SCAMPROOFED

A Guide To Not Losing Money To Greed, Fear, And Ignorance

Written In Collaboration With PPP ACADEMY

Table of Contents

FOREWORD

My name is Chris Chan, founder of PPP Academy, where our aim is to Inspire business growth and personal transformation through innovative education as a community.

When I was in my 20s, I was excited by every new idea thrown to me. I was chasing after every method of financial success out there. I was sold into almost every investment course – from options trading to stock investing to property investing – spending tens of thousands of dollars. I had spread myself thin by dabbling into different paths to wealth. As a result, I lost money and more than that… I lost precious time.

Since 1998, apart from making losses in my own little business back in the Asian Financial Crisis, I have also lost money in investment-linked products, unit trusts, and stocks. I am thankful to have met good mentors along the way who turned my life around and got me back on track.

In my own journey, I discovered this valuable life lesson;

If I could master ways not to fail, I can always succeed. And my observation is this - *successful people play to win* but *average people* play *not to lose*. The following holds true:

Before I can learn how to make money, I must first learn how not to lose money - especially to scams.

Eventually, I retired at age 36 from providing financial advice and became financially free with a handsome six-figure passive income from my portfolio of properties, stocks, private equities, and businesses.

Over the last 10 years, I have seen so many friends losing their hard-earned money and lifelong savings to “too good to be true” schemes such as Swiss Cash, Geneva Gold, Gold Guarantee… you name it – leaving them high and dry, hopeless and devastated.

As such, with the help of a community of passionate people who wish to make a difference, we have compiled this book to educate more people to make better investment decisions and take better control of their financial future.

If you have benefited from reading this book, please help us reach out to more people by recommending this to them.

When you signed up to get this book, you might be thinking, “how is one book going to get me my FIRE lifestyle?”

Well it can’t, so, subscribe to our materials and tools online and check your emails for more updates. You started in your journey to sound financial literacy, we’re here to walk it with you.

CHAPTER 1:
WHY PEOPLE FALL FOR SCAMS

"The greatest trick the devil ever pulled was convincing the world he didn't exist," said a familiar line from the famous movie *The Usual Suspects*. Similarly, scam artists try their very best to convince the unsuspecting victim that what they are trying to pull off is not a scam. But even in this post-Bernie Madoff world, investment and other financial scams are still aplenty, from small time swindling operations to grand Ponzi schemes, just waiting for the right opportunity, preying on the perfect combination of financial illiteracy and greed. Despite all the available information, be it on the Internet or other media, and the constant stream of busted pyramid schemes, fraudsters still play the same old unfair game that they are so used to playing.

But really, what does it take to fall victim to an investment or financial scam? These are the four attributes of the perfect victim of a scam: greed, pride, fear, and the herd mentality.

In the book *Financial Serial Killers: Inside the World of Wall Street Money Hustlers, Swindlers, and Con Men*, Bruce Kelly and Tom Ajamie say:

> Greed is a natural occurrence in each of us. We all covet something. The question is what lengths we will go to get it.

> Some stockbrokers certainly know how to identify the greed in investors' hearts and turn that into gold—for themselves. Financial serial killers push investors' emotional and psychological buttons and turn them into suckers, all because of the promise of early riches.

First. Greed in and of itself is not necessarily a bad thing. But coupled with lack of knowledge and blinded by the promises of quick returns and overnight gains, this can lead one to gamble his/her hard-earned money in the hopes of cashing in big time. This can bring out the closet degenerate gamblers, who can't withstand the temptation to keep rolling the dice again and again, even if they know the dice are loaded against them; and, second, that contrary to previous assumptions, young men and women who possess the collective social graces of a herd of sex-crazed water buffalo and have an intelligence quotient in the range of Forrest Gump on three hits of acid, can be taught to sound like Wall Street wizards, as long as you write every last word down for them and then keep drilling it into their heads again and again—every day, twice a day—for a year straight.[1]

Second. Pride, again, is common in humans. C. S. Lewis described it as "the one vice of which no man is free." If you were as humble as Mother Teresa, you would still have enough pride for a scam artist to fan into a blaze that would consume your nest egg unless you smothered it with an understanding of your nature and the scam artist's manipulations.[2] Thus, despite the age-old mantra in investing to "never invest in anything you don't understand," pride

---

[1] Kelly, Bruce and Ajamie, Tom, Financial Serial Killers. Skyhorse Publishing, New York: 2010

[2] Huddleston, Patricia. The Vigilant Investor: A Former SEC Enforcer Reveals How to Fraud-Proof Your Investment. American Management Association: 2012

takes over even the most educated and financially literate people, and causes them lose all sense of vigilance in investing. One undoubtedly brilliant man, who wrote a book on gullibility, has a Ph. D. in developmental psychology, and was faculty of two well-known universities, has himself fallen victim to an investment scam. He even wrote a book about his experience.[3] Simply put, pride is simply being human.

Third. Fear of losing, or as millennials these days put it, fear of missing out, #FOMO. With so much economic uncertainty and market volatility, what with whole banks folding up, or even entire countries defaulting on their debt, it comes with not much of a surprise that everyone is concerned with his or her own personal finances. Even avoiding the market altogether isn't the savviest solution to avoid losing money – the value of S$100 today may only be S$70 ten years from now, thanks to inflation. Scam artists prey on this fear of losing, and target those who are desperate financially.

Fourth. Herd mentality. As social beings, when something good happens to us, we tend to share these moments with those that are close to us, both family and friends. The classic pyramid or Ponzi scheme plays on this instinct to share something good to others. At first, investors are promised big returns on their investment, and promised even bigger returns if they bring in more investors. The more investment they have and the more investors they recruit, the bigger their rewards. Little do they know that the returns they are getting do not come from actual investments, but simply from the money coming in from new investors. As soon as the entire scheme

[3]cf. Greenspan, Stephen. The Annals of Gullibility: Why We Get Duped and How to Avoid It

hits a critical mass, the entire system falls crumbing down like a house of cards and bringing down all of its investors with it.

Aggravating these personal attributes is the social mores of considering social discussions on finances, specifically personal finances, as taboo. In most instances, we are alone in our own personal financial concerns. This makes it easier for scam artists to play on, coming to us with messianic promises of making our money grow.

Another aggravating factor is the mindset that scam artists don't prey on small investors, because if I were the scammer, why would I target those who will invest a mere S$1,000 if I could just select one person who will "invest" S$1,000,000, with which I could abscond easily and without the fear that a lot of people would come after me? Why would a scammer want to convince 1,000 people to invest S$1,000 each instead of securing that one-time big investment?

