



U.S. COMMODITY FUTURES TRADING COMMISSION
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

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CFTC Issues Consumer Advisory Alerting Public to Possible Precious Metals Fraud



Washington, DC - The U.S. Commodity Futures Trading Commission (CFTC) issued a **Consumer Advisory** warning the public to beware of promises of easy profits to be made from rising prices in gold, silver, platinum, palladium, and other precious metals. The Advisory also recommends that the public be alert to companies that sell investments in precious metals based on sales pitches claiming that a person can make a lot of money, with little risk, by purchasing metals through a financing agreement. The Advisory describes how some precious metals companies may use fraudulent tactics to induce customers to invest.

According to the CFTC's Advisory, precious metals companies, often calling themselves "metals dealers" or "merchants," usually advertise on the radio, television, or Internet websites. The Advisory explains that these precious metals firms typically solicit personal information such as the consumer's name, phone number, and home address. According to the Advisory, a broker or salesman from the precious metals company then calls the consumer directly to promote the precious metals purchase, often promising quick riches, such as the ability to double or triple the consumer's initial investment within a few months with little or no risk.

The CFTC's Advisory explains that investments with precious metals companies are usually structured so that the consumer pays only a small percentage (between 15 percent and 25 percent) of the precious metals' total purchase price, and the company arranges a loan to the consumer to finance the rest of the precious metals' purchase price. The Advisory states the precious metals companies typically claim that they will store the precious metals for the consumer in a storage facility or "bank."

The Advisory contains an extensive list of some of the problems with these sales pitches, based on the CFTC's experience, and provides "warning signs" to help the public identify potential metals scams. Included in the list of problems are that precious metals companies:

Often do not use the consumer's money to purchase metals at any time; do not actually arrange for loan financing with an independent financial institution or store metal with an independent bank or storage facility, yet charge the consumer phony interest and storage fees;

Fraudulently fail to point out that because the customer is not paying the full price for the metals, the customer will have to send the company additional funds if metals prices move unfavorably; and, additionally

That such companies often use the customer's investment to pay themselves commissions, leaving little equity in the consumer's metals position.

Moreover, consumers who purchase or invest with fraudulent precious metals companies usually do not make the promised profits and usually lose all or a significant portion of their investment, the Advisory cautions.

Also among the CFTC Advisory's "warning signs" are that consumers should be aware of companies that expressly state that precious metals transactions are not regulated by the CFTC or the National Futures Association. In addition, the Advisory warns consumers about precious metals companies that do not identify the financial institution or bank that will be loaning the customer money or do not identify where the physical metal is located.

The Advisory also warns that consumers should be aware of precious metals companies that claim to deliver the physical metal to an overseas storage facility. The Advisory states that consumers who place funds with U.S. firms that make such claims may find it difficult, if not impossible, to verify their investment or recover their money.

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