

SECURITIES

WINTER 2007

bulletin



One of the biggest financial news stories of this year is the impending merger of NASD and NYSE. An area that will be affected by the merger of these two self-regulatory organizations is arbitration.

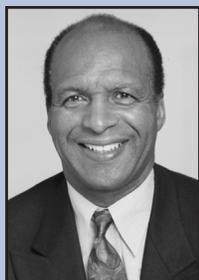
While in some cases arbitration is a faster and less expensive proposition than court litigation, investors forfeit certain legal rights by going to arbitration. For example, when arbitration is complete, the decisions of the arbitrators are final and there is almost no change of court review.

NASD has taken several steps in the past two years to improve the arbitration process, but more needs to be done. NYSE now does not allow motions to dismiss, which is good because the arbitration forum is the one place investors can tell their stories and present evidence. Other areas need to be addressed, however, such as abuses in the discovery process and arbitrator qualifications.

The NASD and NYSE merger will result in only one arbitration forum. I encourage those who oversee it to implement any changes necessary to make it a fair forum for all. I also encourage investors who have a complaint about a broker or advisor or who have a complaint about their treatment during the arbitration process to contact the Securities Department at 800-628-7937.

Jesse White

Jesse White
Secretary of State



Monitor online accounts carefully

Investors are urged to carefully monitor their online trading accounts. The Securities Department has been alerted to a number of “hack attacks” in which predators have broken into customer accounts at online brokerages in the United States and Canada and made unauthorized trades worth millions of dollars.

Federal and industry authorities are investigating recent cases in which hackers gained access to customer accounts at several large online brokers and used the customers’ funds to buy certain thinly traded microcap securities or “penny stocks.” The hackers appeared to be running a “pump and dump” scheme, trying to drive up share prices so they could sell the stocks at a profit.

These scams typically begin with a hacker obtaining customer passwords and user names and then liquidating a person’s existing stock holdings and using the proceeds to buy shares of the microcap stocks. The hacker then wires the money to either an offshore account or through a series of straw men or dummy corporations.

Investors can guard their online financial information from predators by following the tips below. For more information about online investing and how to protect yourself from fraud, visit the Investing Online Resource Center at www.investingonline.org, or the Securities Department at www.AvoidTheScam.net.

Protect your online investments

- Ask your online brokerage to always confirm all transfers and transactions.
- Never use unprotected computers when accessing your financial accounts.
- Keep your computer’s security features updated (i.e., Web browser, virus scan software, firewall).
- Never provide your online account information when requested by e-mail. Do not respond to unsolicited e-mails from companies you do business with requesting that you revalidate your personal information or provide a link to Web sites that require you to revalidate your account information.
- Before entering your personal information on any Web site, look for the “locked padlock” icon on the browser bar or “https” at the beginning of the Web address to ensure the site is secure.
- Change passwords regularly.
- Log off the Web site after you have submitted an application or concluded a secure online session.
- When your computer is not in use, shut it down or disconnect it from the Internet.
- If you think you may have fallen victim to an online scam, change your passwords, contact your online brokerage immediately, and monitor your account activity closely.
- If you see any inaccuracies concerning your account, contact your online brokerage immediately.

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