

Financial Scams - Deception Concealed in Sincerity

'Asha', a 21-year-old young girl had only one dream: to pursue higher studies abroad. In the process of applying for a scholarship to make her dream come true, she develops a friendship with Dr. Carl, a foreigner. Asha who is usually skeptical in trusting strangers however does not hesitate to trust Dr. Carl since he supports her only dream. They share contact numbers and become friends on social media.

Their friendship blossoms over time and one day Dr. Carl informs Asha that he needs to send her a gift of gold jewelry and a 100,000-dollar cash prize. He sends her a photograph of the gift and promises to deliver it as soon as possible. Asha is delighted and three days later she receives a call from a person named Harry who introduces himself as a friend of Dr. Carl and says that he is at the Bandaranaike International Airport, Katunayake and is in the process of clearing the gift. Harry requests Asha to deposit Rs. 100,000 to a local bank account as clearance charges. Asha, without any second thoughts, trusting her friend Dr. Carl and the photograph she sent, deposits the said amount. A short while later, Harry contacts Asha again and requests Rs. 295,000 to be deposited to the same bank account as Customs clearance charges to clear the dollar cash prize from Sri Lanka Customs (SL Customs). Asha inquires about this from Dr. Carl and upon his confirmation, deposits the same. Later, on the same day, Harry contacts Asha once again and informs that clearance must be obtained from the United Nations (UN) to bring dollars to the country at a fee of Rs. 900,000. Harry sends an image of the UN Clearance Certificate to confirm his statement and Asha, believing the UN official logo in the Certificate, deposits the sum of money to the same bank account. Harry further informs Asha that the UN clearance process will take around three days. After three days, Harry calls Asha and says as the final step to claim her gift; Rs. 500,000 needs to be paid to the Central Bank of Sri Lanka (CBSL) to convert the dollar cash prize to Sri Lankan rupees and sends her an image of a Certificate issued by the CBSL. During this entire process, Asha places her trust on Dr. Carl who constantly sends her messages assuring that his gift for her will be received soon and all these clearance charges are normal costs incurred when sending gifts from abroad.

At last, fulfilling the wish of Asha, Harry calls and informs that the gift is ready to be delivered to her doorstep. But after a little while, Harry calls Asha again and says that SL Customs has just now informed that the gift comprises another 900,000-dollar cash prize in addition to the initially confirmed 100,000-dollar cash prize. However, Asha does not trust Harry since Dr. Carl had initially promised only 100,000 dollars. She inquires about the new cash prize from Dr. Carl and he says that he did not disclose it since he wanted to surprise her.

However, at this point, Asha starts suspecting about the credibility and honesty of the promises made by Dr. Carl and requests made by Harry. She is tired and frustrated of paying large sums of money to unknown and unseen people which totals to Rs. 1,795,000 by now. As the last resort, she contacts CBSL and becomes aware that she has been a victim of a large-scale financial scam. Subsequently she takes necessary steps to inform the relevant law enforcement authorities. Even so, she has now lost her savings, her dream, her trust in people and faith in herself.

What is a Scam?

In a constantly changing world, human actions of sincerity and deception have continued, developed, and expanded via numerous avenues. Different eras show different ways and means used by humans to execute such actions. Scamming is one such way in which deceptive nature of humans comes into play. Scams have been defined by different sources in different perspectives. A scam can be a dishonest way to make money by deceiving people (Merriam-Webster's Learners Dictionary) or it could be a trick a con artist plays on an unsuspecting victim with the goal to extort money (American Bankers Association). Effective financial scammers 'sell a story' and scammers are not only good story tellers, but they really understand human nature and how to push the right buttons to get people to do things that otherwise normally they wouldn't want to do (Carlson, 2019).



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After considering the different definitions and opinions about scams, it can be deduced that a financial scam is an act designed by one or several persons in such a way to cheat money by deceiving people. Financial scammers have been in operation at a low level in the past but now have surged to a greater extent penetrating all societal groups. Advancement in technology and human traits such as illiteracy, greediness, self-centeredness, limitless expectations, and infinite curiosity as well as the easiness and quickness of earning money have largely contributed to the increase in financial scammers. Financial scammers generally have a short life span where a small to large financial loss happens in the blink of an eye.

A glance at the world:

Financial scammers have now become a global issue which has affected all regions in the world. During the year 2020, there had been more than 20,000 arrests in relation to mainly phone and internet scams across the globe (News and Events, 2020). Even the USA, a global superpower, has identified several types of financial scammers tormenting the society where gender wise, males and age group wise, the older generation are the most vulnerable groups to such scams (Phil Callett, 2017). At the same time, authorities of the global superpower educate the public about common scams and how to be safe (Common Scams and Crimes). Australia has identified vehicle scams, romance scams, online scams to be on the rise continuously (News & alerts, 2021). Fraud and financial crime is on the rise in the Middle East (PwC's Global Economic Crime and Fraud Survey, 2020). Research conducted in the area of financial scammers shows that only a minority of victims actually report to the relevant authorities, which clearly undermines the gravity of the growing problem of financial scammers in the United Kingdom (Financial Scamming - Our Campaign and Research to Date). Not only individuals, but the corporate world has also suffered in the hands of scammers (PwC's Global Economic Crime and Fraud Survey, 2020).

