

# INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS



Open Access, Refereed Journal Multi-Disciplinary  
Peer Reviewed

[www.ijlra.com](http://www.ijlra.com)

## **DISCLAIMER**

No part of this publication may be reproduced or copied in any form by any means without prior written permission of Managing Editor of IJLRA. The views expressed in this publication are purely personal opinions of the authors and do not reflect the views of the Editorial Team of IJLRA.

Though every effort has been made to ensure that the information in Volume II Issue 7 is accurate and appropriately cited/referenced, neither the Editorial Board nor IJLRA shall be held liable or responsible in any manner whatsoever for any consequences for any action taken by anyone on the basis of information in the Journal.

Copyright © International Journal for Legal Research & Analysis

## **EDITORIALTEAM**

### **EDITORS**

#### **Dr. Samrat Datta**

*Dr. Samrat Datta Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Samrat Datta is currently associated with Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Datta has completed his graduation i.e., B.A.LL.B. from Law College Dehradun, Hemvati Nandan Bahuguna Garhwal University, Srinagar, Uttarakhand. He is an alumnus of KIIT University, Bhubaneswar where he pursued his post-graduation (LL.M.) in Criminal Law and subsequently completed his Ph.D. in Police Law and Information Technology from the Pacific Academy of Higher Education and Research University, Udaipur in 2020. His area of interest and research is Criminal and Police Law. Dr. Datta has a teaching experience of 7 years in various law schools across North India and has held administrative positions like Academic Coordinator, Centre Superintendent for Examinations, Deputy Controller of Examinations, Member of the Proctorial Board*



#### **Dr. Namita Jain**

*Head & Associate Professor*

*School of Law, JECRC University, Jaipur Ph.D. (Commercial Law) LL.M., UGC -NET Post Graduation Diploma in Taxation law and Practice, Bachelor of Commerce.*



*Teaching Experience: 12 years, AWARDS AND RECOGNITION of Dr. Namita Jain are - ICF Global Excellence Award 2020 in the category of educationalist by I Can Foundation, India. India Women Empowerment Award in the category of "Emerging Excellence in Academics by Prime Time & Utkrisht Bharat Foundation, New Delhi. (2020). Conferred in FL Book of Top 21 Record Holders in the category of education by Fashion Lifestyle Magazine, New Delhi. (2020). Certificate of Appreciation for organizing and managing the Professional Development Training Program on IPR in Collaboration with Trade Innovations Services, Jaipur on March 14th, 2019*

## Mrs.S.Kalpana

Assistant professor of Law

*Mrs.S.Kalpana, presently Assistant professor of Law, VelTech Rangarajan Dr.Sagunthala R & D Institute of Science and Technology, Avadi. Formerly Assistant professor of Law, Vels University in the year 2019 to 2020, Worked as Guest Faculty, Chennai Dr.Ambedkar Law College, Pudupakkam. Published one book. Published 8Articles in various reputed Law Journals. Conducted 1Moot court competition and participated in nearly 80 National and International seminars and webinars conducted on various subjects of Law. Did ML in Criminal Law and Criminal Justice Administration. 10 paper presentations in various National and International seminars. Attended more than 10 FDP programs. Ph.D. in Law pursuing.*



## Avinash Kumar



*Avinash Kumar has completed his Ph.D. in International Investment Law from the Dept. of Law & Governance, Central University of South Bihar. His research work is on "International Investment Agreement and State's right to regulate Foreign Investment." He qualified UGC-NET and has been selected for the prestigious ICSSR Doctoral Fellowship. He is an alumnus of the Faculty of Law, University of Delhi. Formerly he has been elected as Students Union President of Law Centre-1, University of Delhi. Moreover, he completed his LL.M. from the University of Delhi (2014-16), dissertation on "Cross-border Merger & Acquisition"; LL.B. from the University of Delhi (2011-14), and B.A. (Hons.) from Maharaja Agrasen College, University of Delhi. He has also obtained P.G. Diploma in IPR from the Indian Society of International Law, New Delhi. He has qualified UGC – NET examination and has been awarded ICSSR – Doctoral Fellowship. He has published six-plus articles and presented 9 plus papers in national and international seminars/conferences. He participated in several workshops on research methodology and teaching and learning.*

## **ABOUT US**

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS  
ISSN

2582-6433 is an Online Journal is Monthly, Peer Review, Academic Journal, Published online, that seeks to provide an interactive platform for the publication of Short Articles, Long Articles, Book Review, Case Comments, Research Papers, Essay in the field of Law & Multidisciplinary issue. Our aim is to upgrade the level of interaction and discourse about contemporary issues of law. We are eager to become a highly cited academic publication, through quality contributions from students, academics, professionals from the industry, the bar and the bench. INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS ISSN 2582-6433 welcomes contributions from all legal branches, as long as the work is original, unpublished and is in consonance with the submission guidelines.

