

PREVENTING FRAUD AND SCAM IN THE DIGITAL AGE

LESSONS FOR BANGLADESH'S CAPITAL MARKET



World Investor Week 2025



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What to focus on?

1



**Present Landscape
of Fraud**

2



**Common Fraud in
Capital Market**

3

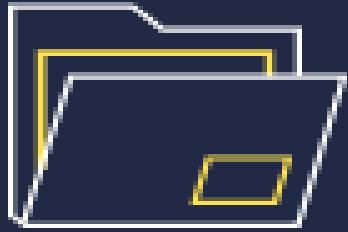


**Prevention and
Mitigation Measure
of Fraud**

4



**Basics of Investment
(Technology and AI)**



1,921
CASES

from



138
COUNTRIES and
TERRITORIES

Causing total
losses of more than

\$3.1 BILLION



\$1,662,000

Average loss per case



22%

of cases had losses of
\$1 million+

CFEs estimate that organizations **LOSE**



MEDIAN LOSS
PER CASE:

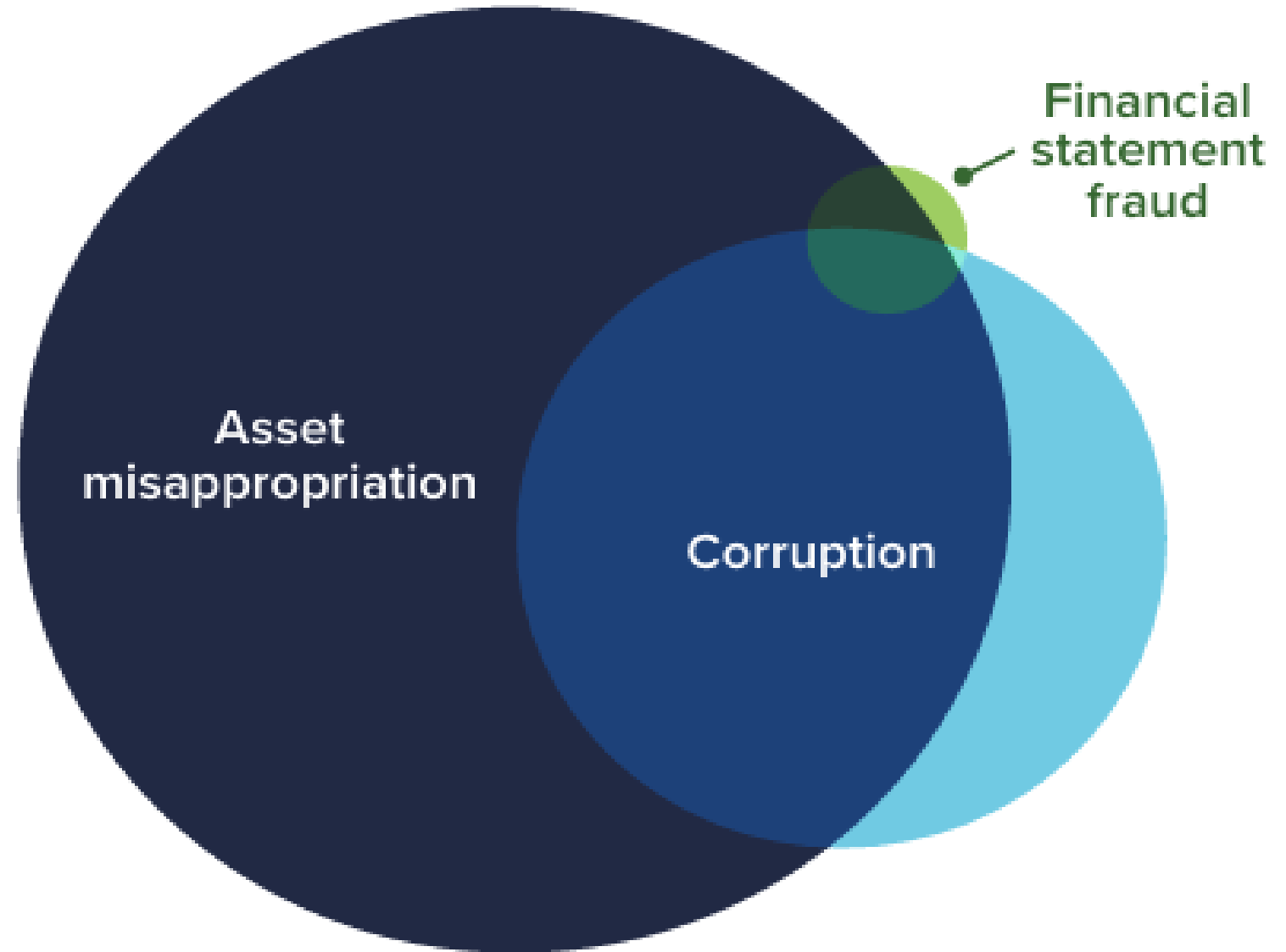
\$145,000

AVERAGE LOSS
PER CASE

\$1.7 MILLION

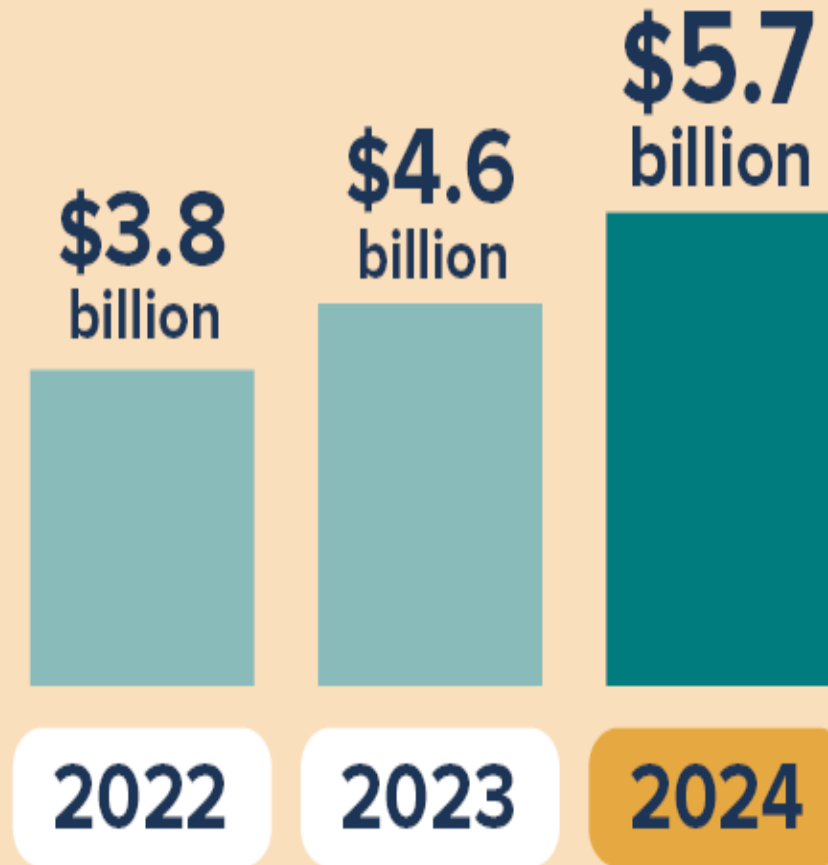
Sources: ACFE (Report to the Nation 2024)

HOW IS OCCUPATIONAL FRAUD COMMITTED?



Sources: ACFE (Report to the Nation 2024)

Losses to investment
scams **kept climbing.**



Sources: Federal Trade Commission Report (March 10, 2025)



Amount (in Bangladeshi Taka)	What the number refers to	Sources
Tk 26.12 crore	Fines imposed by BSEC for share manipulation etc.	TBS Report (7 th August 2024)
Tk 1,100 crore	Cumulative fines imposed between 19 August 2024 and 8 April 2025 for share rigging / non-compliance issues.	TBS Report (22 June 2025)
Tk 70.569 crore (BD FINANCE)	Fines on eight individuals and institutions for share manipulation in that company	The Finance Today (12 December 2024)
Tk 256 crore	Embezzlement / fraud case filed (ACC) for alleged stock market fraud.	TBS Report (17 June 2025)

Tk app. 1,400-1,500 crore (for 1 year)

