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The Ways of Scam Brokers, and how to Protect Ourselves from it

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In this article I will talk about online trading and scam brokers, a very common phenomenon in the online trading world. We will go through the processes that scam dealers use to make their profits. I will show how they use different schemes and try to win clients' trust, which will lead us to what you should not do when it comes to online trading. In the hope, that by the end, you will be aware of common schemes and know how to protect yourself.

Introduction:

Interest in the financial world has always existed and has increased over the recent years as people believed online trading can be an easy way to make money from home. Individuals who cannot afford to start their own business and do not have the time to work in multiple jobs, look for other sources of income. They look for sources that are secure, legitimate, with the ability to keep a close eye on their funds.

Online trading is increasingly becoming more tempting, with ads on every website promising investors high returns in a short amount of time. At the same time, there are many fraudsters who are aware of this, and seek all possible opportunities to convince unaware and inexperienced investors to invest with them, which means easy money for the scammers.

New traders are usually unaware of the scammers and fraudsters who look for new investors to take their money. Scammers are usually people who practice and gain experience in scamming people, by telling them what they want to hear and trying to sell them dreams, promising high returns that have no chance of ever happening. It is important to know the difference between scam brokers and reliable brokers; since scam brokers rip off clients that have no prior experience in trading, regardless of the amount of the investment. For example, there has been an incident, where one uninformed client wanted to invest an amount of (\$1000) to have the returns that would help his son go to college in a year. The client was led to believe that this amount can generate guaranteed returns of up to \$20,000 for his son. It may seem like a small amount but if you consider how many clients cough up these amounts, it would lead to huge sums of profit for scam brokers. Needless to say, the \$1000 disappeared

from his trading account the next week, and his questions were answers that blamed the volatility in the financial world.

This article starts by talking about how scam brokers approach us, how they start taking steps to gain our trust. I will then talk about how scam brokers mislead us, and then finish this article by mentioning some do's and don'ts that will hopefully help you recognize red flags and take steps to protect yourself if you ever find yourself in a similar situation.

How they catch our attention:

The ads themselves that we see online, whether we are surfing the internet or watching a short video on YouTube, attract our eyes by having big numbers in flashing colors that force us to look involuntarily. These ads usually have slogans or banners that run along the lines of "Risk free returns", "Guaranteed money quickly" or "Secure your kids future". This in and of itself warrants a red flag. This follows The European Securities and Markets Authority (ESMA) [regulated market practices that prohibit market abuse](#) such as market manipulation which ascertain that CFD and binary options brokers do not use such terms which allude to a "risk-free" activity.

Referring to (ESMA) brings me to a major subject: financial regulators. A [Financial Regulator](#) is an institution that supervises a financial system, and it's objective is to guarantee a fair market. Brokers that are regulated are safer to trade with since regulators protect traders and clients, and prosecute delinquency. They also do their best to prevent cases of manipulation and enforce laws where appropriate. Each country has its regulator, that keep an eye on the financial services provided in that country, which is why it is safer and more secure to deal through a broker that is regulated. Some regulators are more renowned, like the FCA in the UK and the BaFin in Germany, so even when a broker is regulated, we need to check where is he regulated, since if the financial regulator is not top-notch, and is just a random regulator somewhere in the world, it means that the broker is probably a scam.

Such ads as the ones mentioned above are clickable, and transfer us to a website where we usually only have to leave some details, such as the full name, our email and phone number.

That is, if we are not directed to a website to make a “free” trading account. The little, yet personal, information we leave gets delivered to a host that saves the information under each name, making us a potential target or what is known as a “lead”. These leads are then sold to unregistered brokers who are looking for inexperienced traders that fall for these false promises.