# **A STUDY ON FOREX FRAUDS AND ITS REGULATORY MECHANISMS**

AUTHORED BY – RENUGA DEVI.A

LLM-Department of Property Law, School of Excellence in Law, TNDALU.

CO-AUTHOR- MS. VAISHALI B.A

(Eng. Lit)., L.L.M., NET., Ph.D.(pursuing)

Assistant Professor of Law, School of Excellence in Law, TNDALU.

## ***ABSTRACT:***

*The Foreign exchange or forex is considered to be a still developing platform of currency exchange and trade. As economies began to expand and international trade grew, so too did the need to make transactions simpler and add stability to the exchange of currencies around the globe. Payments made using gold and silver were not only cumbersome, but were also affected by price changes caused by shifts in supply and demand.*

**Keywords:** *Forex, Fraud, Warning, Scam, Prevention, Regulations.*

## **1. INTRODUCTION:**

Foreign exchange also known as “Forex” is a global electronic market, where individuals, institutions or business entities trade on international currencies and currency derivatives. No physical trade takes place in the scene of a forex trade. Foreign exchange enables the exchange of currencies of various countries for international trade or investment. Forex is an Over the Counter (OTC) market which is used to determine the rate of currency exchange. In forex there is no central place or headquarters for trading, instead the market dealers and forex traders are connected globally through computers and other electronic devices making the forex platform as one huge e-market place through internet.

## **2. INTERNATIONAL TIMELINE OF FOREX MARKET:**

- 2500 BC-1500 BC: Punched coins made out of bronze, copper, silver and gold were used in trading.
- 17<sup>th</sup> & 18<sup>th</sup> century: Amsterdam, England and County of Holland's (part of Roman Empire) became active forex market.
- 1850: USA became the leading currency trader.
- 1880: Beginning of modern forex era. Rise of gold standard.
- 1944: Bretton Woods Accord<sup>1</sup> was signed by world countries on gold being trade value.
- 1972: Trading markets faced severe downfall.
- 1985: European banks started to intervene and invest in forex trade.
- 1991: Iran's agreement on oil-forex barter system.

### 3. FOREX IN INDIA:

- 1750 BC – 1<sup>st</sup> AD: Punched mark coins in Mohenjo-Daro and Harappa civilizations were found<sup>2</sup>.
- 2<sup>nd</sup> century BC- 2<sup>nd</sup> century AD: Dynasty coins, God and Goddess characteristic minted coins.
- 270 BC to 30 BC: Western Deccan and Central India used coins with motifs of fauna like elephants, lions, bulls, horses, hills, tree, etc.
- 4<sup>th</sup> -6<sup>th</sup> centuries AD: Gupta coinage -tradition of depicting the kings Chandragupta 1, Samudra Gupta, Chandragupta II and Kumara Gupta on the obverse and a deity on the reverse.
- 9<sup>th</sup> - 14<sup>th</sup> centuries AD: dynastic crests such as the Chalukya's boar, Pallava's bull, Chola's tiger, Pandya's bow, Cheras's arrow and Hoysala's lion were depicted.
- 1978: Indian banks were first allowed intra-day forex trading. This was the first instance in India.
- 1990: India entered into the global market.

---

<sup>1</sup> <https://www.worldbank.org/en/archive/history/exhibits/Bretton-Woods-and-the-Birth-of-the-World-Bank>

<sup>2</sup> Reserve Bank of India-

<https://www.rbi.org.in/commonman/english/Currency/Scripts/Ancient.aspx#:~:text=The%20first%20documente d%20coinage%20is,dynastic%20coin%20issues%20is%20controversial.>

- 1992: The Indian Rupee rate became floating in March. It became a in. Indian Rupee as fully floating currency leading to a demand-supply-based forex exchange.
- 1996: Reforms were made in the Indian forex market to regulate and curb illegal trading.

#### 4. FOREX FRAUD:

Foreign exchange fraud or forex fraud which refers to scams or practices that are deceptive in foreign exchange market. These scams always target naïve and unsuspecting investors. Forex scams always lead to severe financial loss to the investor as well as society's economy as a whole<sup>3,4</sup>.