That's the wrong mindset. No matter how small or how big of an investor you are, scam artists will try to lure you into their schemes. Besides, if they're trying to pull off a Ponzi scheme, they need constant streams of cash to support the pyramid – and they will do whatever it takes to get that stream of cash flowing. As time passes, they will prey even on the smallest of investors. As Kenneth Fisher puts it:

> They have no hesitation at all to take all your money and leave you penniless, knowing full well what they're doing and how it will impact you. There is no sympathy there. No soul. No guilt or remorse. It is a form of intentional activity that is no different from simple stealing—just gone about differently so they can get

> much more money from you than they could steal at gunpoint.[4]

But really, it takes little more than common sense and a little bit of due diligence to avoid falling victim to the attractive scams these con artists are trying to pull off. This book will aim to do just that – help people avoid these investment frauds. Learning our flawed attributes is the first step in spotting and avoiding these scams, because these scam artists operate the same scheme over and over again. Knowing and acknowledging our flaws will help us to separate genuine investment opportunities from those by scam artists preying on our emotions with promises of solving our financial woes.

---

[4] Fisher, Kenneth L. "How to Smell a Rat."

CHAPTER 2:
HOW SCAMS ARE STRUCTURED

The first question you probably have is, so how do I know if something is a scam or a genuine financial opportunity? Kenneth Fisher says that there are five red flags to look out for to see if your financial adviser might currently be involved in a fraud, or whether the present scheme of things is likely to evolve into a swindle:

1. Your adviser also has custody of your assets—the number one, biggest, reddest flag.
2. Returns are consistently great! Almost too good to be true.
3. The investing strategy isn't understandable, is murky, flashy, or "too complicated" for him/her to describe.
4. Your adviser promotes benefits like exclusivity, which don't impact results.
5. You didn't do your own due diligence, but a trusted intermediary did.

Tom Ajamie and Bruce Kelly, meanwhile, came up with a set of questions to think about that are helpful in detecting fraud and avoiding loss of money from these unscrupulous scammers. Some of them are:

- Is the broker or adviser using high-pressure sales tactics and telling you that this investment is a great offer and you must invest right now?
- Is the broker or adviser pursuing your business and pressuring you just as you are dealing with

a dramatic life change like the death of a loved one, particularly a spouse who handled the money?

- Is the broker or adviser telling you the investment has a guaranteed return of 10 per cent, 15 per cent, or higher? Does he repeatedly tell you that the return is guaranteed, and there is no risk to your investment?
- Does the broker or adviser hold his clients' assets with a firm or outside custodian whose name you know and whose history you can research easily online?
- Does the broker or adviser simply not explain his investments or strategies, saying they are too complex or of a top-secret proprietary nature that no one but he can understand?
- Does he spend money in a lavish and extravagant manner, with homes and cars that don't match the level of income you believe he is making?
- Are you desperate for money? Or are you greedy? Is your broker or adviser pushing your greed button?[5]

When you see one or more of the above red flags in an investment scheme, it might be better for you to avoid that investment altogether. Sure, the opportunity might turn out not to be a scam, but it's better to take precautions than get swindled out of your hard-earned money. In many cases of financial fraud, the scheme

---

[5] *Supra* Note 1

wasn't initially planned as a scam, but a genuine opportunity to take advantage of the financial markets. But somewhere along the way, perhaps after taking some missteps during a bear market, and in an attempt to save face, the finance managers deceive investors into thinking that they are still making money. That is where things start to spiral out of control and turn into one big scam.

Personally, my rule of thumb is this: if anyone offers returns better than 25% per annum, the average returns made by some of the best self-made billionaires like Warren Buffet, then you better check out the fine print and look at the worst-case scenario. I'm not saying that people offering returns upwards of 25% per annum are all scammers, but if these finance managers can do better than Warren Buffet, who can only do so much throughout the years without leverage, then there's a big chance they will do anything and everything to make it appear to investors that they can withstand the great volatility of the market – and no market in the world, and I mean no market, is spared from volatility.

Let us look into more detail the two types of scams: the scams that were really created to con people (scams that are fraud per se), and the investments that went wrong (scams that arise out of unsound investing practices).

A. Scams That are Fraud Per Se

First, let us look at those schemes that are scams right from the beginning. Most unfamiliar investors may think that scam artists constantly think of new investment scams to keep themselves away from the long arm of the law. But really, most swindling techniques we see today are just the same old tricks packaged differently. Scam artists usually just use, reuse, and rehash old schemes that have been tested to effectively rob people of their money.

Investopedia lists the following most “successful” investment scams and swindling techniques that scam artists have been using over the years:

> **Ponzi Scheme** - A type of pyramid scheme, this is where money from new investors is used to provide a return to previous investors. The scheme collapses when money owed to previous investors is greater than the money that can be raised from new ones. Ponzi schemes always collapse eventually.
>
> **Pump and Dump** - A highly illegal practice where a small group of informed people buy a stock before they recommend it to thousands of investors. The result is a quick spike in stock prices followed by an equally fast downfall. The perpetrators who bought the stock early sell it when the price peaks at a huge profit. Most pump and dump schemes recommend companies that are over-the-counter bulletin board (OTCBB) and have a small float. Small companies are more volatile and it's easier to manipulate a stock when there's little or no information available about the company. There is also a variation of this scam called the "short and distort." Instead of spreading positive news, fraudsters use a smear campaign and attempt to drive the stock price down. Profit is then made by short-selling.
>
> **Offshore Investing** - These are becoming one of the more popular scams to trap Singaporean investors. Conflicting time zones, differing currencies, and the high costs of international telephone calls used to make it difficult for fraudsters overseas to prey on

Singaporean residents. However, the advent of the Internet and social media now makes it easy and virtually free for scammers to prey on Singaporeans from anywhere in the world, even through daily use applications such as Whatsapp, LINE, WeChat, and Facebook. Fraudsters pose as stockbrokers or financial company employees and promise huge profits if victims send their money offshore to another country. They could also ask victims to transfer money for “administrative fees,” “security fees,” or “taxes,” in order to receive profits and returns.

Be all the more cautious when considering an investment opportunity originating in another country. It's extremely difficult for your local law enforcement agencies to investigate and prosecute foreign criminals.

Prime Bank - This term usually describes the top 50 banks (or thereabouts) in the world. Prime banks trade high quality and low risk instruments such as world paper, International Monetary Fund bonds, and Federal Reserve notes. You should be very wary when you hear this term - it is often used by fraudsters looking to lend legitimacy to their cause. Prime bank programmes often claim investors' funds will be used to purchase and trade "prime bank" financial instruments for huge gains. Unfortunately, these "prime bank" instruments often never exist and people lose all of their money.[6]

In recent years, investing through the Internet has gained much popularity, especially with millennials. With brokers allowing their clients to manage their investment portfolios online, gone are the

[6] http://www.investopedia.com/university/scams/scams4.asp

days when only those who have time to visit their brokers can invest money in the market. The Internet has made it possible for millions of people to get involved in the market and personally control their own investments.

For example, with a few clicks of a button, an investor in Singapore can not only monitor but also move around stocks to beef up his SGX portfolio – all before he grabs breakfast and heads to his own full-time job back at home. Another example which a lot of millennials can relate to: a travel blogger can be whiling away his time sipping horchatas and happily munching tamales all the way in Mexico, but using his mobile phone, which he always carries with him anyway, he can easily check and confirm that his investments have gone up 3% in the past week. In a few short minutes, he can maximise the opportunities available online, and make sure he has sufficient funds available to support his three-month trip around South America.