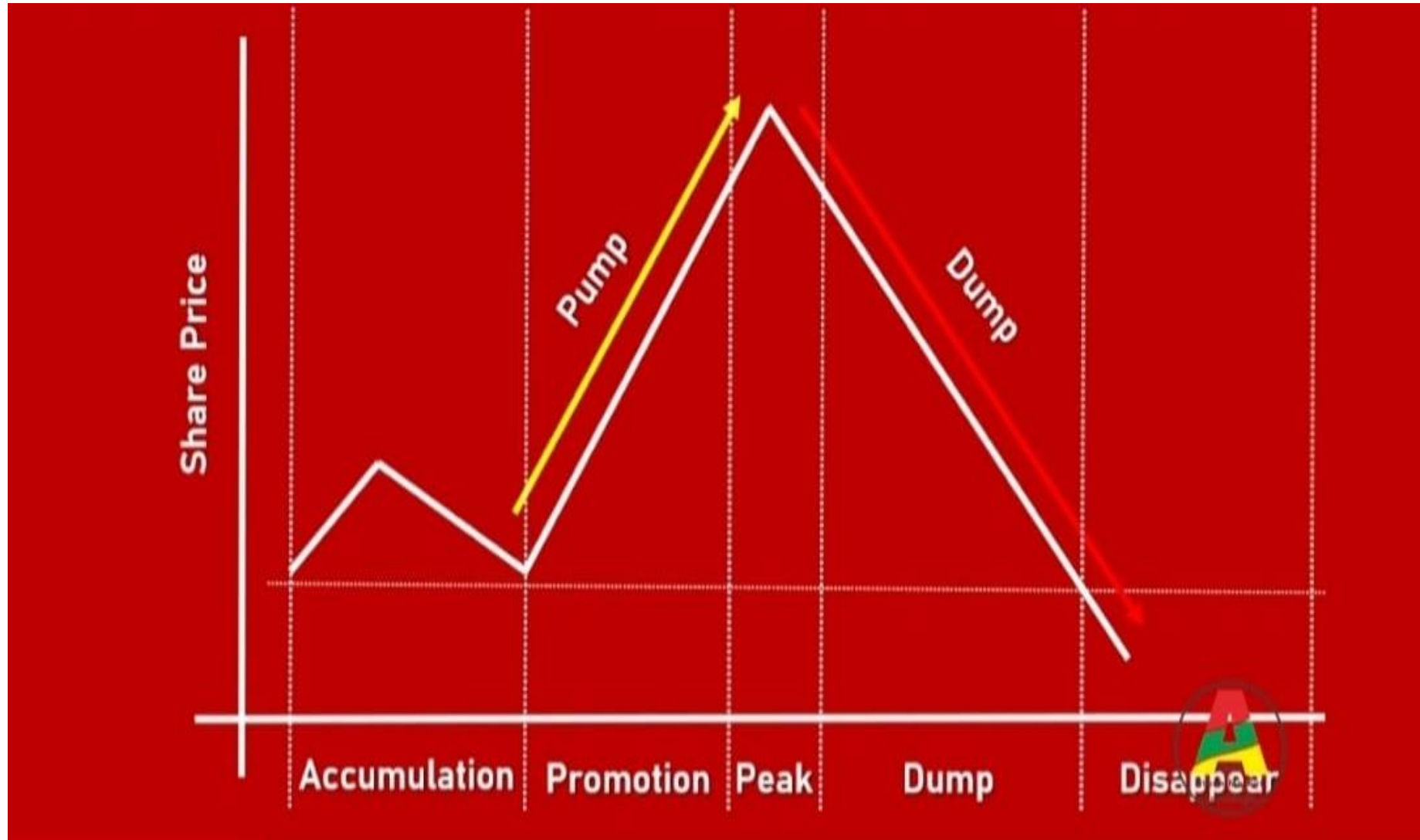
COMMON FRAUD TYPES IN CAPITAL MARKETS

World Investor Week 2025



PUMP AND DUMP

COMMON FRAUD TYPES IN CAPITAL MARKETS



COMMON FRAUD TYPES IN CAPITAL MARKETS



SPOOFING

COMMON FRAUD TYPES IN CAPITAL MARKETS



PONZI SCHEME



RETAIL INVESTORS

**COMMON FRAUD
TYPES IN CAPITAL
MARKETS**

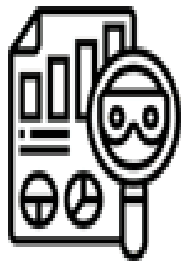
FAKE INVESTMENT PLATFORMS



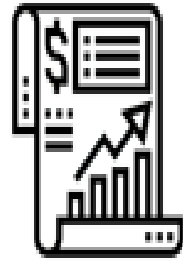
COMMON FRAUD TYPES IN CAPITAL MARKETS

আইডি/গ্রুপের নাম	লিংক
শেয়ার শেয়ার বাজার	https://www.facebook.com/profile.php?id=61579790072044
<u>BD STOCK EXCHANGE</u> (DSE & CSE)	https://www.facebook.com/groups/391580888653809/
<u>Momin Dse</u>	https://www.facebook.com/groups/391580888653809/user/100016058347627/
<u>Ashakaa Rasul Noomani</u>	https://www.facebook.com/groups/391580888653809/user/100008105401350/
শেয়ার মার্কেট সাকসেস স্ট্রাটেজিস	https://www.facebook.com/groups/391580888653809/user/61574056896483/
বাজার বিশ্লেষণ	https://www.facebook.com/profile.php?id=61579257136367
আশিকুর রহমান আশিক	https://www.facebook.com/asikura.rahamana.asika.371807
Anika Sarah (Consultancy Assetmanagement)	https://www.facebook.com/anika.sarah.142
<u>PUBLIC BUSINESS CLUB</u>	https://www.facebook.com/groups/1421914744614689/
<u>Planned Investment</u>	https://www.facebook.com/groups/1768873286596084/
Caleb Wright	https://www.facebook.com/profile.php?id=61579983105760