The leads are collected from every country in the world, but there might be some preferences such as a country preference. This country preference is made from general ideas about which countries have the richest people like the Gulf countries or East Asian countries. After the countries with the rich people, come the countries with a high number of retired senior people who want to make investments with their pension money. In the end, it is a list and every lead gets contacted by the fake dealers who work for this broker. Moreover, since as mentioned before, specific countries have specific reputations, that’s how the leads get divided; leads that are supposedly wealthier, are contacted by more experienced dealers.

It is important to clarify, that the broker is the middleman between the trader and the market, and the dealer in this case, will be the inexperienced person who seeks to convince the traders to invest their money. Scam brokers usually work by having a big number of dealers, all on the phone, contacting new clients. Each dealer has a target of calls and a target for the deposit amount they have to reach. It is a hectic scene, very loud, since every dealer is going through their list, excited to secure profits from the commissions they will make with every deposit.

The process:

The dealer who contacts the lead has one objective and that is to get the lead to deposit some funds with the broker. Now these dealers work with brokers who have their own websites where an individual can register and make an account, and use their platform to deposit money, upload verification documents and trade. The dealer may call the lead multiple times, use a fake alias to explain where they got the lead’s phone number. They never use their real name and they say that their offices are in a different location from where it really is, and

they use a software that helps them change country code of the number they are calling from. They try to connect with the client on a personal level, their attitude is very cheerful and filled with excitement, to break the ice and try and gain the trust of the client. At that point, it doesn't matter if the client remembers leaving their details on some website, because the dealers already have the client on the phone.

These dealers usually never have any financial education or background. All the knowledge they have about the market is from their work experience, and by following trends and news from websites or trends prepared by a team in the company. It's in their interest to get the client to deposit, so they say everything that they think the client wants to hear. They don't try to act formally, but more like someone the client already knows. They ask for more details, like if the client is married, how many kids they have, their ages and names. They do not ask these questions to keep the details, but rather to try and make a connection with the client. For example, their dealer's alias would be married and have the same number of kids, or a kid that shares the name or the age of the client. This method is used to lure the client emotionally, and they mention the family as an element to enthuse the client to deposit money and create a better future for his family when they feel the client is reluctant to deposit more money. However, it is important to mention, that legit brokers also try to get to know you and create a personal relationship with the client, but they keep it professional, and don't try to play on the emotional side of a client when it comes to trading; they do their job, they create a personal bond with the client, yet they still maintain their limits.

Now the dealer does not care less about all this information. All of this, is to create a bond with the client that would get the client to feel more comfortable with the dealer that they never met. They would start trusting them and feel that they know them, that this person actually wants to help them, which would make it easier to get the client to deposit.

After that, dealers will start telling them about the fortunes that they made from trading. They tell the client how much they invested initially and how much money they already

made, and what they plan to do with the money. They start talking about the amount that needs to be deposited, how they can multiply the amount for the client, without any risk whatsoever. How they say they can do that? Well, the claim would be that their company has special algorithms and geniuses who graduated from top universities that know exactly what to trade in, and can read future market movements. Someone who did some research on the financial market, would know that there is no such thing as risk free profit, nobody can be so sure about the movement of the market, and most certainly, someone who has this kind of special abilities, wouldn't be sharing them for free with the public.

The scamming broker wants the client to deposit and to keep on depositing. If the trader goes on the account they created on the website, they would see their money that they deposited, and see the open trades they made, which would make everything seem normal. The money will be in the account, and since the platform is new, and the trader probably has no experience in online trading since they are new, the dealer will start opening trades while they are on the phone with the client, and in many cases, the new trader says they have no time or experience and they ask the dealer to do the trades.

This dealer/trader relationship will last, until the trader has no more money to deposit. This is when the dealer stops being available, and contacts the trader less. Unfortunately, that is when the trader becomes worried for his/her money, and tries to withdraw the initial deposit. However, a very small amount of traders managed to withdraw their initial deposit. This is because the dealer does not want them to withdraw; the dealer starts opening random trades, or losing trades until the profit goes down and the trader has no money in the account to withdraw. Any withdrawal made by the client is a loss to the broker.