With the ease of investing using the Internet, it goes without saying that scammers will take every opportunity to swindle money off unsuspecting investors on the Internet. While most of the swindling techniques on the Internet originated long ago – from telemarketing to direct mail to door-to-door schemes, the Internet has added a new dimension to pulling off these scams, and in the process made them a whole lot easier. On their website MoneySense, the Monetary Authority of Singapore lists a few get-rich-quick schemes that fraudsters are pulling off – unsurprisingly successfully – on the Internet:

> **Binary Options:** An attractive-sounding investment that promises quick and high returns, binary options are actually speculative and highly risky. In fact, many online platforms offering binary options trading are

fraudulent and based outside Singapore. With a binary option, investors try to predict whether the price of an underlying asset—which could be stocks, commodities, currencies, or interest rates—will be above or below a specified price at a specified point in time. They receive a fixed payoff if their prediction is correct but lose their entire investment if they are wrong. Because it is extremely difficult to predict short-term price movements, the investor usually loses his entire investment. As many of the platforms offering binary options trading are unregulated, investors will have very little recourse if things go wrong.

Forex Trading Seminars: These scammers offer to help investors make incredible returns by teaching them all about foreign exchange trading. They attract participants with promises of large gains with little or no upfront investment, unlimited gains, limited losses, and the ability to make profits in all market conditions. Fraudsters use fake success stories and testimonials to lure their victims into paying hefty fees for "secret formulas" that will get them rich quick.

Unregulated Online Forex Trading: Online trading platforms are not regulated by the Monetary Authority of Singapore and many of them are scams. These platforms promise quick profits and high returns with little or no risk. Trading on unregulated platforms makes investors vulnerable to possible scams. Should a dispute arise, investors will not be under the protection of the Monetary Authority of Singapore, and will not have access to avenues for resolution.[7]

B. Scams That Arise out of Unsound Investing Practices

Let us now look into investment opportunities that didn't start out as scams but resulted in fraud due to bad investment decisions on the part of the fund managers. By way of an illustration, let us examine the case of Bernie Madoff, which took place in the United States but became an internationally infamous example of an investment scam commonly known as a Ponzi scheme. Bernie Madoff was sentenced to 150 years in prison[8] when he pleaded guilty to securities fraud after being caught.

Bernie Madoff was a well-versed and active member of the financial industry. He started his own market maker firm in 1960 and helped launch the Nasdaq stock market. He sat on the board of the National Association of Securities Dealers and advised the Securities and Exchange Commission on trading securities.[9] He was a very active player in the hedge fund industry prior to his conviction for fraud.

---

[7] https://www.moneysense.gov.sg/articles/2018/10/getrichquick-schemes-forex-trading-seminars-online-forex-trading-binary-options

[8] http://www.nytimes.com/2009/06/30/business/30madoff.html

[9] http://www.businessinsider.com/how-bernie-madoffs-ponzi-scheme-worked-2014-7

Madoff's Ponzi scheme was only discovered when his clients requested a total of US$7 billion in returns, but he only had between US$200-300 million left to give.[10] When his Ponzi scheme was discovered, his clients claimed that he cheated them out of US$65 billion, although due to market losses he probably only made off with around US$20 billion.[11] Supposing he did his entire business structure as a grand Ponzi scheme, given the size and sheer amount of money flowing through his securities management company, it is inconceivable that he only got away with US$20 billion. He would have gotten much, much more.

An analyst therefore posits that at first, Madoff's investment strategy did deliver positive results. At some point, those returns became less reliable, but Madoff opted to keep reporting good returns. That went okay for a while, but when the market continued falling, Madoff doubled down in an attempt to recoup losses. Again, due to the downward trend of the market, Madoff lost even more money. An analysis postulates that his legitimate business was only turned into a Ponzi sometime in 2001, when Madoff's investment strategy was the subject of several sceptical articles. He attempted to prove the articles wrong, but since 2001 saw the start of the early stages of the bear market that would last two years, Madoff started to make it appear that he is still earning money even if the market forces were not in his favour. [12]

In the case of Madoff, then, trying to impress his investors and refusing to acknowledge losses led him to commit a big scam out of his legitimate business. While much of Madoff's scheme's success

---

[10] *Id.*

[11] *Id.*

[12] Fox, Justin. "When did Madoff go from legit to Ponzi?" http://business.time.com/2008/12/15/when-did-madoff-go-from-legit-to-ponzi/

can be attributed to the lack of oversight by the Securities and Exchange Commission of the United States, by and large, his scam was an offshoot of his unsound investment practices.

CHAPTER 3: HOW TO AVOID FALLING VICTIM TO INVESTMENT SCAMS

There are two basic things that you should always exercise to avoid falling victim to the schemes of investment scam artists: common sense and due diligence.

Scam artists know how to play on your emotions, especially greed. You on the other hand must stay grounded in reality and detect when something is beyond the realm of reality and goes into the realm of lies – that is where common sense comes in.

Good scammers do their homework. So, you should too – that is where due diligence comes in.

Make sure to ask the right questions before writing that check. (And by the way, make sure that you're writing the check to the correct payee – it should always be written in the name of the company, and not personally to your own financial manager.)

A. COMMON SENSE

The first thing a scam artist will use to convince you to invest is to show how much money other people have earned using their investment scheme. They will give you testimonials, even show you copies of checks that other people have supposedly earned through them. They will begin with flashing you with money. They will want to get your attention by showing you that you can earn huge sums of money by investing with them. They will show you that despite the odds, despite the volatility of the market, they have been able to give their investors high returns. This is a sure-fire way of separating scam artists from genuine and reputable financial managers. This is how scammers work – they make promises they know they won't be able to keep, and will do their very best to keep their promise even at the expense of others.

Let us look at a famous scammer who was recently caught: Singaporean James Phang, founder of Sunshine Empire. In Singapore's biggest and most notorious Ponzi scheme, James Phang duped investors of millions by promising them returns as high as 160 per cent through Sunshine Empire's "lifestyle packages".[13] This scam reeked of fraud, and yet Mr. Phang was able to fool and convince people to buy almost 26,000 "lifestyle packages" ranging from $240 to $12,000, and enabled Sunshine Empire to abscond with nearly $190 million from its Singaporean investors and another RM230 million in Malaysia from its affiliate company. After being sentenced to nine years in jail in Singapore and paying a $60,000 fine, James Phang was extradited to Malaysia and charged for violating Malaysia's Banking and Financial Act by assisting the Malaysian affiliate of Sunshine Empire.[14]

---

[13] Hussain, Amir. "Guilty as Charged: Sunshine Empire duped investors of millions with Singapore's biggest Ponzi scheme" https://www.straitstimes.com/singapore/courts-crime/guilty-as-charged-sunshine-empire-duped-investors-james-phang-wah-2006

[14] Leong, Trinna and Rodzi, Nadirah H. "Sunshine Empire charged in Malaysia" https://www.straitstimes.com/asia/se-asia/sunshine-empire-founder-charged-in-malaysia

Common sense would say that a return average of around 10% per annum is reasonable to believe. The operative term here is "average" – meaning returns measured over long periods of time. Meanwhile, a consistent return of 10% per annum over a number of years should be suspect. Remember that your money grows depending on how financial markets perform during the year. A financial manager cannot consistently give returns of exactly the same percentage precisely because the returns should be dependent on how markets performed – and even a novice investor would know that no market is spared from volatility. If all the major markets performed particularly badly during a year, perhaps during a bear cycle, yet you are promised a 50% return that year, I will bet all my money that, that is a scam.

