

FSCA Press Release

13 December 2023

FSCA warns the public to be cautious of scams and fraudulent activities this festive season

The Financial Sector Conduct Authority (FSCA) has observed a surge in scams, particularly through WhatsApp groups and Facebook. There has been an increase in complaints in deceptive practices wherein fraudsters employ the details of celebrities and television personalities to persuade individuals to invest. Financial customers are falling victim to enticing fake posts and fake testimonials, ostensibly from successful investors.

Notably, fraudsters are utilising numbers and details of legitimate Financial Service Providers to entice the public to part with their money. The recent [Fraud Awareness Campaign](#) published in November 2023 by the FSCA highlights incidents that include the unauthorised use of the logo of the Public Investment Corporation and the details and logo of FSCA by fraudsters to give an air of legitimacy to their criminal activities.

Another trend on the increase is perpetrators utilising [mule accounts](#) with banks and crypto wallets to facilitate the collection and transfer of ill-gotten gains. Victims are encouraged to open crypto accounts to transfer cryptocurrencies, such as Bitcoin, to other crypto wallets.

Always be on the alert and do not allow desperation to cloud your judgement. Here are a few tips to keep you and your money safe this festive season.

- 1. If in doubt, leave it out.** If you do not have sufficient information about an investment opportunity, rather do your homework, confirm that the entity is authorized by the FSCA to provide financial services and to make investments. Make sure that you fully understand the investment and the entities that you are conducting financial services business with. Keep in mind that fraudsters want to keep the information as vague as possible so that the public will not spot the deception.
- 2. Do not allow yourself to be pressured** into making an investment or a payment urgently. Pressurised marketing is the strong indication of criminal activity. Let the deal cool down.

3. **Social Media isn't always a reliable source of information:** The lifestyles portrayed on social media claiming to be a result of specific investments may not be what it seems. This is a popular method for criminals to lure the public into a trap.
4. **Claims that celebrities have invested in the product.** Criminals frequently post photos of celebrities claiming that they are endorsing the investment. In many instances this is a misrepresentation, i.e. the celebrities' photos and details are used fraudulently and without consent.

Even if a celebrity actually endorses a product, keep in mind that celebrities and influencers are not necessarily experts in investment advice. Celebrities and influencers are unlikely to post their poor decisions and mistakes. Obtain advice from an advisor or financial services provider that is authorized by the FSCA.

5. **Do not participate in Ponzi schemes.** Ponzi schemes are easily identifiable by their unrealistic returns and lack of information about the product and the investment entities. A Ponzi scheme by its very nature will collapse, causing financial harm. Keep in mind that it is illegal to participate in a Ponzi scheme.
6. **Do not perpetuate a pyramid scheme.** If you are required to raise money through recruiting other people into the "investment", it is most likely an illegal pyramid scheme. At some point the pyramid scheme will fall apart and either you or the persons you referred will suffer losses. As with Ponzi schemes, it is illegal to participate in a pyramid scheme and you run the risk of being criminally charged.
7. **Stay away from websites with no depth.** Although criminals get better at defrauding the public, it is worth the effort to test the depth of a website. Click on all the links to see if it leads somewhere. Often criminals do not bother to create a second level of fake information to fraudulent websites. Authorised financial institutions are required to always display their licence numbers. If it is absent, treat the invitation with suspicion. If an FSP number is displayed, confirm with the FSCA that such an entity or person are correctly licenced.
8. **Confirm the destination of your funds.** Often fraudsters claim to be associated with a legitimate investment institution. Confirm with such an institution that the offeror of the product is an authorised representative of the institution.

- 9. Make sure that your advisor speaks to you about suitability of the product.**
Every financial advisor must conduct a suitability test when advising you on a potential investment. This means that you must be informed of the risk of the product, and whether you can afford the risk. If this does not happen, do not invest in the product, it is likely to be a fraud or very high-risk investment.
- 10. Most importantly, stay away from “investments” that promise unrealistic returns.** Keep the well-known adage in mind: if it is too good to be true, it is because it is not true.

Members of the public should always check what financial products and services a financial institution is authorised to provide by contacting the FSCA or accessing the FSCA’s online platforms, mentioned below.

- 1) Calling this toll-free number: 0800 110 443
- 2) Doing an online search for authorised financial institution by license category:
<https://www.fsca.co.za/Regulated%20Entities/Pages/List-Regulated-EntitiesPersons.aspx>.
- 3) Doing an online search for a financial institution that is an authorised FSP in terms of the FAIS Act: https://www.fsca.co.za/Fais/Search_FSP.htm
- 4) Warnings published by the FSCA <https://www.fsca.co.za/Pages/Media-Releases.aspx>

ENDS

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