort of legal exemption. If you call us, we will tell you if they are registered

and, if so, what kind of disciplinary history, if any, they have. Since all 50 states share information, we can even tell you if they have had problems elsewhere. If they aren't licensed, then we advise that you not give them your money.

If you would like one of our investor education packets, a presentation by a member of our staff, have a complaint, or think that you may have been the victim of securities fraud, please contact us by calling 1/888/40-SCAMS in Kansas, locally in Topeka at 785/296-3307 or in our Wichita office at 316/337-6280. You can also research our office on the web at <http://www.dontgetscammed.org>.

These are Red Flags that could indicate suspicious activity:

- **Unsolicited offers**
- **High-pressure sales**
- **“Elite” or “secret” investment vehicles**
- **Unsubstantiated claims or promises**
- **Unwillingness to give you straight answers**
- **Unable to sell or control the investment**