But really, can a financial manager return 50% in one year, or perhaps 50% two years in a row? Definitely, and some particularly good financial managers can do it. Can a manager beat the market once, twice, or even three times at such a wide margin? Yes, absolutely, and it has been done before. But to separate scam artists from good financial managers, you have to stop looking at the trees and look at the whole forest. Not even the best managers can consistently beat the market at such wide margins for such long periods without violating regulations or defrauding people. Even the best managers have losses.

Neither can past performance be used to guarantee future returns. When someone promises you the same return that their company had last year, chances are, they are committing fraud. Even if a financial manager has had stellar returns in the past years, no one can guarantee that they will reap the same returns in the future. The best promise they can give is to stick to their strategy, which they think is superior. How that impacts future performance is up to the fickle market and their skill.[15]

On the flipside, losing money in itself should not be equated with fraud. I can never emphasise enough that the market is volatile, and is inherently risky. It is the duty of the good financial manager to manage that risk for you, but not to eliminate it altogether. Markets go through bull cycles, when returns are usually high, and through bear cycles, where losses are usually expected. For the uninitiated, it is difficult to differentiate losing money to a thief and losing money when the market affects your portfolio. Remember: Market volatility is normal, and thievery is not. Even blue chip firms experience wild stock swings, depending on the market.

An honest financial manager is upfront with his clients: his reports would accurately report the losses of the investors. Scam artists, on the other hand, never displays bad years. Their returns are too good to be true, because by definition, they aren't true. Scam artists know that some investors shy away from volatility and give them what they want – smooth, never scary return displays.[16]

The reality is that investing is nothing more than the application of capital to business. Hence, the return on the capital must be consistent with the rules of a competitive business environment. Below are questions that you can ask yourself to help you address if the alleged promised return is consistent with business common sense:

---

[15] Fisher, *supra.*
[16] *Id.*

(1) How exactly does this investment strategy create above market returns? What is the competitive advantage?

Ask yourself if the answer you are given is complete, thorough, and makes business sense. Is the answer glib and laced with jargon and techno-babble, or is it simple and straightforward? Do you understand the competitive advantage well enough to explain exactly how it works to someone else? If you can't explain it then you don't understand it.

(2) What are the barriers that will lock out competitors so that additional capital and supply doesn't force returns down to market level?

There must be a legitimate business reason that returns will remain excessive. Again, does the answer pass the common sense test? Can you explain the reason why to a friend in everyday language?[17]

B. Due Diligence

Common sense, to be used effectively, must be coupled with due diligence. As a novice investor, do your research – know how the market works, even on the elementary levels. At the very least, when meeting your financial adviser, know to ask questions; or better yet, know to ask the right questions. A scammer will most

---

[17] Due Diligence Checklist to Prevent Investment Fraud: Reveals the Crucial Questions to Help Prevent Investment Fraud and Send the Con-Artist Ducking for Cover.http://financialmentor.com/free-articles/investment-advice/due-diligence/due-diligence-checklist-to-prevent-investment-fraud

definitely evade answering your probing questions and stick to the script that he's given countless times to victimise people.

Remember: serious questions are a sign of a serious buyer, and honest salespeople know it, welcome it, and respect it. They have nothing to hide so they will attempt to simplify their answers so you can understand the investment and make an informed decision. Buying investments should be a professional, business-like experience – not warm and fuzzy like a trusted friend, nor too cold and too abrasive like a competitor.[18]

Knowing to ask the right questions, or perhaps even knowing where to ask the right questions – that forms part of due diligence. Due diligence in its basic form is based on a certain standard of care or level of prudence. It can involve the evaluation of a person, a group or a specific act or set of events. It is considered an open format for the party or parties under evaluation, meaning that any segment of the business is open season for review and unfettered access must be granted. Businesses themselves conduct frequent internal evaluations as part of the normal operating procedure.[19]

Most investors might not realise it, but when they review a prospectus before investing in a mutual fund, they are doing due diligence. But to be more effective in exercising due diligence, investors must have a plan that includes a comprehensive evaluation not just of the company they are investing in (or, in most cases, their financial manager), from the stated investment policy to the audited financial statements. Michael Schmidt suggests

---

[18] *Id.*

[19] Schmidt, Michael. "How to Avoid Falling Prey to the Next Madoff Scam." http://www.investopedia.com/articles/fundamental-analysis/09/investing-due-diligence.asp

evaluating the following items to effectively discharge due diligence:

1. **Strategy**
   A defined, written investment strategy must be determined. This is usually termed an “investment policy statement” or "investment management agreement" when written for specific clients.

2. **Historical Returns**
   Your portfolio's historical returns, preferably in the format accepted by the Global Investment Performance Standards (GIPS), should be determined. GIPS is very comprehensive as it includes an accurate representation of a client's historical performance in both relative and absolute returns. The fact that a firm has adopted the standard also suggests its commitment to honest reporting and accountability because doing otherwise would put its credentials on the line. While there is no guarantee that the performance is 100% accurate, at least there is some transparency for the evaluation party to locate potential gaps.

3. **Audited Financial Statements**
   Audited financial statements are required if the fund is registered and regulated by the Monetary Authority of Singapore (MAS). State laws require companies that register and are regulated by the MAS to submit complete, accurate and truthful statements, which are prepared according to Generally Accepted Accounting Principles (GAAP). It is also important to know who the independent auditor is and to do some research on it as they, as well as its opinions, will

provide a significant weight in the overall evaluation of the due diligence.

4. **Current Prospectus**
   A current prospectus - or the equivalent of one in the form of an ADV - and a complete outline of the assets under management risks taken, investment professionals' biographies and actual copies of investment statements, preferably from a reputable custodian, are must-haves in the due diligence process. These documents should contain details regarding the valuation of investments, particularly those investments that are not actively traded with current market values.[20]

For most investors, the above items seem too technical, and perhaps you have neither sufficient background nor time to inspect such items. Besides, you might ask, that's what I'm getting a fund manager for, to deal with the nitty gritty of investing, so I don't have to? To a point, there is merit in that argument. Financial managers should be responsible to invest your money only on legitimate businesses, and they have a duty to ensure that your money isn't getting scammed away.

But just like the old saying, you have to ask, "Who watches the watchmen?" Who makes sure that your own fund managers don't commit larceny and run away with your money? Or perhaps, to put things into perspective, the question should be phrased: "Who decided to entrust money with this particular investment vehicle?" The answer is you. It is your money that they are dealing with, so you have a responsibility to ensure that they can be trusted with it.

