

Illegal transactions in foreign currencies

INTRODUCTION

The information in the following pages will provide greater awareness of the dangers of being involved in illegal activities specifically on:

- A. Remitting funds overseas through illegal remittance agents
- B. Trading in foreign currencies

A. Remitting funds overseas through illegal remittance agents

If you want to send money overseas, either for yourself or on behalf of someone, do not use an illegal remittance agent. Your money may not reach its destination. Use an authorised remittance agent (e.g. a bank) instead for safety.

WHAT IS A REMITTANCE

A remittance of funds overseas is a payment made to a person in another country. This includes sending money to children studying overseas, foreign workers sending money to families back in their home country or payments made for the import of goods and services.

The remittance of funds overseas can only be conducted through dealers and companies authorised by Bank Negara Malaysia. These include banking institutions and non-banks. Please refer to Bank Negara Malaysia's website for the list of approved remittance service providers.

Only approved remittance service providers are authorised to remit (send) monies/funds overseas on behalf of members of the public, importers, exporters or investors. As these dealers deal only with licensed agents in the receiving country, they can ensure that the monies are remitted to the rightful beneficiaries.

ILLEGAL REMITTANCE

Illegal remittance is sending money overseas through companies that are not authorised by Bank Negara Malaysia to conduct such business. There are no money-back guarantees if you deal with illegal remittance agents. The usual characteristics of illegal remittance agents are:

- They normally operate on a small scale
- They claim that they are able to provide remittance services efficiently, without the need for any documents or identification
- They rarely use documents to validate and verify the transactions

HOW TO REPORT ILLEGAL REMITTANCE ACTIVITIES

If you suspect that someone is involved in providing illegal remittance services, you can lodge a report with Bank Negara Malaysia at the following address:

Foreign Exchange Administration Department
Bank Negara Malaysia
Jalan Dato' Onn, 50480 Kuala Lumpur

Telephone: 03-2698 8044 ext 8211 or 8233
Fax: 03-2691 3266

ACTION TAKEN AGAINST ILLEGAL REMITTANCE AGENTS

Bank Negara Malaysia continuously monitors feedback and reports from members of the public on illegal remittance activities in Malaysia. The Investigation Unit in Bank Negara Malaysia regularly conducts raids on agents suspected of providing illegal remittance services. Monies seized during raids are confiscated while the operators are punished according to the law.

B. Trading in foreign currencies

If you have money to invest, invest wisely so that your money is safe. Do not be cheated, persuaded or forced into investing your hard earned money in 'high and quick return' investments such as in foreign currency trading scams. You will lose all your money.

Be wise. Keep your hard earned money in investments that are regulated by the Government. Sleep in peace and enjoy your retirement.

THE NEED FOR FOREIGN CURRENCY

Foreign currency notes and coins are normally required if you want to travel overseas. Importers and exporters, require foreign currency for making payment for their imports and other trade transactions. These foreign currency needs can only be met by licensed money changers and authorised dealers. The authorised dealers are:

- All banking institutions
- All Islamic banking institutions
- Bank Islam Malaysia Berhad
- Selected Non-banks dealers

The list of selected non-banks dealers can be obtained from the bankinginfo website.

FOREIGN CURRENCY TRADING BY UNAUTHORISED PERSON IS ILLEGAL

In Malaysia, all foreign currency dealings must be made with or through an authorised dealer. A person (individual or company) who is not an authorised dealer is not allowed to offer services or trade in foreign currency.

Foreign currency trading refers to activities involving the investment of monies/funds in foreign currency with the objective of getting high returns from movements in exchange rates. Hence, if you have been approached to invest your money in foreign currency, it is most definitely a foreign currency trading scam!

FOREIGN CURRENCY TRADING SCAMS

Many unsuspecting Malaysians have been cheated by foreign currency trading scams and as a result have lost millions of ringgit. Such scams are conducted by companies which operate illegally. The illegal operators normally target job seekers and investors who seek quick and high returns for their investments.

WARNING SIGNS FOR JOB SEEKERS

Do not be involved in assisting illegal operators and cheating innocent people. Check with Bank Negara Malaysia before accepting employment in such places.

HOW TO DETECT ILLEGAL OPERATORS

These illegal operators/companies normally:

- Place attractive advertisements to lure others to listen to their convincing but bogus marketing plan
- Have their headquarters overseas
- Have impressive offices and IT facilities
- Conduct training to prospective employees on the principles of foreign exchange trading and hands-on exercises on foreign currency dealing using dummy or fake transactions under an environment controlled by the operator. Normally, all such dummy transactions will result in profits
- Hire employees based on commission and they are not given a proper employment letter or contract stipulating the employment terms and conditions

Before employees can start dealing, they are required to look for potential investors and collect deposits from them. Otherwise, they risk losing their jobs. In many of the cases referred to Bank Negara Malaysia, employees who are not able to get clients will resort to borrowing from their parents or family members to invest.

WARNING SIGNS FOR INVESTORS

Illegal operators of foreign currency trading scams will try to impress potential investors:

- With the marketing strategy of the company which promises quick and high returns
- By portraying a professional and reputable image with smart-looking employees, a high-tech office layout and advanced IT facilities. In some cases, investors are even allowed to operate their account via internet
- With tools of the trade e.g. a news screen showing movements in exchange rates to give the impression that a professional and legitimate business is being conducted. These facilities are merely cosmetic and do not reflect an actual foreign currency trading office

Investors can either trade using their trading accounts with the company or through dealers appointed by the company. Investors are also required to sign a business contract which is normally entered between the investors and the company. In most instances, the operators will inform the investors that they will have to send such contracts to its company's headquarters based overseas for signing. However, such contracts are usually left unsigned. As such, in the event the investors are not happy with the transaction, no action can be taken against the company as there is no binding contract between them.

In the cases reported to Bank Negara Malaysia, there are two scenarios on how investors usually lose their money:

Scenario 1:

Investors will usually get high returns on their initial investments. This will convince investors to increase their investments to make higher returns. Eventually they will end up losing everything when the owners of the company suddenly go missing.

Scenario 2:

Investors who have lost their money were told that the market will go up and if they were to increase their investment, they may be able to get back their money. Obviously, this did not happen and they ended up losing everything they had invested.

HOW TO REPORT FOREIGN CURRENCY TRADING SCAMS

If you have been offered a job to look for potential investors in foreign currencies or have been approached to invest in the foreign currency market from a company, you can lodge a report at the following address:

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Bank Negara Malaysia
Jalan Dato' Onn, 50480 Kuala Lumpur

Telephone: 03-2698 8044 ext 8211 or 8233

Fax: 03-2691 3266

ACTION TAKEN AGAINST ILLEGAL OPERATORS IN FOREIGN CURRENCY TRADING

Bank Negara Malaysia continuously monitors foreign currency trading activities in Malaysia to detect any illegal activities. Actions, including raids on such illegal operators are continuously carried out by the Investigation Unit in Bank Negara Malaysia. Monies seized during raids will be confiscated and operators will be punished according to the law.