Investor Education and Assistance

Our investor education and assistance staff serves investors who complain to the SEC about investment fraud or the mishandling of their investments by securities professionals. The staff responds to a broad range of investor contacts, produces and distributes educational materials, and organizes educational events.

What We Did

- Received 82,337 complaints and questions.

- Launched three new "fake scam" websites to educate potential investors about fraud, released four new publications, and substantially revised two existing brochures for investors.

- Organized or participated in dozens of investor education events, including town meeting seminars, panel discussions, roundtables, and the SEC's first-ever Investor Summit.
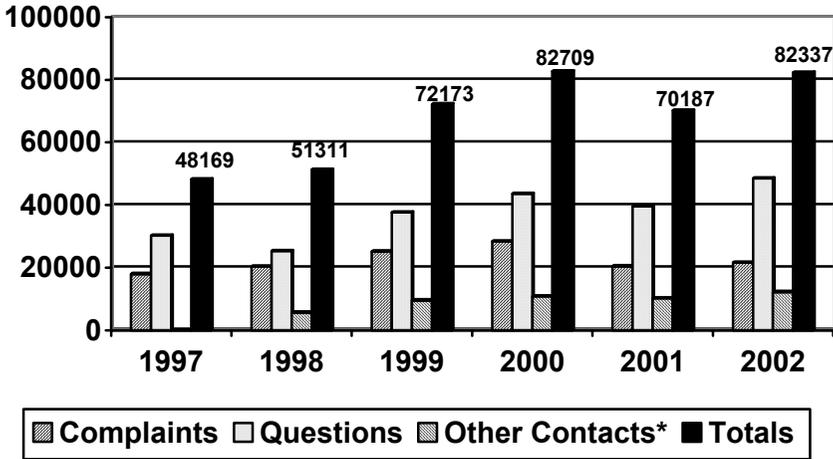
Investor Complaints and Questions

Substantial Rise in Investor Contacts

During the year, the SEC's investor assistance staff received 82,337 complaints and questions, a 17 percent increase compared with fiscal 2001. Nearly 44 percent of these contacts came in electronically through our online investor complaint form or e-mail, a 5 percent increase over last year. Approximately 36 percent of

our investor contacts involved telephone calls, and the remainder included letters, faxes, and personal visits.

SEC Total Investor Contacts by Fiscal Year

	1997	1998	1999	2000	2001	2002
Totals	48169	51311	72173	82709	70187	82337

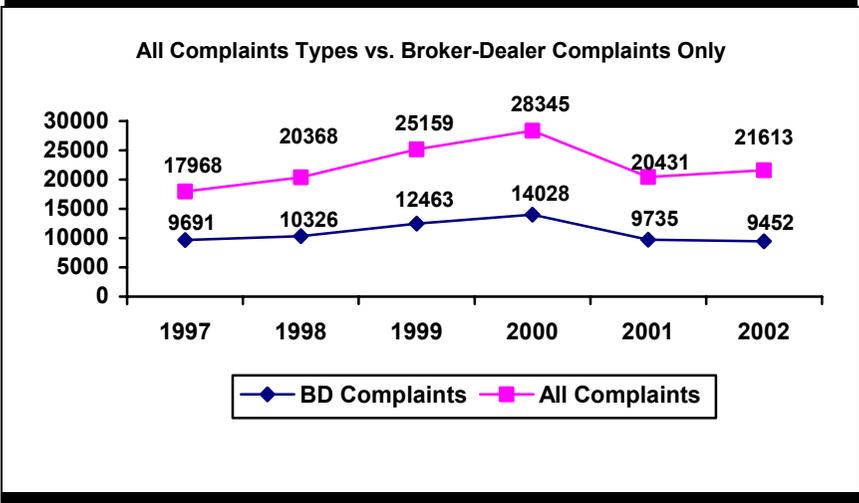Legend: Complaints, Questions, Other Contacts*, Totals

 * Other contacts includes repeat contacts, contacts with insufficient information to process, and contacts not within our jurisdiction.

The overall number of investor contacts has increased by almost 71 percent over the past 5 years.

Complaint Trends

The SEC received 21,613 complaints during the year, compared with 20,435 in fiscal 2001. Approximately 44 percent of these complaints--a total of 9,452--involved broker-dealers. In a year when overall complaints increased by nearly 6 percent, complaints against broker-dealers fell by almost 3 percent.

All Complaints Types vs. Broker-Dealer Complaints Only

Year	BD Complaints	All Complaints
1997	9691	17968
1998	10326	20368
1999	12463	25159
2000	14028	28345
2001	9735	20431
2002	9452	21613

— BD Complaints — All Complaints

During 2002, complaints concerning administrative and other fees became our number one complaint, having increased by 40 percent over 2001. While complaints in most categories generally declined, complaints concerning unsuitable recommendations and failure to follow instructions rose by 16 percent and 37 percent, respectively. In addition, poor investment advice and problems with account liquidations replaced margin position sellouts and errors in processing orders as the leading complaint types.