---

[20] *Id.*

To a certain extent, therefore, due diligence involves some research – you as an investor should be diligent enough to do your own research. And in most cases, it does not take too much effort or economic or financial savviness to discharge such due diligence. In this day and age, due diligence is not limited to those with enough academic background in finance and accounting – most information to watch out for are available for the public's evaluation and perusal.

How do you start doing diligence, then? Google it. Seriously. Do a Google search of the name of the company you are investing your money in. While Google may not be the best source of information in doing due diligence, it is without question the most accessible. You came across a term in finance that you do not understand? Google it. Try it with the term "hedge fund," for example, a much maligned investment vehicle thanks to its convoluted structure and the Bernie Madoff scandal, and you will get about 14 million hits. From a crude Wikipedia entry on hedge funds to the latest hedge fund successes or failures, to hedge fund indices, Google will give you that much information. Just take things with a grain of salt and you will be on the safe side.

The same will hold true in investigating the legitimacy of the company you want to invest in. A lot of the information available in the Internet will help you assess whether the company is legitimate or not. In some cases, especially if the company had been previously involved in a lawsuit, information on them will be available online.

Second, ask questions. Ask questions before handing off your money to anyone for investment – it doesn't matter if it's family, friend, or even a big financial institution. "How much money am I expected to put in the investment?" "What kind of returns am I likely to make and over what period of time?" "Are any of these returns guaranteed, and by whom?" "What are the risks involved?" "How and when can I get my money out?" Keep asking questions until you are satisfied with the answers.[21]

Third, ask where your money will be held. Regardless of who is making the investment decisions, your money should be kept in a separate and independent financial institution.[22] A lot of schemes thrive in blurring the boundaries between fund manager and fund depository. To prevent that, make sure that the separation is clear. Your fund manager should not be able to access your funds without your permission. On the other hand, you should be able to monitor your funds from the depository at all times. That way, you know if you are gaining money or suffering from losses not from the fund manager but directly from the fund depository. Also, make sure that the account is in your name personally, and not with the fund manager, as that will give them access to your money without your permission.

Fourth, ask to see written materials about the firm you are potentially doing business with.[23] A legitimate investment company will be able to give you sufficient documentation about their business, from primary and secondary licenses, to market disclosures, and even the company's historical profile. While it takes a little background in finance to be able to understand some of the

---

[21]American Association of Individual Investors. "Due Diligence: 10 Steps to Avoiding Ponzi Schemes and Financial Fraud." http://www.aaii.com/financial-planning/article/due-diligence-10-steps-to-avoiding-ponzi-schemes-and-financial-fraud

[22]*Id.*

[23]*Id.*

documents, any legitimate company will have these readily available for your perusal.

Fifth, feel free to bring a trusted advisor when meeting with the firm.[24] A legitimate company will not refuse your request to bring in your lawyer or your accountant when meeting with them. In some cases, it may even be just a friend who is more knowledgeable in the field of finance, or perhaps any friend who is simply there to give a third-person perspective on things. The important thing is, the presence of such third person should be allowed by your investment company.

Sixth, check the profile of the firm. Make sure that they have physical offices that you can visit, and where they are known. If they insist in meeting somewhere else other than their office despite your request, that should raise a red flag.[25]

Seventh, if something sounds too good to be true, it most probably is.[26] To reiterate, all investment opportunities involve risk. A legitimate company will not evade questions about risk, and will gladly provide you information about it.

Eighth, take time to think before investing.[27] “Flash deals” do not exist in a legitimate investment environment. A legitimate company will give you sufficient time to think before investing. Don’t sign up for anything that is only available within a particular, usually limited, time period.

---

[24] *Id.*

[25] *Id.*

[26] *Id.*

[27] *Id.*

Ninth, avoid investments, advisors, and approaches that are opaque.[28] Investment professionals will be able to talk about their products with transparency. They will be able to guide you and show you how your money will be spent. They will not hide behind "proprietary, not-available-to-the-public" trade strategy. When they give you such answers, chances are, they are committing fraud. While it may be true that a lot of information is not available to the public, as an investor, you have the right to know how your money will be invested, albeit in a layman, non-technical way.

Tenth, don't discount evasiveness.[29] Evasions and distractions are not substitutes for clear, easy to understand answers to your questions. Legitimate fund managers will answer all your questions with candour and candidness.

Lastly, trust your gut. This is your radar for what feels right and what could be wrong for you.[30]

C. Tips in Avoiding Investment Scams

With common sense and due diligence as your ammunition, hopefully, you will not fall into the trap of scheming fraudsters. But remember that there will always be crime in society. Just like mugging in the streets, thefts, and murders, there will always be financial crimes, frauds, and scams. The key is to not be gullible enough to fall into their schemes. As Tom Ajamie puts it:

28 *Id.*
29 *Id.*
30 *Id.*

> "In making our investment decisions we need to avoid being gullible and follow a sensible approach to evaluating our choices. There are steps that we can take. Cialdini defines gullibility as "not just an action in a particular situation that turned out to be wrong, but a tendency across all situations in which a person finds him or herself to go along with the appeals or the persuasive communications with others without thinking through the merits of what that person is offering." In other words, being led by the fraudster and not objectively evaluating what he or she is saying to us."[31]

As additional information for everyone, I have gathered tips from a think-tank and a regulatory agency in avoiding investment scams, especially in these days of investing through the Internet. As a way to complement all the information above, these tips will help safeguard your hard-earned money from the hands of white-collared thieves.

The Monetary Authority of Singapore (MAS) has these suggestions to avoid investment scams:

1. Make sure you fully understand the investment opportunity. Ask the company questions like, "How are the profits generated?" "What is the maximum I can lose?" "What happens if I want to withdraw my investment?" If the company avoids answering your questions, be wary of the investment.
2. Assess if the investment opportunity is genuine by researching the company, its owners, its directors, and its management members. Check their address, business registration number, and track record. Make

[31] *Supra*

sure there aren't any complaints about the company or its members in the news or financial forums.

3. All investments carry a certain amount of risk. Be wary when an investment opportunity claims to guarantee high returns while protecting your capital. High returns with little or no risk is unlikely. Check the authenticity of the investment opportunity by benchmarking it against other investments.
4. Beware pressure tactics such as limited time offers or timed gifts or rebates. Their purpose is to rush you into investment scams without allowing you time to think things through or do due diligence.
5. Don't fall for offers of commissions, as most legitimate investment schemes do not offer commissions for referrals. Investment scams use such incentives to quickly enlarge their pool of victims.
6. Verify the track records of your investment institution. Scammers claim to be very well established in order to win your trust, by using fake testimonials and false awards.
7. Check whether the financial entity is regulated by the relevant authorities. You can use the Financial Institutions Directory and the Register of Representatives on the Monetary Authority of Singapore website to confirm whether the investment scheme is regulated and professional. You can also check the Investor Alert List for entities wrongly perceived as being licensed by the MAS, but who are actually unregulated entities.[32]

[32] https://www.moneysense.gov.sg/articles/2018/10/how-to-spot-an-investment-scam

Personally, I will also add the following pieces of advice, which are my personal standards in making investments.