#### 5. TYPES OF FOREX FRAUDS:

##### 5.1 PONZI SCHEME

Ponzi scheme is a type of scam in which the investors are incited with unusual high returns of interest. The Ponzi scam was named after Charles Ponzi<sup>5</sup>, an Italian business man and a con artist who started to swindle people by “**Rob Peter to pay Paul**” method. He promised his client of 50% profit within 45 days or 100% profit interest and payments within 90 days for the IRC they invest.

In reality he paid the early investors of the amount he collected from later investors and soon he ran out of money to pay the investors and his scam came into the light. His scam ran over for a year costing his clients over 20 million dollars. Charles Ponzi was found guilty and was charges with 86 counts of fraud, mail scam and other offences. He was sentenced with life imprisonment.

##### CHARACTERISTICS:

- Misleading investors
- Promise of high returns
- Lack of transparency
- No actual investment
- Unlicensed individuals

<sup>3</sup> <https://www.hdfcbank.com/personal/resources/learning-centre/pay/know-what-is-foreign-exchange>

<sup>4</sup> <https://www.forexbrokers.com/education/types-of-forex-scams>

<sup>5</sup> The Rise of Mr. Ponzi, Inkwell Publishers, Ltd. (Mark Mathosian); First electronic edition (2 July 2001)

- New investor's investments are used for returns
- Inevitable loss and collapse of economy

## 5.2 SIGNAL SELLING SCAMS

Signal selling scams are Forex scams where fraudsters claim to offer highly profitable trading signals or advice which requires a fee or subscription. These signals are always false and misleading<sup>6</sup>. The scammer's goal is to deceive victims by making them to pay for the signals and pushing them by investing in their recommended trades<sup>7</sup>.

The scammer's often ask the victims to pay the fee monthly, quarterly or even annually. It is to be noted that the average fee of subscription is Rs.2000 and it raises from here with the type of investment the victims are falling into.

### CHARACTERISTICS:

- False promises
- False and misleading advertisements
- No true knowledge about trading signals
- Lack of transparency
- High pressure scale tactics urging the investors to buy
- Unregistered and unlicensed brokers.

## 5.3 ROBOT SCAMS

Robot scams or automated trading system scam is a trending forex scam in which the malicious bots are programmed to perform online fraud activities. These frauds are also known as Trading bot scams. Bots are software programs that perform automated, repetitive, pre-defined tasks. They can be much faster than human users, which is an advantage that cybercriminals can exploit<sup>8</sup>.

### TYPES<sup>9</sup>:

- **Trading bot scam:** These are automated bots or software used in trading to steal money which uses preset algorithms to manipulate trades, steal funds or gather sensitive information.

---

<sup>6</sup> <https://www.cftc.gov/>

<sup>7</sup> <https://www.avatrade.com/education/trading-for-beginners/forex-scams>

<sup>8</sup> <https://seon.io/resources/dictionary/trading-bot-scams/#:~:text=This%20is%20where%20trading%20bot,%2C%20goodbye%20platform%2C%20goodbye%20money.>

<sup>9</sup> <https://consumer.ftc.gov/features/robocall-scam-examples>

- **Bot-driven ad fraud:** These are click bots that uses fake click digital ads which imitates real users.
- **Robocall scam:** These automated calls are pre-recorded voice calls which imitates human like voice to scam people.

#### **CHARACTERISTICS:**

- False promises
- Misleading advertisements
- Lack of transparency
- Unregistered or unlicensed brokers.

### **5.4 PRICE MANIPULATION**

Price manipulation refers to international interference with the functions of foreign exchange market to influence the currency, price in the forex market<sup>10</sup>. The people involved in this scam are banks, brokers as well as individual traders<sup>11</sup>.

#### **TYPES:**

- **Layering:** the process of layering involves placing multiple orders at different prices to create a false impression of the market.
- **Spoofing:** spoofing creates false impression in the markets of demand and supply by placing multiple orders without execution of that order.

### **5.5 FALSE ADVERTISING**

It is an act of making false claims, transmitting, publishing of misleading or untrue information or deceptive claims of a product, service or business<sup>12</sup>. The deceptive methods employed in false advertising are as follows:

1. **Misrepresenting facts:** Making false claims about a product's features, benefits, or performance.
2. **Omitting important information:** Failing to disclose important information about a product or service, such as side effects or limitations.

<sup>10</sup> <https://corporatefinanceinstitute.com/resources/career-map/sell-side/capital-markets/market-manipulation/>

<sup>11</sup> <https://natlawreview.com/article/what-market-manipulation>

<sup>12</sup> <https://dcba.lacounty.gov/portfolio/false-advertising/>

3. Using deceptive language: Using language that is intended to deceive or mislead consumers, such as using fine print or complex terminology to hide important information.
4. Making unsubstantiated claims: Making claims about a product or service that are not supported by evidence or scientific research.