Financial Statement Fraud

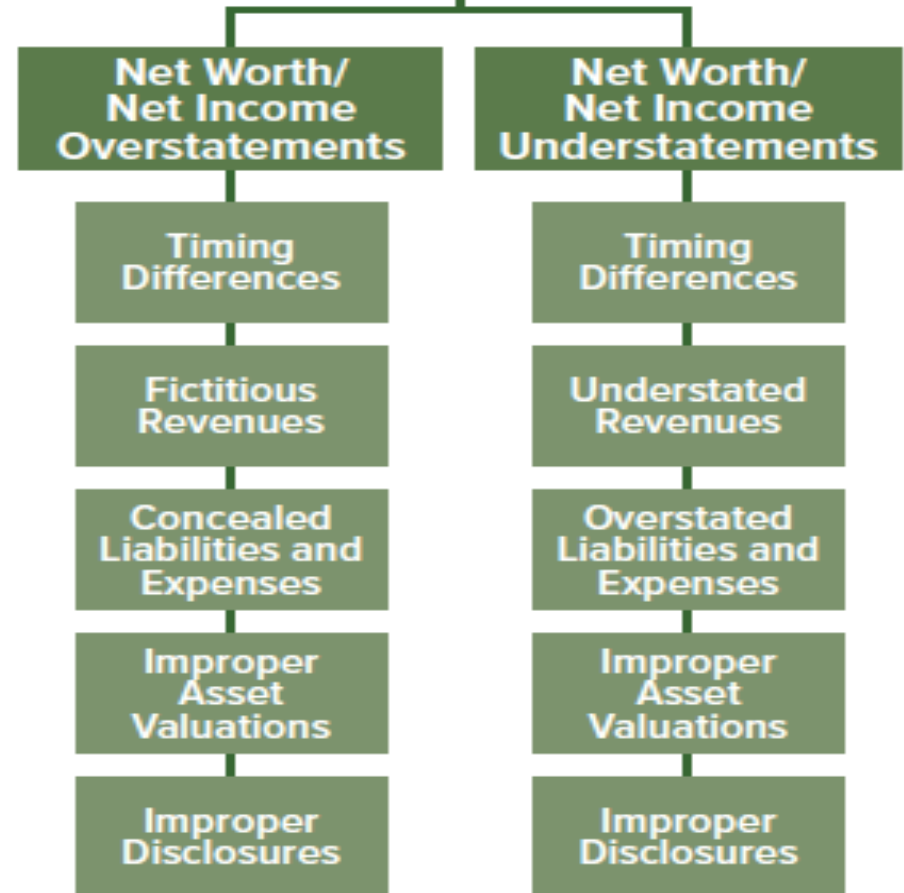


Misrepresentation
of Financial
Performance



In Financial
Statement

Financial Statement Fraud





COMMON FRAUD TYPES IN CAPITAL MARKETS

- Individuals or firms offering investment advice without proper licensing or regulatory approval.
- Promises of guaranteed returns or pressure to invest quickly.