First, do no not extend payment to anyone whom you have never met before in person. Someone offering you a true investment opportunity will always make time to meet you in person and explain to you personally how the investment will work. They will also make sure that you have sufficient time to ask them questions, and they will be able to answer them adequately.

Second, deal with locals whom you can meet in person. While many legitimate opportunities exist where almost all transactions are done virtually through the Internet, it is always best to go to the finance manager's office first, if only to see that the office actually physically exists in brick and mortar, which is in itself a form of due diligence. It is also best to invest using local companies, because they are covered by existing rules and regulations within your country.

Third, never wire funds. Legitimate investment companies and finance managers will always have facilities to facilitate such transfers of money, and they will never resort to wiring money directly to them through a bank or a remittance company like Western Union.

Fourth, do not accept cashier or certified cheques or money orders. If they turn out to be forgeries, even if the bank had already cashed them, you can be held liable for the forgery.

Fifth, enter only into arrangements where transactions are limited between users only, and no third party is called to guarantee the transaction.

Sixth, be wary when being asked for sensitive personal information. While many legitimate fintech apps do require personal and financial details such as your identification number and bank account details for identity verification, you should always exercise caution when providing such details. Research the financial institution to verify its authenticity before signing up and providing your personal information. Protect yourself from phishing scams by never giving out personal details by email, and by not clicking on links from suspicious emails or SMSes.

Seventh, do not purchase things you have not seen. Some investment scams are packaged in a manner that makes them appear as "an amazing, available-only-now" deals. This creates pressure on the part of the investor to quickly grab the deal, without first inspecting the material or supporting documents, only to find out later that no such "deal" was available to begin with.

Eighth, refuse background checks before meeting personally with the manager. This might be a ploy to trick you into divulging your personal financial information, or a way to get such information from third parties. This results in identity theft that forms part of the scam.

CHAPTER 4:
HOW TO RECOVER FROM THE FALL

Unfortunately, if you have been scammed, the chances of you being able to recover your money are not high. Expert scammers are usually difficult to track – their businesses might not be legally registered, they might have falsified their identities, they could've provided their victims just temporary contact information, and they're probably highly mobile. A lot of them are knowledgeable in operating in grey areas of the law so they may have conned you into signing a contract/agreement that would leave you at a legal disadvantage.

So if you've been scammed, what do you do to correct it and recover from it?

Here are some steps you can take:

Take Full Responsibility

Acknowledge the fact that you have been scammed, and that you are the one accountable for it. Know that you are the primary person who's responsible for verifying the authenticity of the person/company whom/which you were dealing with.

By admitting to yourself that you were scammed, you prevent further losses that might be incurred.

Often, scam victims are in denial. They would rather blindly continue to believe the scammer than heed all the warning signals, perhaps because their pride can't easily accept that they have been fooled and that their money is gone for good. Scam artists are aware of this and they would take advantage of this – they would keep on coming back for more.

So it is better to accept the fact and admit that you made a mistake so you can start recovering from the loss and rebuilding your finances again.

While it is highly unlikely that you will get your money back, you can report the incident to the appropriate government agency to help warn others about the scam. The more people are made aware of it, the better are the chances of it not spreading any further and luring more victims.

You can also file a lawsuit to try to recover your money (although there are a lot of variables to be considered with this – like how much assets the scammer/fraudulent company still has).

According to Boyd Page, a lawyer who specialises in representing investors at the Page Perry law firm in Atlanta, "Generally speaking, legal actions directly against the perpetrator have little likelihood of being economic." There are several reasons for this. For one, chances are good that whoever ran the Ponzi scheme was living an extravagant life. Also, once a fraud is exposed, what remains of the assets of the firm and its operators are almost always taken by the government or court-appointed trustee in bankruptcy court.[33]

[33] http://www.bankrate.com/finance/personal-finance/5-ways-to-recover-from-a-ponzi-scheme-1.aspx

A legal consult can help you decide as to whether or not it is economical for you to pursue a lawsuit.

Learn from the Experience

"*Mistakes are lessons learned when not repeated.*"

Perhaps the only gain you will get from the loss are lessons - only if you do not make the same mistake of trusting easily, ignoring what your common sense tells you, and not conducting due diligence properly.

By knowing what to avoid on your next financial investments or transactions, by being more cautious on the people or companies you will be dealing with, and by doing your homework well before releasing your hard-earned money, you will be in a much better capacity to make sound financial decisions than before.

Take time to educate yourself. Read and research about how scams work and operate, about sound investing strategies, and about what the usual returns are for every type of investment.

Based on my own investment experience with the investment horizon of 5 to 10 years, here are the average returns I get:

Value Investing: 20 - 25% p.a.
Leveraged Property Investing: Usually 70% to 80% gearing (not advisable for the inexperienced); or 30% - 100% p.a. (this is cyclical and highly dependent on the economic cycle and it is more illiquid)
Private Equity and Venture Capital: Often above 30% to 100% p.a. as much as up to 100x over a period of 5 to 10 years (highly risky)

I cannot overemphasise the importance of not falling into scams in the first place, so educating yourself should actually be done prior to making any financial deals. However, if you were already conned, the best protection you can arm yourself with the next time would be to be knowledgeable about finance and investing.

Develop Mastery in Your Core Competence to Create Wealth

"Master 1 way to succeed, instead of trying 99 ways to fail."

With regards to investing, it could be tempting to try a lot of different approaches to earn money passively. After all, it is a common financial advice to not keep all your eggs in one basket in order to reduce risk. But the risk comes in when you become experimental in your investing strategies.

For example, you might hear a lot of good feedback about a particular investment, so you plunge in even without fully understanding how the scheme actually works.

Take this piece of advice: if you don't understand it, it is high risk to you. Yes, it might not be a scam or it might not be risky to others, but it might be to you. It's a lot like driving. Not everyone who drives will meet an accident, but reckless driving itself possesses a significantly higher risk than driving safely. Likewise, reckless investing could be acquiescing to losses for you.

At the end of the day, rather than risk management, it's more about self-management. Contemplate on whether the risk is necessary. If you can safely get 8% to 10% p.a. from an established, delegated investment, why is there a need for an investment promising higher yields even if you do not fully understand how it works?

The key is to keep investing simple and structured. If you have mastered a system of investing that gives you satisfactory returns, stick to it so you won't be vulnerable to risks.

Financial Literacy is the Key

After the fall, you should pick yourself up. The best way to recover from your losses and accelerate the time you build your wealth again (and more than ever) is by redirecting your resources, your efforts, and your energy to a successful career that can only be unlocked if you have sound financial literacy.

Financial literacy is imperative, especially in building your wealth. Unfortunately, only a handful of people are aware of this. This leaves people hopping from one job to another, earning a low or mediocre salary, struggling with a job that pays high but isn't emotionally rewarding, or getting frustrated about not being able to achieve the life that they desire.

