



# Safeguarding Against Securities Market Frauds

# Flow of Presentation

01

## **What is meant by Securities Market Frauds**

An overview of what constitutes securities market fraud.

02

## **Reason why people fall prey of Frauds**

Exploration of the factors that lead individuals to become victims of fraud.

03

## **Types of Securities Market Frauds**

Discussion of different categories of fraud found in the securities market.

04

## **Modus Operandi of Securities Market Frauds**

Analysis of the methods and techniques used by fraudsters in the securities market.

05

## **Impact of Securities Market Frauds**

Understanding the consequences and effects of fraud on the market and investors.

06

## **How to identify Frauds - Common features of frauds**

Guidance on recognizing signs and characteristics of potential fraud.

07

## **Measure Undertaken by SEBI and Stock Exchanges**

Overview of the to combat securities fraud.

08

## **Where to Report/Whom to Complaint**

Information on the appropriate channels for reporting fraud and filing complaints

09

## **How to protect Yourself from Securities Market Frauds**

Strategies and tips for individuals to safeguard against fraud in the securities market.



# What is meant by Securities Market Frauds



## What is Fraud

Market fraud involves deceptive or manipulative practices aimed at profiting from the misuse of information or the exploitation of investors.

## Cyber Fraud

Illegal activities that exploit technology to deceive or steal information from individuals or organizations.

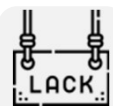
## Importance of Understanding Frauds

Protect your investments, maintain market integrity, and contribute to a healthy financial ecosystem

# Reasons Why People Fall Prey to Securities Market Fraud



**Greed for High Returns**



**Lack of Awareness**



**Trust in Unverified Sources**



**Pressure to Act Quickly**



**Reliance on Unregistered Entities**



**Fear of Missing Out (FOMO)**



**False Trust in Online Platforms**



# Types of Securities Market Frauds

## **01 Social Media /Cyber Frauds**

Through unverified/fake apps and websites for trading and investment.

## **02 Unregistered Entities and Other Fraud**

Misuse of social media and dissemination of unauthentic news/rumors.

## **03 Fin-influencer**

Influencers promoting fraudulent financial schemes.

## **04 Pump and Dump Schemes**

Involves artificially inflating stock prices.

## **05 Identity Theft/Phishing**

Stealing personal information for fraudulent purposes.

## **06 Investment Advisors/ PMS/Research Analyst**

Frauds related to investment advisory services

## **07 Unsolicited Investment Tips**

Receiving unsolicited advice can lead to scams.

## **08 Ponzi Schemes**

Investment scams that pay returns to earlier investors using new investors' funds

## Modus Operandi Social Media Frauds



### Recruitment of Victims

Illegal activities that exploit technology to deceive or steal from individuals or organizations.



### Misleading Investment Advice

Once the individual joins the group, they provide misleading investment advice or recommendations, often based on insider information or fraudulent claims.



### Fake Testimonials

They also share fake testimonials or success stories to build credibility and attract money investors



### Access to Fake Trading Platforms

They may offer access to fake trading platforms or apps that simulate real-time trading activity



### Impersonation of Registered Intermediaries

Fake trading apps/websites  
Impersonating SEBI registered Intermediaries

## Modus Operandi Social Media Frauds



### **Transfer of Funds**

Victims are asked to transfer funds to third party bank accounts (not in the name of alleged SEBI registered intermediary).



### **Mule Bank Accounts**

These third party bank accounts are 'Mule Bank Accounts' and funds are siphoned off through multiple layered transfers within India or abroad



### **Fake Apps**

The fake apps will reflect funds transferred by the victims.



### **Encouragement for More Transfers**

Based on huge paper profits, the victims are encouraged to transfer more funds.