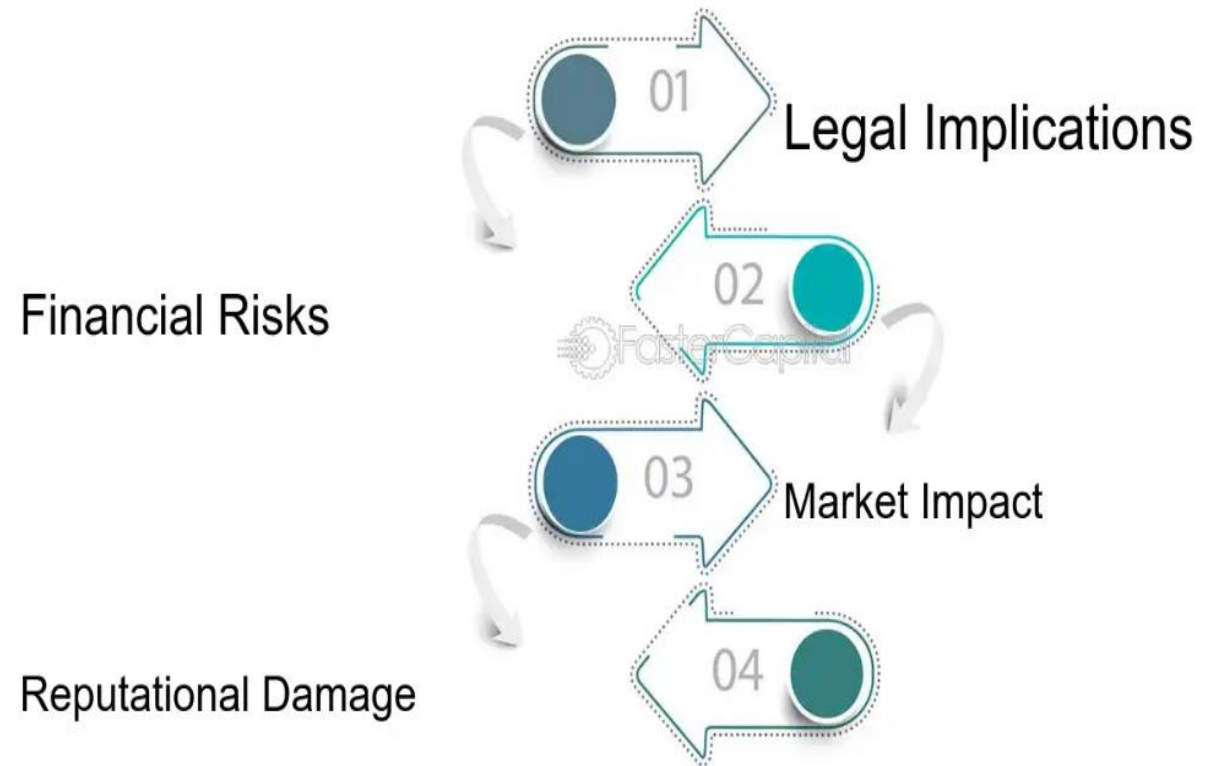
Advance Fee Scams:

- Scammers request an upfront fee for a promised investment opportunity, which never materializes.
- Requests for payment before any investment is made.

COMMON FRAUD TYPES IN CAPITAL MARKETS

Unauthorized Trading

Unauthorized trading refers to the act of buying or selling securities without the permission or authority from the account holder.



COMMON FRAUD TYPES IN CAPITAL MARKETS

Insider trading: trading on material non-public information.

INSIDER TRADING

Legal insider trading is when the insiders of the company trade shares but at the same time report the trade to the Securities and Exchanges Commission (SEC).

Illegal insider trading is when the insiders want to benefit from the company information at the cost of the company.





Key Market Misconduct Practices: Case Examples from Bangladesh

Bucket Shop

Boiler Room

Churning

Suitability

Poor Fills



PREVENTION & MITIGATION MEASURES

Regulation, supervision & enforcement

- **Clear, specific market-abuse and anti-fraud laws** — define insider trading, market manipulation, false disclosure and unregistered offers so regulators and courts can act.
- **Strong, well-resourced enforcement divisions** — timely investigations, asset freezes, civil/criminal referrals and meaningful sanctions deter bad actors.
- **Fast emergency powers & expedited procedures** — temporary trading halts, freeze orders and emergency hearings to stop active pump-and-dump or Ponzi schemes.



PREVENTION & MITIGATION MEASURES

Market surveillance, transparency & technology

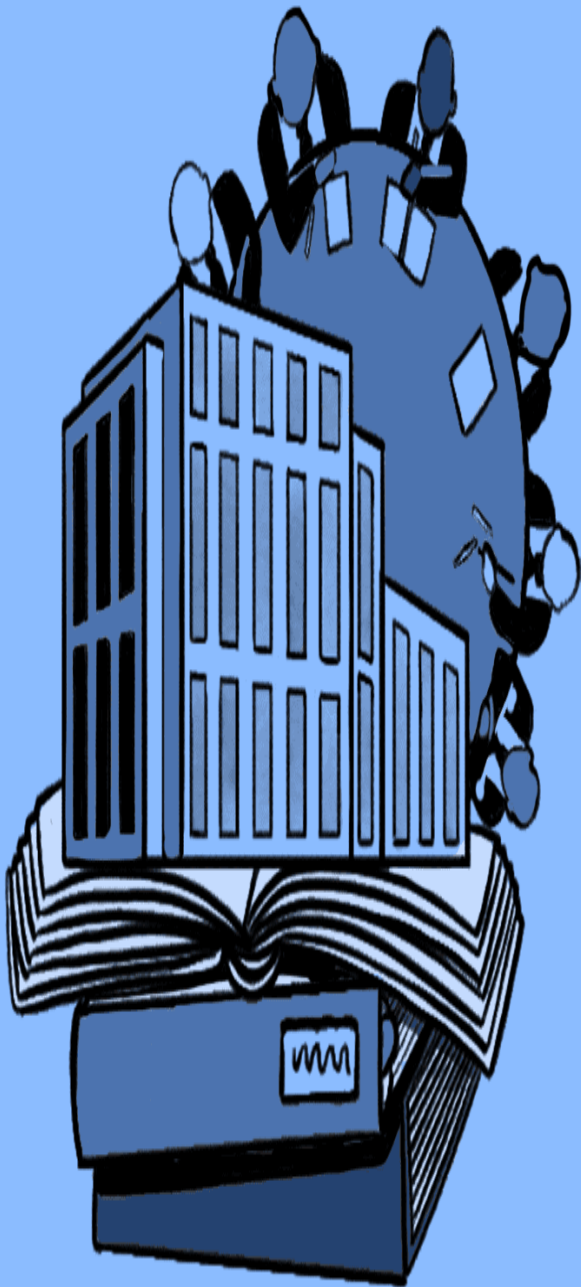
- **Real-time transaction and order-book surveillance** — automated detection of spoofing, layering, wash trades, outlier spikes and coordinated behavior.
- **Comprehensive audit trails (e.g., CAT-style reporting)** — consolidated timestamps and participant IDs allow for effective reconstruction of suspicious activity.

