



# Preventing scams and fraud

**I**N 2023, Malaysia experienced a significant escalation in financial scams as evidenced by alarming statistics. The Securities Commission (SC) reported a notable increase in scam-related complaints, with about 2,873 cases logged in just the third quarter, indicating a growing trend compared with previous years.

In response, the SC has intensified enforcement, including updating the Alert List with 274 new entries and blocking numerous websites and social media accounts associated with fraudulent activities.

The financial impact of these scams is substantial, with losses amounting to RM27 million reported in February 2023 and an additional RM100 million lost by 330 victims over a brief two-week period as reported in March 2023. These figures underscore the urgent need for heightened awareness and proactive measures to combat investment fraud in the country.

Financial scams come in various forms as scammers prey on the unsuspecting, exploiting the vulnerable. For all the good that the digital era has given us, it has also given rise to new types of scams that can be conducted with unprecedented anonymity and reach.

Social media platforms have become breeding grounds for investment scams, with fraudsters creating fake profiles and groups to promote fraudulent schemes.

Fake profiles, glittering promises and exclusive invitations to join "the club" are just the tip of the iceberg. These scams often masquerade as exclusive investment opportunities or lucrative business ventures, leveraging the trust and connectivity of social networks to deceive unsuspecting victims.

Traditional Ponzi schemes have been a major issue. Many notable cases involving large organisations have affected 400,000 people, causing an estimated RM500 million in losses. Overall, losses from such scams exceed RM1 billion annually.

The Geneva Gold Futures scandal involved RM5.5 billion and 35,000 investors. Additionally, cash trusts

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offering suspiciously high returns of up to 36% per annum are suspected to be Ponzi schemes, with RM1 billion taken from the market in a year. These statistics and cases highlight the widespread impact and financial damage caused by these fraudulent activities in Malaysia.

In light of the continuing evolution of the Ponzi schemes, potential investors should exercise due diligence and scepticism, thoroughly researching investment opportunities and consulting with financial experts if necessary.

Individuals can protect themselves from falling victim to financial scams by exercising caution, especially when presented with too-good-to-be-true opportunities. Here are some important tips to stay safe:

- ➔ Keep updated about the latest scams and scammers' tactics. Knowledge is a powerful defence against deception.
- ➔ Always verify the legitimacy of emails, messages or investment opportunities

through official channels. Make direct contact with the purported sender or organisation using verified contact information.

➔ When engaging in online transactions or investments, always ascertain that the website has a secure connection indicated by https://. Ensure the platforms are secure and reputable, and stay alert for any signs of phishing attempts.

➔ Do not overshare online. It is important not to post sensitive details such as financial and personal information on social media platforms as scammers often use this information to target their victims.

➔ Always consult with qualified financial professionals before making significant investment decisions. They can offer valuable insights and help with identifying red flags.

➔ If an opportunity seems too good to be true, it probably is. The promise of high returns with minimal risk is a classic indicator of a possible scam.

➔ If you encounter a scam or suspicious activity, report it to the relevant authorities, such as the National Scam Response Centre or local law enforcement agency. Your action may help prevent others from falling victim.

Scam cases remain prevalent due to the evolving tactics of scammers, the global nature of the internet and the vulnerability of individuals to social engineering.

Reducing the number of cases requires a concerted effort involving education, technology, legislation and international cooperation.

By addressing these aspects comprehensively, we can make significant strides in reducing the prevalence of scams and protecting potential victims.

*The writer is a lecturer at the School of Marketing and Management at Taylor's Business School, Faculty of Business and Law at Taylor's University. Comments: letters@thesundaily.com*