Parties to a scam:

A financial scam usually involves two parties: the scammer and the target group. This can be identified as the simplest form of financial scammers where the scammer will act alone and will directly approach the innocent victims. However, in the case of advanced financial scammers, there can be several parties to the scam comprising the scammers, which includes the scam initiator/s as well as intermediaries and the target group. The scam initiator/s shall plan the scam by providing the necessary intellect and resources and will seek the assistance of one or more intermediaries to execute the plan. Generally, in advanced financial scammers, it will be the intermediaries who will directly deal with the target group whereas the scam initiator will be acting behind the scene. There have been instances where foreign nationals have been the masterminds of financial scammers. The world has witnessed complex and well-planned large scale financial scammers where it had been almost impossible to identify and capture the scam initiator. Such scammers are similar to spider webs where once entangled, it will require great effort and will power to disentangle from the mess. Ranging from minute level to mass scale, scammers are being used by random

individuals as well as organized criminal groups to cheat money out of people.

Areas being targeted:

Financial scammers are executed in diverse areas.

◆ Employment

Scammers target the job-hunting need of people by promising local or foreign employment for a fee. The job hunter, in desperate need for a job, will pay the requested fee at once without performing any background search of the supposed job supplier. However, in the end, the job hunter shall be left with a financial loss and without the promised job.

◆ Romance

This is an area where mostly women are targeted. Scammers approach both unmarried as well as married women by being kind and helpful and win their love and trust. Scammers then make false promises to marry them and plan the future together with the victimized woman. Then the scammer asks for money to make arrangements for the wedding / buy a house / migrate etc. and steals it.

◆ Assets and Products

Assets such as houses, vehicles, computers, musical instruments etc. and products such as cosmetics, medicines etc. are advertised through various media such as newspapers, social media etc. Initially the scammer will request for an advance fee payment to be deposited to a bank account. After the advance payment is deposited, the scammer will disappear with the money and become non-contactable.

◆ Winnings and Gifts

A supposed foreigner falsely promises lottery, gold, BMW, cash prize winnings from abroad. Then the foreigner, with the assistance of an intermediary who acts as his friend, instructs the victim to pay cash to settle courier charges, customs clearance, taxation etc., to a local bank account in order to claim the winnings. By the time the targeted person realizes he/she has been deceived, two or three cash deposits may have already been paid to the scammer resulting in a significant financial loss.

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◆ Financial Aid

Here, scammers target the financial needs of people such as poverty, debts, illnesses etc. Scammers act as helpers and try to provide assistance in various ways. In the case of poverty and debts, scammers may promise loans at a very low initial deposit. In the case of illnesses, scammers will try to help by opening bank accounts for cash collection. Once the initial deposit is made a considerable amount of funds is collected, it will be stolen by the scammer.

◆ Religion and Charity

Scams follow no ethics. Religious and charity concepts such as priests, nuns, donations, charities and foundations will be used by scammers to manipulate the embedded value system of people. Funds are deceptively collected in the name of donations for religious and charity purposes.

◆ Investments

Scammers act as financial advisors/fund managers and offer knowledge and assistance to generate high returns, quick profits and magnified initial capital. Investors are deceived into investing their savings and in the end both savings and potential returns will be lost.

◆ SWIFT messages

Drawing up fake SWIFT messages is another way used by scammers to deceive people. Here, scammers prepare fake SWIFT messages indicating unusually large sums of money would be transferred but with conditions to pay certain fees before the funds are released. However, it should be noted that these SWIFT messages only provide information about financial transactions hence do not entail such conditions. It is a mere message and not an instruction. However, lack of business acumen makes people victims of this scam and the scammers also mislead them into believing that financial institutions/regulatory authorities deprive them from receiving this money by holding it back.

◆ Corporate world

Scammers target not only individuals but companies as well. Scam emails, hacking databases and systems, misappropriation of financial assets are several methods used to steal wealth of companies.