The robotic trader:

Many scam brokers provide the service of a "robotic trader", a software developed for the inexperienced traders who do not have any market background. The broker provides the robotic trader that will be tasked to make the most of our trades as we enjoy the profits. When

the trader wants to withdraw his money for whatever reason, the dealer will insist against it and try to convince the trader to keep his money in the account to start a new trade, they would also transfer the trader to their manager to give them a feeling of importance. Yet, if the trader still insists they want to withdraw the money, the broker cannot deny them. However, there have been plenty of traders who lost their money over night because of the robotic trader, right when they want to withdraw their money, which brings us to the next point. There have been claims that scam brokers use “robotic trader” to access the clients account and trade with their money on bad deals until they lose this money, and then blame it on the robotic trader, because the wins of the trader are the losses of the fake brokers.

A scam dealer makes their profit from commissions that he gets as a percentage from the deposit amounts of his clients. This means that it is important for them to convince clients to invest more money, and in bigger amounts. It is extremely important to emphasize, if we are asked to deposit, we need to ask for a confirmation of the deposit on paper, and we need to read the terms of our agreement with this broker/dealer, so that we know what we are getting ourselves into.

After covering the steps that scam brokers use in the process of attracting new traders, I will refer to do's and don'ts that will help you protect yourselves.

Do's and Don'ts

To avoid finding ourselves in a scam position, here is what we should be aware of:

- Dealers from registered brokers would not cold call clients and try to bond with them on a personal level.
- Registered brokers would not try to convince us to deposit money and wouldn't try calling us on a daily basis since their profit does not depend on our losses.
- Fake dealers never give you a personal phone number to contact them, the only way to reach them would be through their email, and then they would call you back.

- You would never be able to know what a fake broker dealer looks like; they would never agree to meet or start a video call with the client.
- The websites look cheap, not very invested.
- The registration number would not appear on the website. There are many excuses, its either they have problems at the moment with the registration, or they are doing some work on the website.
- They call and try to rush you to do specific trades, saying you have to “ride the wave” or “seize the moment”; this is a big warning sign.
- They would try to guilt trip you by saying sentences such as “why wouldn’t you let me help you make money” and “think about your kids and their future”.
- They claim to have insider information that is guaranteed to happen, to try and convince the trader that there is no risk.
- They make profit promises that cannot happen, there is no big profit without high risk. If you make a daily profit of 2% then that is a good profit. However, the risk would be to lose 1%. Which means, if a fake dealer promises profit of 50%, it is extremely unrealistic.

How to try and protect ourselves from scam brokers:

- Make sure we find their registered number with an official body, that would monitor the actions of these brokers, and that would mean that these brokers are following specifically set guidelines.
- We should make sure we visit the website and read through the terms and conditions thoroughly, especially when it comes to withdrawing the profits or the initial deposits.
- We should check their customer support department, by trying to create a demo account or corresponding with the department, see if they treat clients with importance and consideration.
- We should do our research on the broker by reading online user reviews, and look for words like “scammers” and “thieves” in the reviews.

- If we decide to open an account on a website, we need to make sure that we get an official proof for every deposit, we need more proof than the word of someone we never met, regardless of how nice they seem over the phone.

To Conclude:

There is not much we can do once we deposit with a scam broker, which is why we have to be careful with our deposits and make sure we know how our money is going to be managed. In case we find ourselves in a similar situation, here is what we can do:

- Call the bank, and freeze any transfers that have a chance of being saved.
- Call the credit card company and report to them to watch out for any withdrawals.
- Contact the regulator in your country, since the regulators differ depending on your location. It is important to know that the broker is not registered, and it goes bankrupt or stop replying to you, the regulator in your country cannot help you, and all your investments will probably be lost.

To sum up, it is not safe to deposit money with an unregistered broker. As a trader, one should always do their homework before deciding which broker they should use to trade, since in the financial world, if something seems too good to be true, it probably is.