## 5.6 PHISHING SCAMS

Phishing scam a type of cybercrime in which the attackers send fake messages, emails, or texts similar that of a legitimate one such as a bank, online retailer, or social media platform. These scams trick victims into revealing sensitive information, such as login credentials, financial information, or personal data<sup>13,14</sup>.

### TYPES:

1. **Email Phishing:** Scammers send fake emails that appear to be from a legitimate source, asking victims to provide sensitive information or click on malicious links.
2. **Spear Phishing:** Scammers target specific individuals or organizations with tailored emails or messages that appear to be from a trusted source.
3. **Whaling:** Scammers target high-level executives or officials with sophisticated phishing emails or messages.
4. **Smishing:** Scammers send fake text messages (SMS) that appear to be from a legitimate source, asking victims to provide sensitive information or click on malicious links.
5. **Vishing:** Scammers use voice calls to trick victims into revealing sensitive information or providing financial information.

## 6. WARNING SIGNS OF FOREX FRAUDS<sup>15</sup>

- a) Unrealistic promises: Be wary of promises that seem too good to be true, such as unusually high returns or guaranteed profits.
- b) Unregistered or unlicensed: Check if the Forex broker or investment opportunity is registered and licensed with regulatory bodies such as the **Commodity**

<sup>13</sup> <https://www.ftc.gov/news-events/topics/identity-theft/phishing-scams>

<sup>14</sup> <https://www.rbi.org.in/commonman/English/Scripts/PressReleases.aspx?Id=2438>

<sup>15</sup> <https://www.sebi.gov.in/acts/futpfinal.html>

**Futures Trading Commission (CFTC) or the National Futures Association (NFA).**

- c) Lack of transparency: Be cautious if the Forex broker or investment opportunity is unclear about their trading strategies, fees, or risks involved.
- d) High-pressure sales tactics: Be wary of sales representatives who use high-pressure tactics to convince you to invest or trade.
- e) Unusual or complex investment strategies: Be cautious of investment strategies that seem unusual or complex, such as "secret" trading algorithms or "guaranteed" profit-making schemes<sup>16</sup>.
- f) Unsolicited investment offers: Be wary of unsolicited investment offers, especially if they come from unknown or unverified sources.
- g) Fake or misleading credentials: Verify the credentials and qualifications of the Forex broker or investment opportunity, and be wary of fake or misleading credentials.
- h) Unusual or excessive fees: Be cautious of unusual or excessive fees, such as high commissions or management fees.
- i) Difficulty withdrawing funds: Be wary if you experience difficulty withdrawing funds from your account or if the Forex broker or investment opportunity makes excuses for delays.
- j) Poor or unresponsive customer service: Be cautious if the Forex broker or investment opportunity has poor or unresponsive customer service, as this can be a sign of a scam.
- k) Unrealistic or inconsistent trading results: Be wary of trading results that seem unrealistic or inconsistent, as this can be a sign of a scam.
- l) Lack of regulatory oversight: Be cautious if the Forex broker or investment opportunity is not subject to regulatory oversight or is not registered with regulatory bodies.

## **7. THE FOREIGN EXCHANGE REGULATION ACT, 1973**

The key highlights of the FERA, 1973 are as given below,

---

<sup>16</sup> [https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-prohibition-of-fraudulent-and-unfair-trade-practices-relating-to-securities-market-regulations-2003-last-amended-on-january-25-2022-\\_55604.html](https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-prohibition-of-fraudulent-and-unfair-trade-practices-relating-to-securities-market-regulations-2003-last-amended-on-january-25-2022-_55604.html)

The Foreign Exchange Regulation Act (FERA), 1973<sup>17</sup> treated foreign exchange as a limited resource that required strict control. It was intended to regulate foreign exchange to maintain the country's foreign reserves. Violations of FERA were considered criminal offenses, and the punishment was imprisonment. The Reserve Bank of India (RBI) grants permission to any person or corporation to deal in foreign exchange.

The Reserve Bank of India permits dealers to transact in foreign currencies, subject to review and cancellation in the event of non-compliance. Money changers are permitted to convert currencies at the rates set by the RBI<sup>18</sup>.

