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By: Echo Wang

[U.S. regulator warns of pump-and-dump IPOs, many from China](#)

The U.S. Financial Industry Regulatory Authority (FINRA) warned on Thursday it was seeing a number of small initial public offerings (IPOs), including many from China, which constituted pump-and-dump schemes that investors should stay away from.

Most of these initial public offerings raise less than \$25 million for companies worth less than \$100 million, FINRA said.

Many of them involve Chinese companies and allocate as much as 90% of their offering to foreign broker dealers, primarily based in Hong Kong, limiting supply to artificially drive up share prices, FINRA added.

Nasdaq Inc (NDAQ.O) has put the brakes on IPO preparations of several small Chinese companies while it investigates short-lived stock rallies of such firms following their debuts, Reuters reported in October.

FINRA said criminals also try to entice people to invest in these IPOs through texting or social media. Sometimes they send a seemingly misdirected message, leading to a relationship that convinces victims to place orders around IPOs at a specific time and price.

Nasdaq and the New York Stock Exchange said separately on Thursday that would scrutinize small-cap IPOs more.

Some stocks have risen as much as 2,000% in recent debuts after raising small amounts, only to nosedive in the days that followed.

"You're dealing with market manipulations, small companies, small float, so they got to figure out what happened," said Drew Bernstein, co-chairman of Marcum Bernstein & Pinchuk, a China-focused accounting firm.