The ten most common complaints against broker-dealers included:

FY 2002 Ranking	Complaint Type	Total	FY 2001 Ranking	Change
1	Fees, commissions, and administrative costs	806	5	Up 40%
2	Misrepresentations	768	1	Down 11%
3	Unauthorized transactions	678	2	Down 6%
4	Transfer of account problems	658	4	Down 3%
5	Unsuitable recommendations	558	6	Up 16%
6	Failure to follow customer's instructions	331	9	Up 37%
7	Failures to process/delays in executing orders	443	3	Down 35%
8	Errors/omissions in account records	320	7	Down 13%
9	Poor investment advice	272	N/A	N/A
10	Problems with account liquidations	264	N/A	N/A

Approximately 20 percent of all broker-dealer complaints received during the year concerned online brokerage firms, compared with 24 percent last year. Complaints against online broker-dealers fell to 1,867 during 2002, down 20 percent from the 2,320 we received in 2001 and down more than 55 percent from an all-time high of 4,258 in 2000. The top five types of online broker-dealer complaints for 2002 included:

FY 2002 Ranking	Complaint Type	Total	FY 2001 Ranking	Change
1	Fees, commissions, and administrative costs	317	2	Up 19%
2	Failures to process/delays in executing orders	208	1	Down 41%
3	Best execution problems	113	5	Down 1%
4	Errors in processing orders	110	4	Down 14%
5	Difficulty in accessing account/contacting firm	101	N/A	N/A

Educating Investors

Because a well-educated investor provides one of the most important defenses against securities fraud, we continued our efforts to educate investors. A sampling of our significant accomplishments follows.

Fake "Scam" Website Initiative

In January and February 2002, we launched three fake "scam" websites that warn investors about fraud *before* they lose their money. Although each website purports to offer a "guaranteed, once-in-a-lifetime" investment opportunity, investors who click on the "invest now" link reach a page that says, "If you responded to an investment idea like this, you could get scammed." The page also gives tips on how to spot potential frauds and provides links to key regulators. Within weeks of its launch, our first fake scam site--www.McWhortle.com--garnered more than 1.5 million hits

and our investor assistance staff received more than 500 e-mails, which were overwhelmingly positive.

"Fast Answers" Interactive Database

In April 2001, the SEC began a pilot program using new interactive software to answer commonly asked questions through the SEC's website. By matching incoming questions against a pre-loaded database of questions and answers, the new software allows users to receive instant answers. During the year, the software provided answers to 205,799 questions. In addition, this new service dramatically increased the number of hits the SEC received on its "Investor Information" and "Fast Answers" web pages--from approximately 575,000 in 2000 to more than 1.4 million in 2001 and more than 3.1 million in 2002.

New Publications

During the year we released the following publications for investors:

Title of Publication	What It Covers
All About Auditors	Helps investors understand the role of the auditor in reviewing a company's financial books and records and provides tips on identifying a company's auditor.
Analyzing Analyst Recommendations (revised)	Describes the role analysts play in the capital formation process and advises investors not to rely solely on analyst recommendations when deciding whether to buy, hold, or sell a security.
High Yields and Hot Air	Gives investors a list of the most common "red flags" we find in many of the recent frauds we've seen.
Holding Your Securities (revised)	Explains the various ways investors can hold their securities--including physical certificate form, "street name" registration, and direct registration--and lays out the advantages and disadvantages of each.
Privacy Choices for Your Personal Financial Information	Describes the rules that govern privacy of personal financial information and lists the steps investors can take to help protect the privacy of their information (a joint publication of the SEC, the Federal Reserve Board, and other federal banking regulators).
"Pro Forma" Financial Information: Tips for Investors	Highlights the differences between "pro forma" financial information and financial statements that have been prepared in accordance with Generally Accepted Accounting Principles.

Spanish Website

In October 2001, we launched a Spanish language section of the SEC website, which features Spanish translations of our popular brochures on investing wisely and avoiding fraud as well as links to Spanish language investor education resources offered by other government agencies and industry organizations.

Investor Education Events

During the spring of 2002, we organized three "Roundtables on Accounting and Auditing," which took place in New York City, Washington, D.C., and Chicago. In May 2002, we held our first-ever Investor Summit in Washington, D.C. To reach the broadest audience possible, we arranged to have all four events simultaneously audio-cast over the Internet and subsequently posted transcripts of each on the SEC's website. The SEC has used the results of these extremely popular events in crafting rule proposals and setting its regulatory agenda. In June 2002, in cooperation with the U.S. Department of Defense, we organized an Investors Town Meeting in Norfolk, Virginia. In addition, throughout the year, numerous senior SEC officials participated in dozens of educational events, including programs targeted toward the elderly and minorities.