### **Withdrawal Issues**

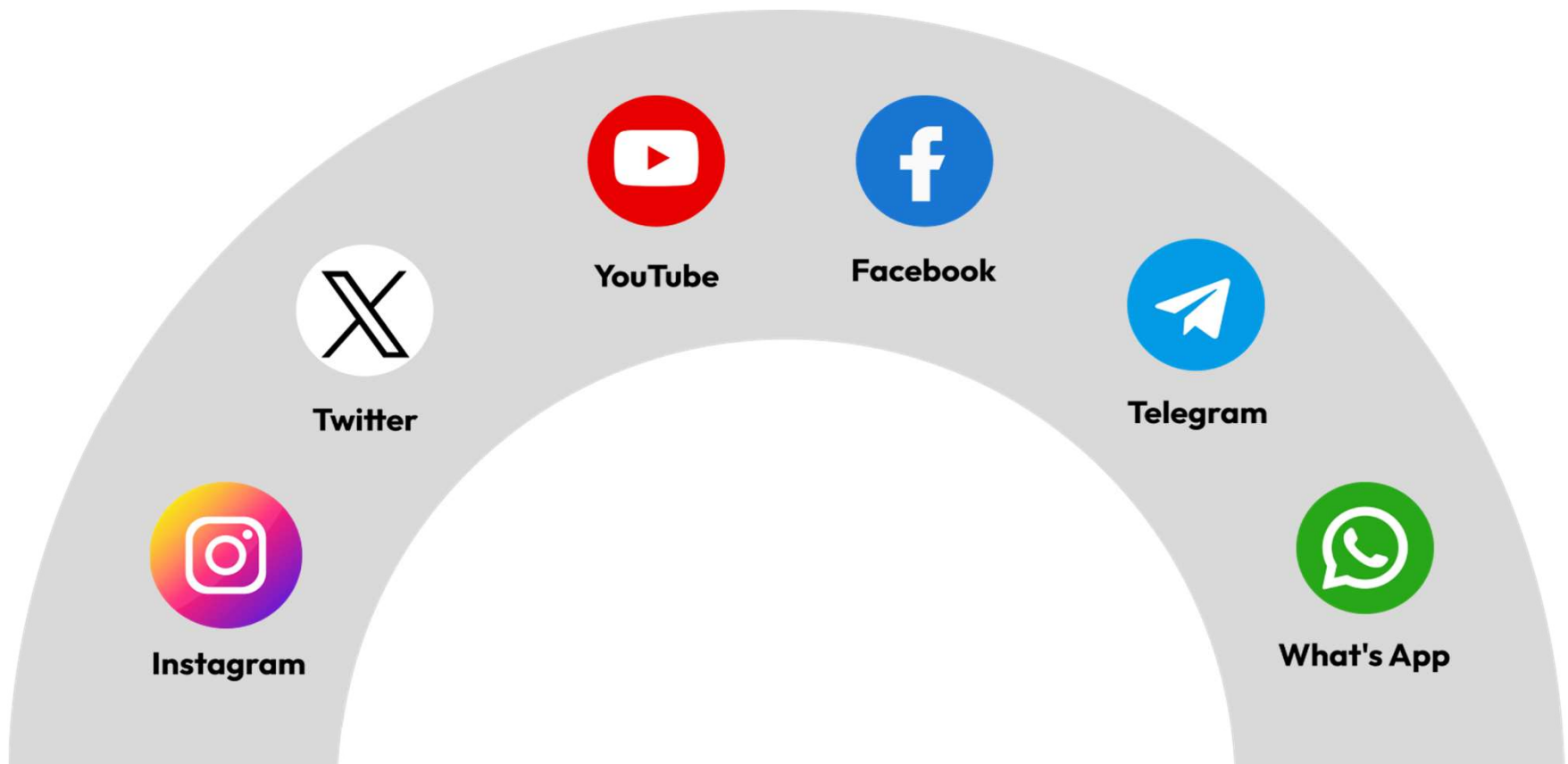
Although huge profits are reflected in the App, the App stops functioning when the victims try to withdraw funds.