These lead people to make hasty and unsound financial decisions when they are tempted with high and fast returns - in high hopes that they can become financially free, escape their current situation, and live a better life.

Once you have a firm grasp of financial literacy, you will be able to start amassing wealth, which will be the foundation of your next millions.

In my desire to help people to instantiate financial freedom, I have designed SyncWealth as the platform which is powered by high quality content and training materials to help you achieve your goals faster. This platform has helped a lot of people to uncover their best course to achieving more in life.

Knowing with better certainty what you should pursue to achieve your financial independence would help you not to be desperate and susceptible to scams. On the other hand, if you've already been scammed, having sound financial literacy would help you make up for the losses you've incurred, and even rise way higher than your previous financial state.

Visit https://syncwealth.io/ now to subscribe to our materials and tools online to help you in your journey to financial freedom and literacy.

CONCLUSION

There will always be people who would take advantage of others and run away with their money. Even with the advent of more laws, of instant information, of books about investing, people still fall for scams. In fact, more than ever, it is now a lot easier for professional scammers to victimise more people as we have become more accessible to almost anyone because of the Internet.

No one deserves to lose legally hard-earned money and so everyone should protect themselves from falling prey into these financial criminals.

Take Baby Steps

When building your wealth through investing, do not make huge leaps if you are inexperienced. I will stress it again that even seasoned investors are not exempted from risks. So imagine how much worse it could be for novices. There is no 100% guarantee that there won't be any losses – even for the most established companies. The only approach to this is to reduce the risks.

By taking small steps into the world of finance and investments, you decrease the dangers of you falling into scams. Start by investing only what you can afford to lose. Do not gamble your lifetime savings because I am certain that you do not want to wake up one day and find out that everything you've worked hard for is gone and that your daily existence is now hanging at the mercy of you still having a job.

It goes without saying that before you make any financial investment, you have to build your savings first. Save first for emergencies. Some people also save first for their retirement. Then that's when they start investing.

Despite all the risk though, avoiding investing altogether might hinder you from achieving financial independence. The average annual percentage gain for a high-yield savings account is only 1%. This is a stark contrast to the average 10% yield on value investment.

Educate Yourself

Become financially literate. What are stocks, equities, securities, bonds, market returns, mutual funds, dividends? How does inflation affect your money's worth? What are bull and bear markets? When would a property appreciate or depreciate in value?

Learn more about the person or company you'd like to invest your money in. Is that person/company free from fraudulent schemes? Were there legal suits filed against the company or the incorporators behind? Does the company have a stellar history of achievements and track records of success? Do the awards received by the business originate from legitimate and trust-worthy agencies? Were they given because of meeting certain high standards or were they paid for?

If you are to invest on anything, start by investing first in yourself – in your financial knowledge. This will save you from a lot of possible financial pain in the future.

In the stock market, you do not need to be a genius to invest well, but it is a must for you to master at least the basics. In Warren Buffet's "Chairman's Letter" to Berkshire Hathaway, Inc., he said:

> To invest successfully, you need not understand beta, efficient markets, modern portfolio theory, option pricing or emerging markets. You may, in fact, be better off knowing nothing of these. That, of course, is not the prevailing view at most business schools, whose finance curriculum tends to be dominated by such subjects. In our view, though, investment students need only two well-taught courses - How to Value a Business, and How to Think About Market Prices.[34]

Develop Mastery

Investing is as emotional as dieting[35] – there are over a hundred and one strategies for investing as there are for dieting. People usually try several approaches to losing weight (and a lot of times, they get depressed when they fail), but once they've discovered what works for them best, they master it.

Your financial health is as important as your physical health. If you aren't an investment expert, it is best to master one investing strategy than to put your financial health at stake in trying a lot of investing systems.

The path to financial mastery might take long, but it is definitely rewarding. Even if you do not intend to become an "expert," you

---

34 http://www.berkshirehathaway.com/letters/1996.html

35 *Id.*

should still strive to become better. Take time to read. Talk to pragmatic people with years of success in investing based on sound philosophy and grounded investment principles. Seek opinions from established institutions and financial authorities over the years. In time, you will develop mastery over your strategy. Mastery will give you confidence. Confidence will lead you to success and better decision-making over time.

When You Fall, Get Up and Move Forward

"A teachable spirit and a humbleness to admit your ignorance or your mistake will save you a lot of pain. However, if you're a person who knows it all, then you've got a lot of heavy-hearted experiences coming your way." [36]

If you've been scammed, being too stubborn to admit that you've made a mistake in making an investment will do you more harm than good. Actually, it might not do you any good at all. If you point fingers on who should be blamed and if you do not acknowledge the fact that you had responsibility over the deal, then you will not be conscious that you need to change something with the way you do your financial transactions. When you start blaming other people, you distance yourself from any possible lesson.[37] If that is the case, then you might fall prey again to another scam.

It is not easy to concede that you were at fault, but it's a crucial step to learn from the experience. Accepting the fact that you had

---

[36] Carpenter, Ron Jr. The Necessity of an Enemy: How the Battle You Face Is Your Best Opportunity. Waterbrook Press: 2012

[37] *Id.*

shortcomings will commence for a deeper understanding on how to deal with future financial transactions better.

Getting scammed might be a setback for your financial goals especially if it involved a huge percentage of your savings or your portfolio, but it is best to divert your attention into recovering from the loss than sulking over the unfortunate event.

You will be able to build your wealth faster if you would be able to discover your unique path to success, which is based on sound financial literacy. If you have been spending most of the working years of life with only a mediocre income with discontent (not only financially, but also mentally and emotionally), then, you are really not living your fullest potential. The kind of life that you deserve will come slowly, if it will really ever come at all.

The best way for you to not be affected by scams is to be able to have a strong financial foothold. That way, even if you incur losses because of the volatility of the market, you would still be financially free regardless. Financial literacy is the only key for you to be able to unlock the path that will lead you to achieving financial success more than you've ever imagined.

APPENDIX

List of Some of the Previous Scams in Singapore

We could learn a lesson or two from previous scams that were busted or that have eventually crumbled down. This list is by no means exhaustive and updated (there is still a whole lot more, believe me), but these few are a goldmine of red flags we should all be wary of. While reading the details of these scams, together with the pointers you have learned on how to identify scams, you will be able to know their common characteristics and what the investors should've done before investing.

A Property Ponzi Scam

The mastermind behind this S$35.4 million scam (in capital alone), Leong Lai Yee, sustained this Ponzi scheme for five long years. Ms. Leong duped 53 investors by claiming to buy and sell distressed properties in Singapore's prime districts with promised returns of 10% to 30% over a period of only six to eight months with virtually no risks (since potential buyers are supposedly required to pay a 40% deposit upfront which would be forfeited if the buyer backed out). The scheme worked like this: Ms. Leong invited her victims to invest with her so that she could buy distressed properties in Tanglin, Orchard, or Newton (which were supposedly on the verge of being repossessed by banks), then, she would sell them marked-up to buyers in China. She told her victims, some of whom were her close friends, that she was working with a banker who was privy to the distressed properties, and that she had “insider knowledge”. She also told investors that she used a lawyer to complete the transactions, although she never showed her victims any documentation.

