

PROTECT YOURSELF FROM ILLEGAL INTERNET SCHEMES



THE RAPID pace of change and impact of technology has massively changed the way people work and play. For example, in the past, consumers were restricted in how they could perform certain tasks via the Internet, such as giving authorisation or clearance to perform online transactions but now, it's as easy as clicking "Yes", "Approve" or "Confirm"!

Unfortunately, the ability to easily obtain approval online is precisely why the Internet has also turned into a major source of investment scams. In fact, it has made the Internet a dangerous place for unsuspecting, gullible, and greedy investors while becoming a massive playground for sneaky, unscrupulous and cunning scammers. What's worse is that day by day, illegal internet investment schemes are becoming more complex and tricky, sometimes being able to fool even experienced investors.

With this in mind, we take a closer look at how you as an investor can, and should, protect yourself from the Internet's illegitimate investment schemes. By the end of this article, you as an investor will be able to identify the characteristics of online investment scams, the appropriate steps to take and know when to press the "Delete" or "Reject" button.

First, let's take a look at the common features of illegal internet investment schemes:

Proprietors, who claim themselves to be "investment experts", will highlight the "excellent track record" of the company and also include testimonials from "clients" to convince investors. They offer investment opportunities above a market rate of return and will claim that their schemes are at zero or very low risk.

The identity of the proprietors appear authentic enough at first glance, but is usually not available for verification.

When questioned, most illegal operators either claim to be foreign operators that do not require licenses from Malaysian regulators to operate their business, or claim that they already have the appropriate license from relevant authorities/regulators. Some even claim their activities do not require a licence.

Recommendations to buy/sell certain stocks and advice/tips are delivered to clients via e-mail, short messaging service (SMS), access to password-protected webpages or one-to-one/group meetings.

The proprietors may also advertise their services through indiscriminate use of e-mails and messages posted on bulletin boards and online forums.

Websites are professionally designed to resemble a legitimate business and may be equipped with real-time stock prices, market

commentary, market news and links to other financial websites.

Some of these websites may include free services, such as basic tutorials about the capital market, e-books and access to chatrooms/bulletin boards.

Unsuspecting victims of these schemes would be enticed as operators will pay them high returns at the initial stage and this is used as a tactic to lure and recruit new investors.

The survival of this scheme is dependent upon the recruitment of new depositors, i.e., funds obtained from new depositors will be used in paying dividends to the existing depositors. Therefore, the scheme will fail when there is no contribution of funds from new depositors;

However, the operator will eventually abscond with deposits collected when he feels that the scheme is about to fail, thus leaving the depositors at the losing end.

If you are ever offered an online investment opportunity with the above characteristics, be cautious! Consult the relevant authorities first before parting with your hard earned money.

WHAT YOU /NEED TO DO

When you are offered the chance to invest in an internet investment scheme, it is quite easy to

protect yourself! :

■ **Remember the golden rule** - If it sounds too good to be true, it probably is a lie;
Deal only with registered or licensed financial institutions and authorised dealers (refer to the Securities Commission (SC) and Bank Negara Malaysia (BNM) websites at www.sc.com.my and www.bnm.gov.my for a comprehensive list);

■ **Ask for important information** - Does anyone answer your emails to the company? Is the company address clearly stated on its website or documents? Does the investment firm use mysterious/untraceable offshore bank account numbers. Does the actual company exist?

■ **Be wary of testimonial traps** -false testimonials try to give the impression of authenticity. Usually, the testimonials play on human emotions and greed, with the same pattern: that the person is very happy with the investment and wants you to invest as soon as possible, that investing with them will change your life, that their friends and family are also enjoying the benefits of the investment, etc;
Check with the relevant authorities before investing or depositing. These include the SC, BNM, the Ministry of Domestic Trade, Cooperatives and Consumerism, CyberSecurity Malaysia, Companies Commission of Malaysia and more;

■ **Don't be pressured or rushed to invest** - Be sceptical of any investment opportunity that is not in writing. Ask to see as many documentations as possible so that you can ascertain the legality of the investment opportunity offered; and,

In case an investment has been made, keep copies of all the investment records and communications.

EXTRA PROTECTION

Since the Internet is a vast global network, it is inevitable that fraudsters are also based internationally. These fraudsters, armed with more advanced technology, may employ more intricate and sophisticated methods of scamming. Hence, we highly recommend you refer to the relevant securities commissions in other jurisdictions such as www.hksfc.org.hk, www.fsa.com/ www.fsa.com (UK), www.asic.gov.au (Australian Securities and Investments Commission), www.mas.gov.sg (Singapore), www.sec.gov (US) and more to find out about the latest online illegal investment schemes and how to protect yourself.

CONCLUSION

In the battle against investment scams, knowledge, information, and common sense are your strongest possible "weapons" for protection. Admittedly, there are many legal and illegal investment schemes available on the Internet, and differentiating between the two is becoming more challenging by the day. By practising the three simple steps mentioned above, as well as using the right "weapons", it is likely that you will end up on the winning side in the battle against illegal internet investment schemes.

For more information on wise investing, log on to Malaysian Investor www.min.com.my.