### **Video Resources**

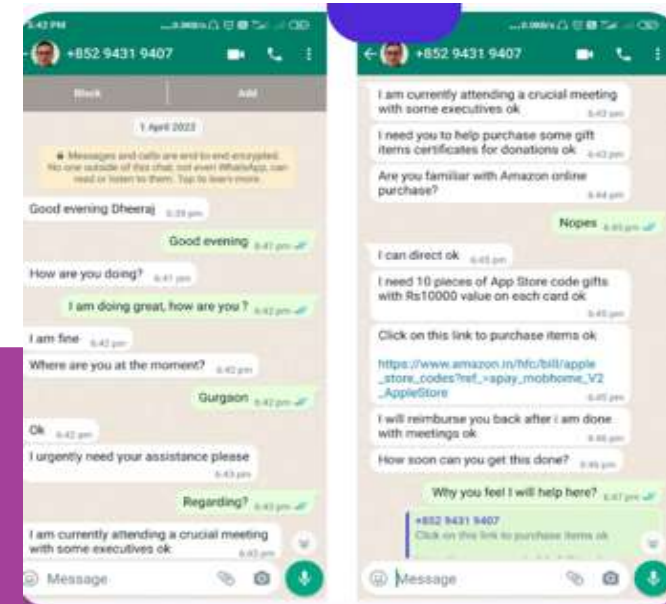
For more information, refer to the following links:  
[https://www.youtube.com/watch?v=RU8Vk\\_3nvos](https://www.youtube.com/watch?v=RU8Vk_3nvos)

## Modus Operandi of Social Media Frauds





# Social Media Fraud Messages



## Modus Operandi of Identity -Theft/Phishing

**01**

### **Social Media/Cyber Frauds**

Phishers identify potential victims through various methods, such as email lists, social media profiles, or public records.

**02**

### **Crafting Phishing Messages**

They create emails, text messages, or other communications that appear to be from legitimate sources (e.g., banks, online retailers, government agencies)

**03**

### **Creating a Sense of Urgency**

Phishers often use a sense of urgency or fear to pressure victims into acting quickly

**04**

### **Tricking Victims into Clicking**

They include malicious links or attachments that, when clicked, download malware or lead to fraudulent websites

**05**

### **Information Gathering**

Once a victim clicks on the malicious link or attachment, their personal or financial information can be stolen

**06**

### **Exploitation**

Phishers use the stolen information for various purposes, such as identity theft, financial fraud, or spreading malware

# Finfluencer Frauds

01

## Emergence of Finfluencers

Social media has become a primary source of information, with a rise in 'finfluencers' providing financial advice

02

## Definition of Finfluencers

Individuals sharing financial advice, investment tips, and money management strategies on platforms like Instagram and YouTube..

03

## Risks of Biased Information

Finfluencers might promote misleading information to increase their following or earn commissions.

04

## Description of Finfluencer Scams

Scams where finfluencers use online platforms to mislead followers into poor financial decisions

05

## Pump-and-Dump Schemes

Finfluencers promote specific stocks to inflate prices before selling their own holdings.

06

## False Promises

Finfluencers often promise unrealistic high returns or quick wealth accumulation.

07

## Unregistered Advice

Finfluencers frequently give advice without proper registration or qualifications.

08

## Affiliate Marketing

They promote financial products for commissions without disclosing affiliations.

## Modus Operandi of Pump and Dump Scheme

**01**

### **Target Selection**

The scammer chooses a stock, often a microcap or penny stock, with a low market capitalization and limited public information.

**02**

### **Accumulation**

They quietly buy large quantities of the targeted stock at a low price.

**03**

### **Promotion**

The perpetrators spread false or misleading information about the company or its prospects to create a buying frenzy. This can be done through social media, online forums, or paid promotions

**04**

### **Pumping**

As more investors buy the stock, the price rises due to increased demand.

**05**

### **Dumping**

Once the price reaches a peak, the perpetrators sell their shares at a significant profit, causing the price to fall.

