

Online scams hurt investor confidence, seen as 'lucrative' by syndicates

24/12/2024
KUALA LUMPUR: The government must intensify efforts to curb online financial scams, which, if left unchecked, will affect trade, tourism, as well as investor confidence and derail Malaysia's zeal to emerge as a foremost investment destination.

In making the call, Graymatter Forensics Advisory Sdn Bhd managing principal Raymon Ram also revealed that organised crime syndicates were increasingly resorting to online scams, saying it has become a very "lucrative" business.

This was not good for the economy as no investor would want to do business in a jurisdiction where the rate of scams was very high, he told Bernama after Bernama TV's "The Nation" programme last week where the topic "The Economic Fallout of Scams" was discussed.

Graymatter Forensics Advisory is a boutique firm specialising in financial forensics and fraud risk management.

In response to questions posed by the programme's host Pasha Rahim, he said the losses from online scams, amounting to three per cent of the country's gross domestic product (GDP), equivalent to RM54 billion, is an "alarming economic cost."

Raymon nevertheless lauded the government's efforts currently in doing the right thing in tackling the root cause of such scams.

They included encouraging more vic-

tims to report to the National Scam Response Centre (NSRC).

The authorities were also taking proactive steps to freeze accounts of mules comprising students, including foreign students, who easily give up their bank accounts to scamming syndicates.

The National Risk Assessment statistics by Bank Negara Malaysia highlighted "that fraud is our main issue and the root causes of fraud are mule accounts," he said.

Mule accounts are reportedly bought from the original account holders, who could comprise students, at RM500, which are then used to transfer the money that is scammed from victims.

"So, investor confidence needs to be boosted by showing the rate of recovery, which will show we are attending to these problems (seriously)," he said.

The Ministry of Finance (MoF) told the Dewan Negara on December 19 that about 22,000 cases of scams involving losses of over RM147 million as of September 2024 were reported by victims to NSRC.

Over 43,000 suspected mule accounts were identified for action from financial institutions to block multiple layers of transactions used to hide illicit funds," MoF said.

Raymon said trade and tourism would also be affected by the high rate of scams while stressing that the Covid-19 pan-

demie has pushed people towards the digital economy.

"But for people to triumph in the digital economy, it must be built on trust (and) if we see the rates of scams still going up, we would definitely not be able to lead the change in the region," he said.

He said losses from scams are almost close to the amount of investments made in major sectors like healthcare or infrastructure development.

He said organised crime is now focused on scams and online fraud as "it's much more luxurious for them to move into such criminal behaviour compared to drug trafficking, trafficking or smuggling due to the cost-benefit effect" whereby there is less chance of the real culprits being caught by the authorities.

He expressed concern that the losses would rise beyond three per cent of GDP "if we do not do much about it."

Raymon said scams have evolved into transnational crime, contributing to the outflow of funds as well.

"When we see scams today, most of these scams are in areas that are being set up as special economic zones for scams, it's outside of Malaysia, like border towns of Myanmar, and Cambodia, based on reports that are coming out.

"The outflow of funds going there is definitely going to be affecting our econ-

omy as well," he added.

He also urged small and medium enterprises, recognised as the backbone of the country's manufacturing sector, to exercise greater vigilance in managing their businesses, safeguarding customer information and protecting their funds.

Raymon said the advent of artificial intelligence (AI) has led to an increase in online scams as it allows imitating voices through voice modulation and even visual scams where videos emerge of people close to us.

He called on scam victims to report to the NSRC as it is a good initiative and which today has been beefed up with the launch of the National Fraud Portal (NFP), a technology-based platform to detect, verify and track fraudulent activities reported to the NSRC.

MoF said the NSRC received 64,000 calls, including case reports from scam victims and advisory services from the general public.

NFP was established to strengthen the NSRC in tracking and freezing funds.

"Since its launch in April 2024 to September 2024, the NFP has successfully reduced the time required to trace funds by 75 per cent and increased the amount of frozen funds by 34 per cent compared with the monthly average before the portal's launch," MoF added. -Bernama