Pump ‘n’ Dump Wire Fraud

by M. E. Kabay, PhD, CISSP
Associate Professor, Information Assurance
Norwich University, Northfield VT

In my last column I described a junk fax that apparently came from Canada, was supposedly sent by the marketing firm “Orfilian” and that touted “Bazoonium” stock (all names changed). In this column I analyze what was actually happening.

I think this junk fax was part of a pump ‘n’ dump stock manipulation scheme. Someone was faking a press release, blaming the company and an innocent marketing firm, and trying to move stock prices up or down depending on how they are managing the fraud. For example, if they bought low, they wanted the stock to rise in price (at least until they could sell at a profit). If they sold futures, they may have wanted the price to fall so they could buy at a lower price than their guaranteed selling price.

In any case, this scam is violating FCC rules on unsolicited faxes <http://www.fcc.gov/cgb/consumerfacts/unwantedfaxes.html>. This fraudulent information is presumably being sent across state lines (potential interstate wire fraud – 18 USC 1343) <http://tinyurl.com/9taao> although I don’t know what effect the origination in Canada might have (if that information is true). The junk fax was sullying the reputation of two innocent firms and possibly causing them significant loss of business by tarnishing their reputations; and it might cost holders of Orfilian shares money if people were to buy shares at artificially inflated prices or sell at artificially depressed prices.

Finally, this case teaches us that calling up the ostensible villains identified on a junk fax (and sometimes on junk e-mails) and shrieking abuse at them may not always reach the true villains in this time of negligible authentication of identity.

When someone produces fax machines that block all transmissions except those on an internally maintained, secure list of approved callers, we won’t have any more junk fax – for a few months. Then the criminals will use caller-ID spoofing tools such as voice over IP <http://www.wired.com/news/privacy/0,1848,66954,00.html> or the methods briefly offered by the unfortunate Jason Jepson <http://tinyurl.com/dtsln> to conceal their originating phone number (Mr Jepson gave up his proposal to offer false caller ID after receiving threatening e-mail and phone messages “and [a] death threat taped to this front door.”

Gosh, and I thought _I_ didn’t like junk communications!

* * *


M. E. Kabay, PhD, CISSP is Associate Professor in the Division of Business and Management at Norwich University in Northfield, VT. Mich can be reached by e-mail at <mailto:mkabay@norwich.edu>; Web site at <http://www.mekabay.com/index.htm>.