**06**

### **Disappearance**

The perpetrators often disappear, leaving investors holding the devalued stock.



## Modus Operandi of Unregulated Investment Advisor/PMS/RA

**01**

### **Misrepresentation**

They make false or misleading statements about their qualifications, experience, or investment strategies.

**05**

### **Hidden Fees**

They charge excessive or hidden fees, which can significantly erode investment returns

**02**

### **Unsolicited Calls and Emails**

They aggressively solicit investments through cold calls or unsolicited emails, often targeting vulnerable individuals.

**06**

### **Churning**

They engage in excessive trading to generate commissions, regardless of the investor's best interests.

**03**

### **High-Pressure Sales Tactics**

They use high-pressure tactics to persuade investors to make immediate decisions without proper due diligence.

**07**

### **Unauthorized Trading**

They trade without proper authorization from the investor, potentially leading to significant losses.

**04**

### **Guaranteed Returns**

They promise unrealistic or guaranteed returns, which are often too good to be true .

**08**

### **Misappropriation of Funds**

They may use misappropriate investor funds for personal use or other fraudulent purposes.

## Modus Operandi of Unregistered Portfolio Management Services

- 01 Social Media Recruitment**  
Potential victims are lured through social media platform
- 02 Promise High Returns**  
Investor are promised consistent high return in a short timeframe.
- 03 Fake Testimonials**  
Fictitious testimonials are presented to build credibility.
- 04 App-Based Investment**  
Investor are encouraged to download an app and start investing.
- 05 Bank Account Details**  
Bank account details are provided for fund transfer.
- 06 Deposit Amount Reflecting in App**  
Deposited funds are immediately visible in the app
- 07 Unauthorized Trading**  
Deposited amount are visible in the app to gain trust
- 08 In App Trading**  
Trade occur within the app, not on actual stock exchange platform
- 09 Withdrawal Obstacles**  
Attempt to withdraw large sum are met with demands for additional payment (e.g , TDS , GST )
- 10 App Malfunction**  
The app becomes non-functional when investors try to withdraw significant amount.

## Modus Operandi of Unregistered Portfolio Management Services /Account Handling

**01**

### **Luring the victim**

Potential victims are referred by family/friends or lured through social media platform with promise of high return.

**02**

### **False Profit**

Falsely inflated profits are displayed to attract more clients.

**03**

### **Seeking account credentials**

The alleged entity request victim to share their trading account credentials

**04**

### **Trade Execution**

Once victims provide their credentials the alleged entity executed trade using the investor's account

**05**

### **Informal Agreement**

Terms of services involve either profit-sharing or fee based agreement

**06**

### **Excessive fees**

Excessive fees are charged for managing the account

**07**

### **Initial Profits followed by losses**

Initially, victims may see profits in their trading accounts, followed by losses

**08**

### **Promise of Recovery**

The alleged entity promise to recovery losses and generate substantial profits.

## Modus Operandi of Ponzi Schemes



### Recruiting Investors

The Scheme's operator attracts new investor by offering attractive or guarantee returns



### Paying Returns from New Investments

The operator uses money from new investor to pay return to existing investor, creating the illusion of profitability



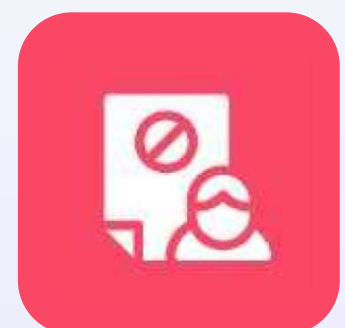
### Hiding the Truth

The operator avoid disclosing the scheme's true nature and risks



### Growing the Scheme

As the scheme grows, the operator recruits more investor to sustain the payments



### Collapse

The Scheme eventually collapses when the operator can no longer find new investor to cover the pay-outs, or when investor become suspicious and withdraw their funds



# Modus Operandi to Manipulate the Price of Stock by Using Deepfake

## 01 Gathering Authentic Footage



Gathering authentic footage of target individuals (e.g., CEOs, financial experts)