Between 2012 and 2015, Ms. Leong ran a second Ponzi scam where she told victims she was providing business financing to start-ups or short-term financing to businesses. She invited victims to invest with her for returns of 7 to 9 per cent.

Ms. Leong encouraged her victims to increase their investments with her by selling their gold items or withdrawing from their Central Provident Fund savings. The money was distributed among the victims to create the impression that the investments were lucrative.

An investor who was conned by Ms. Leong said that they were lured into the schemes because of the testimonies of those who had known her for a long time. Ms. Leong even invited some of the investors to her posh home in Tanah Merah for Chinese New Year parties. She would go for dinner with the investors, laugh with them, even go overseas for holidays with them – and so no one suspected her of fraud.

Ms. Leong built up trust and goodwill for many years, and investors never really encountered any problems. It was reported that there were even investors who exited early and got their capital and pro-rated returns back.

Both of Ms. Leong’ schemes were Ponzi in nature, in that they needed to be sustained with fresh funds from new investors to pay those who invested earlier.

When her schemes started to unravel, Ms. Leong tried to raise more funds by offering higher returns in shorter periods of time. In September 2014, Ms. Leong advised her investors that payments would be postponed to December. Later, she postponed it again to March 2015, and finally, to May 2015. When May 2015 came, instead of money, what the investors received was a letter informing them that their money was gone and that she was going to kill herself. She then fled the country before the Commercial Affairs Department began investigations. On 2 November 2019, Ms. Leong surrendered herself to the Singapore Embassy in Bangkok, Thailand. She was then sentenced to 14 years behind bars.

Source:
http://www.straitstimes.com/singapore/courts-crime/investors-caught-in-60m-ponzi-scam

https://www.todayonline.com/singapore/14-years-jail-housewife-mastermind-staggering-s35m-ponzi-scams

Bitcoin Investment Scam

The Straits Times reported approximately S$78,000 being lost to bitcoin investment scams between September and November 2018. These scams targeted Singapore residents through advertised articles online. The articles portrayed glowing endorsements from public figures who have supposedly earned a lot of money from the cryptocurrency investments. The bitcoin investments were advertised as being safe and highly lucrative. Victims who provided their contact details on the investment websites would receive a call from a “representative” of the scheme. These schemes usually operated from foreign countries, and were unregulated by the Monetary Authority of Singapore. These offshore investments carried an additional risk of fraud as it was difficult to verify their authenticity.

The MAS does not currently regulate cryptocurrencies and cryptocurrency investments, and no safeguards or guarantees are offered for such investments.

Sources:
https://www.straitstimes.com/singapore/courts-crime/78k-lost-to-bitcoin-investment-scams-in-last-3-months

https://www.ccn.com/bitcoin-scams-swindle-singapore-investors-for-78000-in-3-months/

Scratch-and-Win Scam

According to reports, across the causeway, a considerable number of people fall for scratch-and-win scams.

This is how the scammers operate: a person claiming to be working for a large company (like a supermarket chains) would approach their victim and would entice them to try their luck with a scratch card. When the victim does so, they would be told that they had won a mystery prize. The scammer would then persuade the person to go with them to their office to claim their prize. Once the victim is in their “office,” the crooks will reveal the mystery prize – which is usually a cheap electronic product like foot massagers.

Afterwards, the victim is offered a chance to win a bigger prize but he or she would need to pay for fake “expenses or costs” like taxes before they could get the prize.

For example, in July 2013, a middle-aged secretary, Ms. Gong, was approached by two women at the pedestrian bridge linking the Sultan Iskandar Customs, Immigration and Quarantine Complex, and City Square mall. After being convinced to claim her mystery prize in their office, the con artists lured her with a chance to win a luxury sedan by paying S$25,200 in advance as excise tax. They convinced her by showing her newspaper clippings and photographs of previous big-prize winners. They then drove her to Senai airport where they took the said amount from four of her credit cards at a money changer.

Source: http://www.straitstimes.com/singapore/singaporeans-still-falling-victim-to-scratch-and-win-scams-in-malaysia

A Gold Investment Scam

A gold investment company called The Gold Label swindled more than 2,000 investors in a multi-million-dollar gold buyback scam. The company sold physical gold bars to investors at a 20% mark-up over prevailing gold prices, promising them returns as high as 24 per cent per annum, and offering to buy back the gold bars at the same purchase price after a specified period of time. Under the buyback scheme, The Gold Label recorded a turnover of close to S$150 million.

The company did not operate any substantive profit-generating business and did not have the means to honour its buyback promises. It was wound up by its creditors when it failed to make good on its obligations.

Two of The Gold Label directors Mr. James Iseli Rudolf Maitland and Wong Kwan Sing were charged with fraudulent trading on 28 October 2018, and the remaining director was arrested in Malaysia in January 2019. The trio could face a jail term of up to seven years, a fine of up to S$15,000, or both.

Source:
https://www.straitstimes.com/singapore/courts-crime/trio-arrested-for-multi-million-dollar-gold-investment-scam

An MLM Business Scam

The Sunshine Empire scam is considered to be one of the most famous Ponzi scams that took place in Singapore. It was structured as a multi-level marketing (MLM) business which sold lifestyle packages that had corresponding membership points which could be exchanged for products in the Sunshine Empire online store. Aside from that, they also promised returns of 100% in a year! For example, if you were to invest $12,000, you were promised $1,000 for the next nine years.

As was to be expected, the payouts eventually started to fade away until they finally stopped altogether.

Three years after it was founded in 2006, the company was shut down. Its president James Phang, his wife Neo Kuon Huay, and Jackie Hoo (the company's former director) were found guilty of fraudulent trading, falsifying of accounts, and abetment to criminal breach of trust as an agent. According to the district judge who handled the case, the returns were unsustainably high which meant that new investments were needed to supply for the returns of those who invested earlier.

Sunshine Empire was also charged in Malaysia for accepting deposits from the public without a valid license. The company was fined RM2 million. After serving six years in prison in Singapore, Mr. Phang was charged in the Malaysian court for assisting the Malaysian affiliate of Sunshine Empire, with each charge carrying a maximum of 10 years' imprisonment and/or a maximum of RM10 million upon conviction.

Sunshine Empire scammed nearly S$190 million from the Singaporean public in total, with over 26,000 “lifestyle packages” sold to Singaporeans promising high returns on their investments. The scheme is also believed to have amassed RM230 million, of which RM20 million had been forfeited by the Malaysia High Court under an anti-money laundering and anti-terrorism financing law.

A Few More Links to Scams in Singapore

Note: These links were checked and found to be still working at the time of writing this compilation. Changes in the publishing, web rights, or site address as deemed by each of their own administrators might affect their future availability.

http://www.scamalert.sg/in-the-media.html

http://www.investopenly.com/2015/07/5-scams-to-look-out-for-in-singapore.html

https://sg.news.yahoo.com/here-s-how-to-spot-and-avoid-singapore-s-worst-online-scams-035200536.html