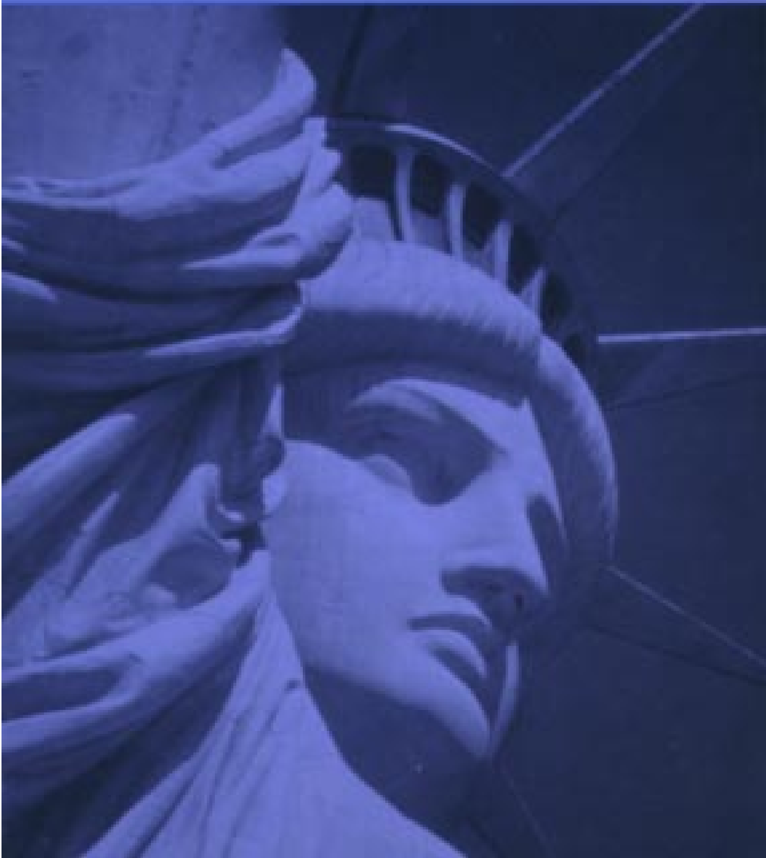
NATIONAL FUTURES ASSOCIATION

Investors' Bill of Rights

Making Informed Decisions



In many important ways, an investor is not simply a consumer but a party to a legal contract. Both the offeror and purchaser of an investment have rights and responsibilities. This "Bill of Rights" is designed to assist you the investor in making an informed decision before committing your funds. It is not intended to be exhaustive in its descriptions. Should you desire further information about a particular type of investment, you are invited to contact the appropriate organization listed on the back of this brochure.

Honesty in advertising

Many individuals first learn of investment opportunities through advertising—in a newspaper or magazine, on radio, television, the internet, or by mail. Phone solicitations are also regarded as a form of advertising. In practically every area of investment activity, false or misleading advertising is against the law and subject to civil, criminal or regulatory penalties.

Bear in mind that advertising is able to convey only limited information, and the most attractive features are likely to be highlighted. Accordingly, it is never wise to invest solely on the basis of an advertisement. The only bona fide purposes of advertising are to call your attention to an offering and encourage you to obtain additional information.

Full and accurate information

Before you make any investment, you have the right to seek and obtain information about the investment. This includes information that accurately conveys all of the material facts about the investment, including the major factors likely to affect its performance.

You also have the right to request information about the firm or the individuals with whom you would be doing business and whether they have a "track record." If so, you have the right to know what it has been and whether it is real or "hypothetical." If they have been in trouble with regulatory authorities, you have the right to know this. If a rate of return is advertised, you have the right to know how it is calculated and any assumptions it is based on. You also have the right to ask what financial interest the seller of the investment has in the sale.

Ask for all available literature about the investment. If there is a prospectus, obtain it and read it. This is where the bad as well as the good about the investment has to be discussed. If an investment involves a company whose stock is publicly traded, get a copy of its latest annual report. It can also be worthwhile to visit your public library to find out what may have been written about the investment in recent business or financial periodicals.

Obtaining information isn't likely to tell you whether or not a given investment will be profitable, but what you are able to find out—or unable to find out—could help you decide if it's an appropriate investment for you at that time. No investment is right for everyone.

Disclosure of risks

Every investment involves some risk. You have the right to find out what these risks are prior to making an investment. Some, of course, are obvious: Shares of stock may decline in price. A business venture may fail. An oil well may turn out to be a dry hole.