## 02 AI Algorithms for Manipulation



Using AI algorithms to manipulate facial expressions, voices, and gestures

## 03 Creating Realistic Deepfakes



Creating realistic deepfake videos or audio recordings

## 04 Sharing Deepfakes



Sharing deepfakes on social media platforms, messaging apps, or through email

## 05 Building Trust with Investors



Build trust with potential investors

## 06 Directing Investor Trades



Directing investors to trade in particular shares

## 07 Selling Shares for Profit



Selling the share after increase in prices

# The Impact of Securities Market Frauds

**01**

## **Undermines Investor Confidence**

Undermines investor confidence in the financial markets, leading to decreased participation and investment.

**02**

## **Economic Impact**

Investors lose money due to scams, impacting the overall economy.

**03**

## **Reputation Damage**

Tarnishes the reputation of the financial markets, discouraging investment and economic growth.

**04**

## **Regulatory Challenges**

Hinders the effectiveness of regulatory measures aimed at protecting investors and ensuring market integrity.

**05**

## **Unfair Advantage**

Scammers gain an unfair advantage over honest investors, distorting the market and reducing opportunities for legitimate businesses.

**06**

## **Undermines Regulatory Efforts**

Undermines regulatory efforts to maintain market integrity.

## Common features of Securities Market Fraud



**Guaranteed High Returns**



**Unregistered Unverified Entities**



**Lack of Transparency**



**Pressure Tactics**



**Complex or Confusion Schemes**



**No clear Schemes**



**Unsolicited Investment Offers**



**Non- Transparent Fee Structure**



**Claims of Insider Information**



**Too Good to Be True**

# Measure undertaken by SEBI and Stock Exchanges to curb frauds



**Surveillance  
Measure**



**Investor  
Education**



**Enforcement  
Action**



**Press Release to  
Caution Investors**



**Regulatory  
Framework**



**Taking down of  
fraudulent content by  
Media Monitoring Cell**

## COMPLAINT LODGING IN SECURITIES MARKET FRAUDS

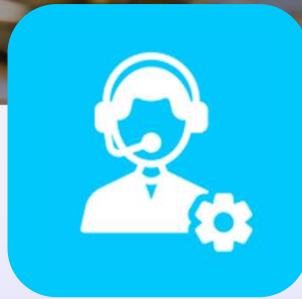
Where to Lodge Complaint in cases of Securities Market Frauds/cyber Frauds



**Securities  
and  
Exchange  
Board of  
India  
(SEBI)**



**Indian Cyber  
Crime  
Coordination  
Centre (14C)**



**Cyber  
Crime  
Helpline  
number  
1930**



**Local  
Police  
Station**



**Appropriat  
e court of  
law**

# How to Protect Yourself from Securities Market Frauds



01

## Securities and Exchange Board of India (SEBI)

Only deal with SEBI recognized intermediaries/entities. Provides details of all intermediaries registered with SEBI. Link: <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>

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02

## Identify Registered Mobile Trading Apps

Identify registered mobile trading apps. Link: <https://investor.sebi.gov.in/Investor-support.html>

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03

## Use SEBI Spot A Scam Toolbar

Helps to identify the scam/fraud. Link: <https://investor.sebi.gov.in/spot-any-scam.html>

# How to Protect Yourself from Securities Market Frauds



**No cash dealing /  
No assured returns**



**Do not sign  
blank KYC  
read thoroughly  
before signing**



**Do not deal  
with unregistered  
intermediaries**



**Do not share  
password/OTP**



**Do not keep funds  
idle with the  
stock broker**



**Avoid herd  
mentality**



**Invest in financial  
product that you  
understand**



**Don't click on  
unknown link**



**Do not trade based  
on stock tips from  
unauthenticated  
sources**



**Do not fall prey  
to fraudster  
sending emails and  
SMS promising huge  
profits**



Thank You