



Tradeview

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OVER the weekend, there was a media report about another cash trust scheme imploding where there were 1,800 victims nationwide with losses estimated to be more than RM100mil.

This cash trust scheme promised 8% to 10% guaranteed returns per annum (which sounds reasonable compared to many other types of scams), but after the returns had been distributed for a period of time, the flow of payments stopped and eventually, capital withdrawals were halted.

In this case, the majority of the victims were retirees.

Based on the media report, one of the victims alleged that the products were sold to them through their insurance agent, claiming the cash trust scheme was offered by a trust company that had the endorsement of Bank Negara Malaysia (BNM), which led to him investing the money in 2022.

By 2024, they realised they had lost all their money.

The biggest irony is this: Bagan Dalam assemblyman Kumaran Krishnan highlighted that the cash trust scheme in question remains in operation despite many police reports having been made against it, and the Malaysian Anti-Corruption Agency (MACC) has also opened an investigation into it.

Unfortunately, there has been no update until today. He stated he would write to MACC to seek updates on Ops Trust conducted by the MACC and also to raise this in Parliament.

The question I would like to put forth is: How can the cash trust company still be in operation despite authorities' scrutiny?

Common schemes masking illegality

The purpose of the article today is not to go into the topic of cash trusts as it has been widely reported by the media. The main objective is to put things into context for readers on the types of fraudulent investment schemes or scams proliferating in our country today via a "faux licensed facade". The first type would be the cash trust scheme offered by registered trust companies with the Companies Commission of Malaysia (SSM).

These cash trust schemes would often claim that your savings or monies are secured by approved trust companies which can safeguard against third-party claims and legal suits, as well as bankruptcy.

In addition to that, they pro-

Sophistication of investment scams

- Latest guidelines offer clarity that all cash trust schemes within the capital markets would be subject to CMSA licensing requirements
- Pre-emptive policies need to be formulated to prevent losses

vide guaranteed returns with their product offerings unavailable in the market.

The second type would be preferential shares by companies with guaranteed investment yields in various forms such as redeemable convertible preference shares (RCPS) or redeemable preference shares (RPS), among others.

There is nothing wrong with RCPS or RPS being offered by private companies, but any such schemes need to be registered with the relevant authorities, including the SC.

The third type would be using the status of a "Bhd" company to solicit funds from the public.

The Bhd company status of such entities should not be confused with Bhd companies listed on Bursa Malaysia. The purpose of a Bhd company being used is

because Sdn Bhd companies have a maximum limit of 50 shareholders, while Bhd companies do not.

This structure enables collection of money via paid-up capital injections from many shareholders and bypass any insinuations of illegal solicitation of funds publicly. However, if the Bhd structure is used for the purpose of collecting funds for investing rather than operating a core business such as food and beverage, distribution or others, it is still flouting the law.

The fourth type would be the *Koperasi* scheme. Quite similar to the Bhd company structure, *Koperasi* in itself is a legal structure conferred by the Co-operative Societies Act 1993 under the Malaysia Co-operative Societies Commission.

This structure has noble roots where it pools funds from members of the cooperative to set up, operate and manage businesses to generate income for the welfare of the members.

Unfortunately, unscrupulous actors are abusing this structure by soliciting public funds via membership drives with the funds being diverted to other purposes.

The last type would be interest schemes under the purview of SSM. The lax governance structure has allowed abuse to occur over the past decades with very few successful cases. The idea of an interest scheme is good, but the execution and implementation are poor due to the operators themselves having ulterior motives, made worse by weak enforcement by authorities.

Enforcement is always in hindsight

Many have complained that the fault lies with the authorities. They only take action after victims appear despite knowing of the existence of these shady enti-

ties operating within the realm of our society.

Clearly, for them to operate via this structure, regulations and guideline breaches must have occurred. A simple example would be the flagrant violation of the Capital Markets and Services Act 2007 (CMSA), where collective investment schemes must be registered with the SC.

The SC on May 22, 2026 finally released the guidelines related to trust firms. This took many years of public complaints within and outside of capital markets where the SC and BNM as well as SSM had different interpretations of the issue. With the latest guidelines, there is finally clarity that all cash trust schemes which function like collective investment schemes within the capital markets would be subject to CMSA licensing requirements.

Most enforcement actions are taken only when victims emerge. Pre-emptive policies need to be formulated to prevent losses.

Many have been pushing for retirement security and financial literacy. Yet, so much money has been lost to scams and fraudulent schemes, with the majority of the victims unable to recoup their losses. Banks under the purview of BNM, telecommunication firms under the Malaysian Communications and Multimedia Commission, and bad operators governed under SSM have not been taken to task to make sufficient compensation to the victims. Most victims suffer in silence as a result.

Spotting a scam

While there is no foolproof

way to identify a fraudulent scheme, scams have certain characteristics that are too obvious to ignore. One, guaranteed returns regardless of market conditions and cycles.

Two, the business relates to investment or finance but remains unregistered with the SC or BNM.

Three, a flashy, high-profile and wealth-flaunting CEO or key man of the scheme. Four, hard-selling of investment products through a massive MLM-like agency network. Lastly, adopting convoluted structures to mask the real purpose of the scheme.

Greed is when it's never enough

Everyone hopes to make money, but money is never enough.

We all accept that greed is part of human nature and few have the discipline to call it a day even when they are up against the house.

But the law and regulations exist for the purpose of protecting the weak and vulnerable. If the laws exist but enforcement is weak, then what is the point of having these laws and regulations in the first place?

Examples need to be made of these bad operators the way the Chinese government does with those scam centre masterminds.

While Malaysia has abolished the mandatory death sentence, stricter and harsher punishments such as life imprisonment for massive fraudulent schemes and scams ought to be imposed to serve as a deterrent to society.

No one should go through the pain of losing a lifetime of savings due to a momentary lapse in judgement while the perpetrator enjoys the luxury of life.

