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U.S. Securities and Exchange Commission

How Prime Bank Frauds Work

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Prime bank programs often claim investors' funds will be used to purchase and trade "prime bank" financial instruments on clandestine overseas markets in order to generate huge returns in which the investor will share. However, neither these instruments, nor the markets on which they allegedly trade, exist. To give the scheme an air of legitimacy, the promoters distribute documents that appear complex, sophisticated and official. The sellers frequently tell potential investors that they have special access to programs that otherwise would be reserved for top financiers on Wall Street, or in London, Geneva or other world financial centers. Investors are also told that profits of 100% or more are possible with little risk.

Individuals and entities are targeted, including municipalities, charitable associations and other nonprofit organizations. The promoters of these schemes have demonstrated remarkable audacity, advertising in national newspapers, such as *USA Today* and the *Wall Street Journal*. Some promoters of these schemes avoid using the term "Prime Bank note," and tell prospective investors that their programs do not involve prime bank instruments in an effort to demonstrate that their programs are not fraudulent. Regardless of the terminology, the basic pitch – that the program involves trading in international financial instruments – remains the same, and investors should continue to be vigilant against such fraud.

Signs of Banking-Related Investment Fraud

Below are warning signs of prime bank or other fraudulent bank-related investment schemes.

Excessive Guaranteed Returns

These fraudulent investment pitches typically offer or guarantee spectacular returns of 20 to 200 percent monthly, absolutely risk free. Promises of unrealistic returns at no risk are hallmarks of prime bank fraud.

Fictitious Financial Instrument

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Despite having credible-sounding names, the supposed "financial instruments" at the heart of any prime bank scheme simply do not exist. Exercise caution if you've been asked to invest in a debt obligation of the top 100 world banks, Medium Term Bank Notes or Debentures, Standby Letters of Credit, Bank Guarantees, an offshore trading program, a roll program, bank-issued debentures, a high yield investment program, or some variation on these descriptions. Promoters frequently claim that the offered financial instrument is issued, traded, guaranteed, or endorsed by the World Bank ([Department of Institutional Integrity \(INT\)](#) or [Operations Evaluation Department](#)) , [International Monetary Fund](#) (IMF), [Federal Reserve](#), Department of Treasury, [International Chamber of Commerce](#) (ICC), or an international central bank.

Extreme Secrecy

Promoters claim that transactions must be kept strictly confidential by all parties, making client references unavailable. They may characterize the transactions as the best-kept secret in the banking industry, and assert that, if asked, bank and regulatory officials would deny knowledge of such instruments. Investors may be asked to sign nondisclosure agreements.

Exclusive Opportunity

Promoters frequently claim that investment opportunities of this type are by invitation only, available to only a handful of special customers, and historically reserved for the wealthy elite.

Claims of Inordinate Complexity

Investment pitches frequently are vague about who is involved in the transaction or where the money is going. Promoters may try to explain away this lack of specificity by stating that the financial instruments are too technical or complex for nonexperts to understand.

You should be especially watchful for prime-bank related schemes promoted over the Internet. Despite numerous [SEC actions](#) charging prime bank promoters with multiple violations of the federal securities laws, prime bank offerings continue to proliferate in cyberspace.

If you have any information regarding the offer or sale of "prime bank" or similar financial instruments, or programs employing these instruments, please provide that information to the SEC's Division of Enforcement immediately by using the [Enforcement Complaint](#)

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[Center](#). You also may want to visit other [helpful websites](#) to learn more about prime bank-related fraud.

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<http://www.sec.gov/divisions/enforce/primebank/howtheywork.shtml>

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