Others may be less obvious. Many people do not fully understand, for example, that even a U.S. Treasury Bond may fluctuate in market value prior to maturity. Or that with some investments it is possible to lose more than the amount initially invested. The point is that different investments involve different kinds of risk and these risks can differ in degree. A general rule of thumb is that the greater the potential reward, the greater the potential risk.

In some areas of investment, there is a legal obligation to disclose the risks in writing. If the investment doesn't require a prospectus or written risk disclosure statement, you might nonetheless want to ask for a written explanation of the risks. The bottom line: Unless your understanding of the ways you can lose money is equal to your understanding of the ways you can make money, don't invest!

Explanation of obligations and costs

You have the right to know, in advance, what obligations and costs are involved in a given investment. For instance, does the investment involve a requirement that you must take some specific action by a particular time? Or is there a possibility that at some future time or under certain circumstances you may be obligated to come up with additional money?

Similarly, you have the right to a full disclosure of the costs that will be or may be incurred. In addition to commissions, sales charges or "loads" when you buy and/or sell, this includes any other transaction expenses, maintenance or service charges, profit sharing arrangement, redemption fees or penalties and the like.

Time to consider

You earned the money and you have the right to decide for yourself how you want to invest it. That right includes sufficient time to make an informed and well-considered decision. High-pressure sales tactics violate the spirit of the law, and most investment professionals will not push you into making uninformed decisions. Thus, any such efforts should be grounds for suspicion. An investment that “absolutely has to be made right now” probably shouldn’t be made at all.

Responsible advice

Investors enjoy a wide range of different investments to choose from. Taking into consideration your financial situation, needs and investment objectives, some are likely to be suitable for you and others aren’t—perhaps because of risks involved and perhaps for other reasons. if you rely on an investment professional for advice, you have the right to responsible advice.

In the securities industry, for example, “suitability” rules require that investment advice be appropriate for the particular customer. In the commodity futures industry a “know your customer” rule requires that firms and brokers obtain sufficient information to assure that investors are adequately informed of the risks involved. Beware of someone who insists that a particular investment is “right” for you although he or she knows nothing about you.

Best effort management

Every firm and individual that accepts investment funds from the public has the ethical and legal obligation to manage the money responsibly. As an investor, you have the right to expect nothing less.

Unfortunately, in any area of investment, there are those few less-than-ethical persons who may lose sight of their obligations, and of your rights: By making investments you have not authorized, by making an excessive number of investments for the purpose of creating additional commission income for themselves or, at the extreme, appropriating your funds for their personal use. If there is even a hint of such activities, insist on an immediate and full explanation. Unless you are completely satisfied with the answer, ask the appropriate regulatory or legal authorities to look into it. It's your right.

Complete and truthful accounting

Investing your money shouldn't mean losing touch with your money. It's your right to know where your money is and the current status and value of your account. If there have been profits or losses, you have the right to know the amount and how and when they were realized or incurred. This right includes knowing the amount and nature of any and all charges against your account.

Most firms prepare and mail periodic account statements, generally monthly. And you can usually obtain interim information on request. Whatever the method of accounting, you have both the right to obtain this information and the right to expect that it be timely and accurate.

Access to your funds

Some investments include restrictions as to whether, when or how you can have access to your funds. You have the right to be clearly informed of any such restrictions in advance of making the investment. Similarly, if the investment may be illiquid—difficult to quickly convert to cash—you have the right to know this beforehand. In the absence of restrictions or limitations, it's your money and you should be able to have access to it within a reasonable period of time.

You should also have access to the person or firm that has your funds. Investment scam artists are well versed in ways of finding you but, particularly once they have your money in hand, they can make it difficult or impossible for you to find them.

Recourse, if necessary

Your rights as an investor include the right to seek an appropriate remedy if you believe someone has dealt with you—or handled your investment—unfairly or dishonestly. Indeed, even in the case of reasonable misunderstandings, there should be some way to reconcile differences.

It is wise to determine before you invest what avenues of recourse are available to you if they should be needed. One means of exercising your right of recourse may be to file suit in a court of law. Or you may be able to initiate arbitration, mediation or reparation proceedings through an exchange or a regulatory organization.

Additional information about filing complaints can be obtained through various regulatory organizations.

Investors' Bill of Rights has been prepared as a service to the investing public by:

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In association with the following organizations:

American Association of Individual Investors
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Commodity Futures Trading Commission
Three Layfayette Centre
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Washington, DC 20581
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Council of Better Business Bureaus
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National Consumers League
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North American Securities Administrators Association
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If you suspect mail fraud of misrepresentation, contact the Chief Postal Inspector or your local Postmaster or Postal Inspector. For any other mail service problems contact your local Postmaster, or contact:

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