Above-mentioned diverse areas in which scammers frequently occur clearly show that the scammers initially identify urgent human needs and wants, life ambitions, dreams and goals. Scammers will subtly approach people with such necessities, and their mindsets will be manipulated. Help and guidance will be offered in order to win their trust and once the trust is gained, the scammer will formulate ways to steal money from these innocent people. Even societal changes and trends such as COVID-19 pandemic have been used as platforms to execute financial scammers which clearly show the high degree of evolution and adaptability of financial scammers to environmental and social changes.

i.Channels used by Scammers:

Financial scammers are executed via different channels including but not limited to telephone calls, text messages, emails, social media, newspapers, and magazines. Financial scammers target anyone and everyone. Scammers employ different channels to approach different social groups. Telephone calls, text messages and social media are frequently used to lure women in romance scams. Social media together with attractive advertising, motivational speeches and convincing returns is mainly used to approach and deceive the younger generation. The older generation is targeted and captured by scammers through newspapers which is a news media still widely being used by them. Emails and telephone calls are generally used by scammers to target the middle-aged group.

ii.Analysis of the Real-Life Scenario:

The real-life scene faced by Asha is a day-to-day scam taking place in Sri Lanka. It can be seen that this financial scam is executed by an organized group. Several parties namely Dr. Carl, Harry and the local bank account holder act on the surface whereas there can be many other parties operating behind the scene as well. It is not clear who the mastermind behind the scam is. However, there is a possibility of it being Dr. Carl or it could be that all the mentioned parties are intermediaries of the scam and the mastermind not being in the forefront but taking necessary steps to ensure the smooth and flawless conduct of the scam.

Dr. Carl allures Asha through social media by sharing and nurturing her only dream, targeting her young age, sending her an irresistible gift and by acting as a responsible and educated person holding a Doctorate. Human aspects such as ambition, age, curiosity, and status have been manipulated in this scam. He wins her trust by sending her a photograph of the gift and Asha believing what she is seeing pays out from her life savings to claim a gift from a total stranger.

In financial scammers, common English names such as Harry, Carl, William, Mike etc. are normally used. Further, many scammers involve foreign nationals and gifts from foreign countries since people believe it to be prestigious and honored and thereby proving it to be a convincing and a reliable way of drawing victims into the trap. Further, this real-life scene can be seen as a large-scale financial scam with a total financial loss of Rs. 1,795,000 spanning over just seven days.

The names and regulatory activities of three main authorities operating in Sri Lanka namely SL Customs, UN and CBSL, have been misused in this scam since it is common knowledge

that these regulatory bodies charge taxes, fees and issue regulations, circulars, guidelines and many other compliance requirements with respect to many economic activities in the country. Victims of financial scammers initially trust the scammer whole heartedly. Means used by scammers to steal money such as clearance charges, taxes, fees are seen by these victims as hindrances placed by authorities to steal their gifts/cash prizes/financial support. Therefore, victims are reluctant to seek help and support from authorities at the beginning. There have been instances where victims have contacted authorities to inquire about the various charges to be paid but have not listened to the relevant officials educating about scams and have scolded them.

Operating alone and not sharing with anyone is another major factor contributing to scam victimization. The basic human trait causing such behavior is greediness leading to blind trust and reckless action.

Preventive Measures:

As per the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA), scammers have been classified as an unlawful activity. In the event an Institution has reasonable grounds to suspect that any transaction or attempted transaction may be related to a possible scam, as per Section 7 of the FTRA, the Institution shall, as soon as practicable, after forming that suspicion or receiving the information, but no later than two working days there from, report the transaction or attempted transaction or the information as a Suspicious Transaction Report (STR) to the Financial Intelligence Unit of Sri Lanka (FIU-SL).

Where a person becomes a victim of a scam, he/she should take immediate steps to inform the banking institution in which the scammer's bank account is held (if any) and lodge a complaint with the nearest Police Station. Such victims can also inform any other relevant authorities including the FIU-SL via post to Financial Intelligence Unit of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01or through email to fiu@cbsl.lk FIU-SL has also taken several steps to mitigate financial scam victimization such as timely dissemination of STRs received on financial scammers to relevant Law Enforcement Agencies, conducting awareness programmes, publishing articles, displaying flyers in banking institutions.

Be aware:

However, the main responsibility in mitigating the threat of financial scammers lies with the public. To avoid many private and social costs incurred in the event a person becomes a victim of a scam, it is best if people could take preventive steps rather than following subsequent corrective steps to protect themselves from scams.

Following preventive steps can be followed to protect ourselves from financial scammers.

- ◆ Do not disclose personal financial information such as bank account details, credit/debit card details, One Time Passwords (OTPs) to unknown parties.
- ◆ Always authenticate credentials prior to making payments.
- ◆ Do not make any advance payments to unseen people or to buy any unseen products.
- ◆ Do not open suspicious emails, messages, hyperlinks, pop-up windows etc.
- ◆ Do not operate alone. Share and seek help from your family, elders, close friends and authorities in any doubtful financial situation.
- ◆ Be updated with the latest positive and negative trends in the financial world.

Message to the public:

'There ain't no such thing as a free lunch'. Benefits promised in a financial scam may be alluring at the beginning but will lead to suffering in the end. The public is hereby urged to be alert and cautious to identify, report and protect themselves from financial scammers. Always research and inquire into matters unfamiliar to you before dealing with them. Your constant vigilance, timely actions and financial know-how will help to avoid financial scammers in the short-run and build a safe and sound country in the long-run.

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