PREVENTION & MITIGATION MEASURES

Intermediary / firm-level controls

- **Robust KYC, customer-due-diligence and beneficial-ownership checks** — prevent identity fraud, nominee accounts and concealment of true owners.
- **Segregation of client assets and custody rules** — stop misappropriation of client funds
- **Transaction monitoring & suspicious-activity reporting (SAR)**
- **Fit-and-proper testing, licensing and continuous supervision of brokers/advisors**





Corporate Governance

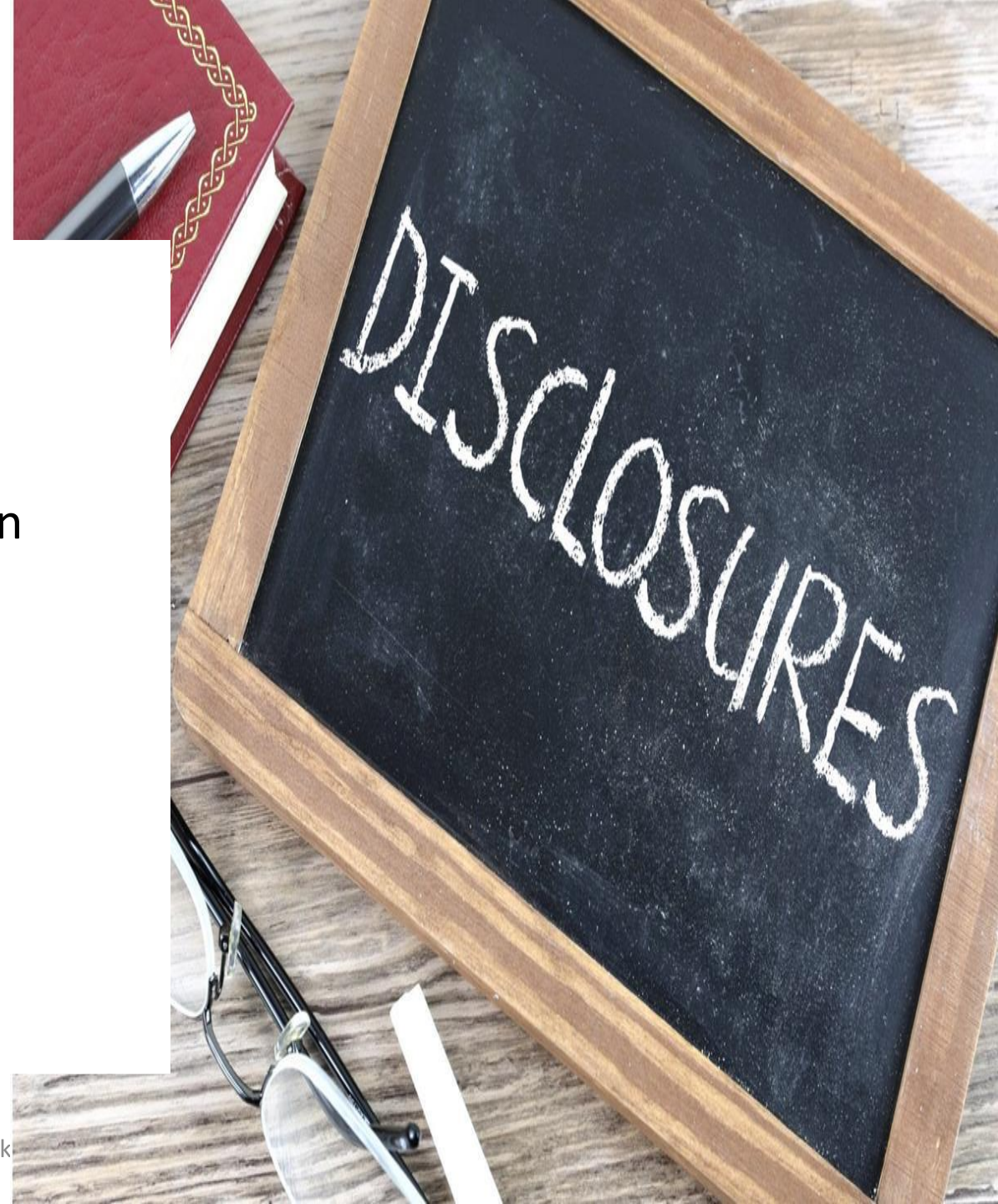
PREVENTION & MITIGATION MEASURES

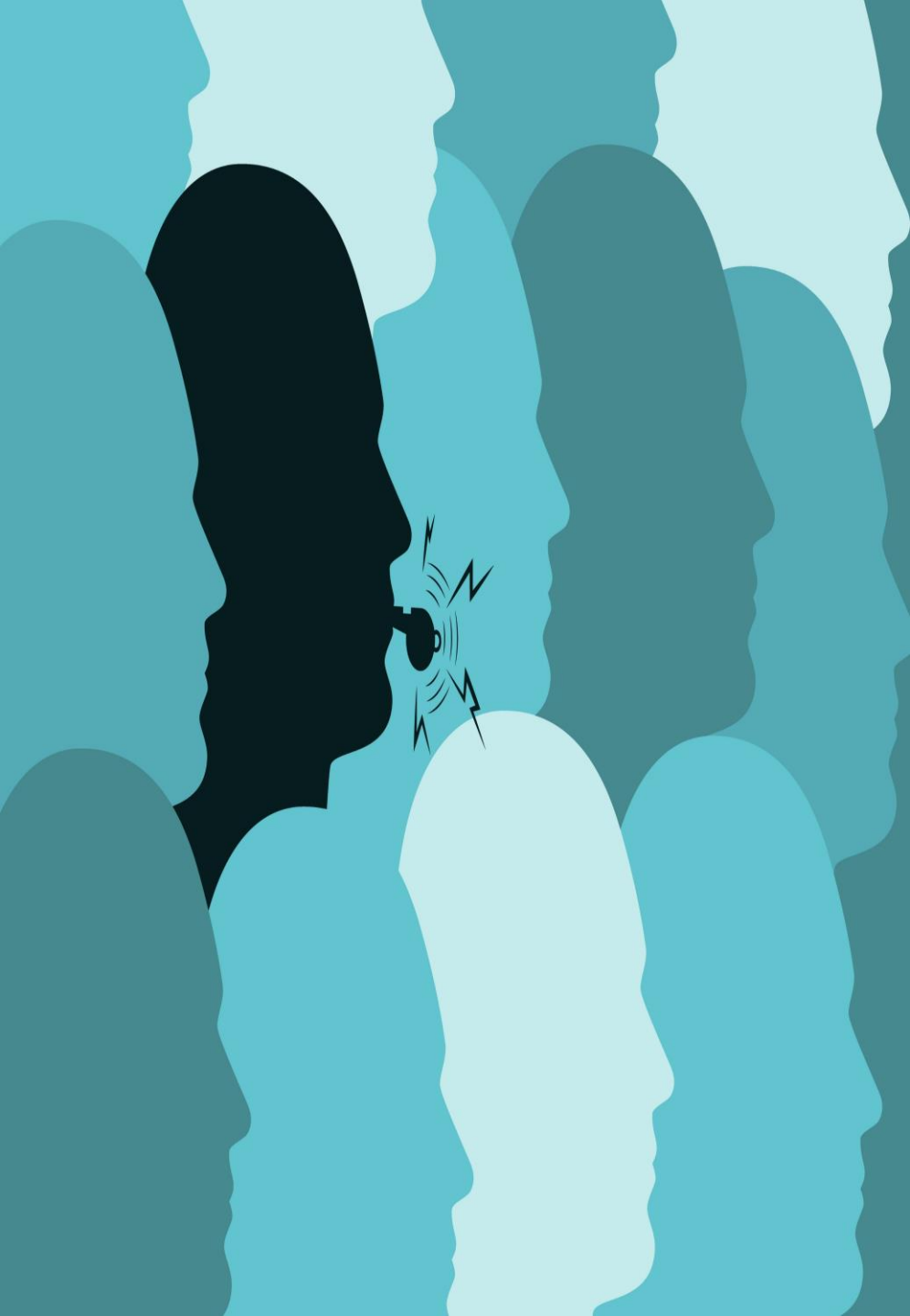
- **Timely, audited financial reporting**— reduce information asymmetry and limit fraudulent misstatement.
- **Independent audit committees, external auditor oversight and audit-rotation policies** — strengthen checks on accounting fraud.
- **Role of Independent Director**

