

## What is a Boiler Room?

The Texas Securities Board investigates and takes action against firms and brokers who use high-pressure tactics to sell securities. In a recent case, "boiler rooms" were described this way:

*The firm was operating a classic boiler room. The brokers sat "cheek by jowl" in a room the size of a basketball court. All the desks were lined up side by side. The firm held mandatory sales meetings each morning at 8:30 a.m. and reviewed sales techniques. Scripts for the firm's "house stock" were distributed. Brokers were expected to follow the scripts and only give customers the information they contained. After the morning meeting, brokers were expected to spend the entire day on the telephone. The firm expected a high volume of sales, and brokers who did not stay on the phone were fired.*

## What Are Signs of Trouble?

Honest brokers use cold calling to find clients for the long term. They ask questions to understand your financial situation and investment goals before recommending that you buy anything. Dishonest brokers use cold calls to find "quick hits." Potential signs of trouble:

### ◆ High-Pressure Sales Tactics

- ◆ The "Three-Call" Technique — The first call is a "warm-up," the second call is the "set-up" and the third call is the "close."
- ◆ Bait and Switch — The customer is lured with offer of well known blue chip stock, then pressured to purchase stock of small, unknown companies.

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## FOR MORE INFORMATION:

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### Texas State Securities Board

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Complaint hotline 1-888-663-0009

[www.ssb.state.tx.us](http://www.ssb.state.tx.us)

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# Cold Calling

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## *The telephone rings . . . . .*

*It happens to all of us. The telephone rings as you're sitting down to dinner, relaxing with family, or putting the kids to bed. A stranger is selling something.*

*. . . is there help or trouble on the line?*



It's known as "cold calling." For securities firms, cold calling serves as a legitimate way to reach potential customers. But sometimes serious trouble and financial losses await you at the other end of the line. Dishonest brokers may pressure you to buy a bad investment. Or it may even be a scam!

Whether the calls are annoying, abusive, or downright crooked, you can stop cold callers. The law protects you by requiring several rules.

This brochure tells you about your legal rights, how to deal with cold calls, how to stop them, and how to evaluate any investment opportunity that comes your way over the telephone.

## **Cold Callers Must Follow These Rules**

When people from the securities industry call to sell you something they must:

***Call Only Between 8:00 a.m. and 9:00 p.m.***

***Say Who's Calling and Why***

Cold Callers must tell you:

- their name,
- their firm's name, address, phone number, and
- that the purpose of the call is to sell you an investment.

***Put You on Their "Do Not Call" List, If Asked***

Every securities firm must keep a "do not call" list. If you want to stop sales calls from the firm, tell the caller to put your name on this list.

***Treat You With Respect***

Cold callers may not threaten, intimidate, or use obscene or profane language.

***Get Your Written Approval Before Taking Money Directly From Your Bank Account***

If you decide to buy from a cold caller, do not give your banking information over the phone. Brokers must get your written permission before they can take money from your bank account.

## ***Tell You the Truth***

Brokers who lie to you about any important aspect of an investment opportunity violate federal and state securities laws.

**What Can I Do?**

**Report Abusive Cold Callers**

When cold callers use harassing, abusive sales tactics and lie to you about investment opportunities, they violate the cold calling rules and break federal and state securities laws. Don't let them off the hook! To complain about abusive cold callers, write down the name of the caller, the name of the firm, the date and time of the call or calls, what the caller said to you, and what you said to the caller. Send your complaint to the Texas State Securities Board.

**What if I Want to Invest?**

Call the Texas State Securities Board and ask:

- Is the investment registered?
- Is the broker licensed in Texas?
- Have you received any other complaints about the broker or the firm?
- Does the broker or firm have a disciplinary history?
- Have you received any complaints about the stock, the company, or the company's managers?