PREVENTION & MITIGATION MEASURES

Ensure Full Disclosure of Material Events

- Timely Disclosure of Material Information
- Equal and Non-Selective Dissemination
- Disclosure Through Authorized Channels
- Disclosure of Related Party Transactions
- Regulatory Oversight & Enforcement





PREVENTION & MITIGATION MEASURES

Market-Participant Behaviour & Incentives

- **Whistleblower programs with protection & incentives** — confidential reporting channels and financial rewards increase reporting of internal fraud.
- **Culture of compliance and senior-management accountability** — regulators and firms should hold senior officers responsible for weak controls.

PREVENTION & MITIGATION MEASURES

Data Sharing, Research & Resilience

- **Information-sharing networks (regulators, exchanges, banks, international peers)** — Spot reporting
- **Behavioral Studies:** Investigating investor psychology and fraud tactics reveals patterns.
- **Investor Awareness:** A resilient market involves informed investors who can recognize and report suspicious activities, contributing to collective detection efforts.



Investor awareness



PREVENTION & MITIGATION MEASURES- INVESTORS VIEW POINT

- Educate Yourself
- Be skeptical
- Conduct Due Diligence
- Use Trusted Platforms
- Monitor Your Investments

PREVENTION & MITIGATION MEASURES- INVESTORS VIEW POINT

Contact Authorities: If you suspect fraud, report it to the BSEC or Front line Regulators (DSE, CSE, CDBL). They can investigate and take action against fraudulent practices.

Alert Your Broker: If you encounter suspicious activities, inform your broker immediately. They may have protocols in place to handle such situations.





Safeguards for Investors

PREVENTION & MITIGATION MEASURES- INVESTORS VIEW POINT

- While Selecting the Broker
- While entering into an Agreement
- While Transacting
- Ensuring Settlement.

PREVENTION & MITIGATION MEASURES- INVESTORS VIEW POINT

- **Understanding the Market:** Primary and secondary, DSE, CSE
- **Types of Investments:** Equities (Stocks), Government Securities & Bonds, Mutual Funds, Derivative market.
- **Regulatory Framework:** The BSEC regulates the capital market AND Familiarizing yourself with the rules and regulations is crucial.
- **Research and Analysis:** Conducting thorough research is vital before making investment decisions. Analyzing financial statements, market trends, and economic indicators can help assess potential investments.

INVESTMENT BASICS



A graphic illustration on the left side of the slide. It features a large, blue, 3D-style upward-trending zigzag line representing a stock market trend. At the top left, the text 'INVESTMENT BASICS' is written in a bold, dark blue, sans-serif font. Below the line, there are several floating icons: a target, a bar chart, a dollar sign, a gear, and a plant growing out of a glass jar. The jar contains gold coins, and there are more gold coins stacked next to it. The background is a light blue gradient with faint, larger versions of the same icons.

INVESTMENT BASICS

PREVENTION & MITIGATION MEASURES- INVESTORS VIEW POINT

Understanding Risk in the Capital Market of Bangladesh

- Market Risk
- Economic Risk
- Liquidity Risk
- Credit Risk
- Regulatory Risk
- Political Risk
- Sector-Specific Risk

PREVENTION & MITIGATION MEASURES- INVESTORS VIEW POINT

Educational Initiatives:

Workshops, seminars, and online courses are offered by BSEC, DSE Training Academy, Bangladesh Academy for Securities Market (BASM) AND Bangladesh Institute of Capital Market (BICM)





Artificial Intelligence (AI)

PREVENTION & MITIGATION MEASURES-

AI helps prevent and detect capital market fraud by:

- **Detecting anomalies** in real time (surveillance).
- **Analysing unstructured data** like filings and social media.
- **Verifying identities & monitoring transactions** more intelligently.
- **Predicting and prioritizing risks** for early intervention.
- **Supporting investigations** with automated evidence linking.
- **Securing platforms** against cyber-fraud.

PREVENTION & MITIGATION MEASURES-

- Many financial institutions (banks, brokerages, exchanges) still use paper records.
- Handling personal/financial data raises strong privacy concerns. If AI systems leak or misuse data, legal/ reputational risks increase (Financial Express 10th January 2025).
- Fraudsters adapt quickly. New methods (synthetic identities, algorithmic manipulation, spoofing etc.) may not have precedent.
- Lack of a strong, clear legal / regulatory framework around AI ethics, data protection, privacy in Bangladesh.



Key Challenges of Using AI

Thank You