Import/export restrictions were imposed on currencies. Persons other than authorized dealers are prohibited from engaging in financial currency transactions. Outside India, there are restrictions on owning or acquiring immovable assets. Payment restrictions when sending/receiving money from/to a non-Indian resident. The RBI's authority to request information and confiscate documents whenever and wherever it is needed<sup>19</sup>.

The Foreign Exchange Regulation Act (FERA) had become incompatible with the pro-liberalization policies of the Government of India. Hence it was repealed in 1999 and replaced by FEMA which came into force in the same year from the month of June.

## **8. THE FOREIGN EXCHANGE MANAGEMENT ACT,1999**

The Foreign Exchange Management Act (FEMA) was passed on 29 December 1999 in parliament, replacing the Foreign Exchange Regulation Act (FERA),1973. This act makes offences related to foreign exchange civil offenses. It extends to the whole of India<sup>20</sup>.

It also paved the way for the introduction of the Prevention of Money Laundering Act, 2002, which came into effect on 1 July 2005. It enabled a new foreign exchange management regime consistent with the emerging framework of the World Trade Organization (WTO).

FEMA enables the Reserve Bank of India to pass regulations and the Central Government to pass rules relating to foreign exchange in tune with the Foreign Trade

---

<sup>17</sup> <https://www.indiacode.nic.in/repealedfileopen?rfilename=A1973-46.pdf>

<sup>18</sup> <https://www.rbi.org.in/commonman/English/scripts/FAQs.aspx?SID=6>

<sup>19</sup> <https://www.rbi.org.in/commonman/English/scripts/FAQs.aspx?Id=3347>

<sup>20</sup> [https://www.indiacode.nic.in/bitstream/123456789/1988/1/A1999\\_42.pdf](https://www.indiacode.nic.in/bitstream/123456789/1988/1/A1999_42.pdf)

policy of India.

**OFFICE:**

- a) The Head Office of FEMA, also known as the Enforcement Directorate, headed by the Director is located in New Delhi.
- b) There are 5 zonal offices in Delhi, Mumbai, Kolkata, Chennai, and Jalandhar, each office is headed by a Deputy Director.
- c) Every 5 zones are further divided into 7 sub-zonal offices headed by Assistant Directors and 5 field units headed by Chief Enforcement Officers.

**KEY STRUCTURE OF THE ACT:**

- i. The Act consist of VII Chapters, 49 Sections and 8 sections are omitted.
- ii. As per section 3, all financial transactions concerning foreign securities or exchange cannot be carried out without the approval of FEMA.
- iii. All transactions must be carried out through Authorized Persons [Sec 2(c)].
- iv. Section 4 states that no Indian resident can acquire, hold, own, possess or transfer any foreign exchange, foreign security or any immovable property situated outside India.
- v. Section 5 empowers RBI to impose reasonable restrictions for current account transactions in public interest.
- vi. U/s 6, Indians residing in India, have the permission to conduct a foreign exchange, foreign security transactions or the right to hold or own immovable property in a foreign country in case security, property, or currency was acquired, or owned when the individual was based outside of the country, or when they inherit the property from individual staying outside the country<sup>21</sup>.
- vii. U/s 13, the adjudicator (an officer with the ED) can impose a penalty three times the size of the contravention involved where the sum is quantifiable. In case the contravention is not quantifiable, the penalty is set at Rs 2 lakh. Further, where the violation is a continuing one, an additional penalty of Rs 5,000 per day of contravention can be imposed.

## 9. INTERNATIONAL CASES

### 1. Charles Ponzi's Ponzi scheme, 1920

In 1920 Ponzi started a company – Security Exchange Co. in which he sold

---

<sup>21</sup> <https://www.rbi.org.in/commonman/English/scripts/FAQs.aspx?SID=6>

stock & promissory notes and advertised that the investors would get a 50% interest in 90 days for stocks they invested. He then used new investor's fund to pay old investors. It was estimated that Charles Ponzi raked about \$15 million dollars in just 8 months in 1920. He faced two federal indictments and life imprisonment<sup>22</sup>.

## **2. Bernie Madoff scams, 1990**

Bernard Lawrence "Bernie" Madoff is an American financier who executed the largest Ponzi scam in history. He defrauded \$65 billion in 17 years. He was the Chairman of Nasdaq Stock exchange in 1990's. Since he's an expert people trusted the front, he created. His returns were initially high but later on, Madoff swindled investors' money.

## **3. Allen Stanford scam, 2012**

Allan Stanford was a former banker and businessman who was convicted 110 years of imprisonment in 2012. He committed security fraud of \$7 billion and misinformed over 50,000 investors about professional management on investing.

Allan and his associates were also suspected on Mexican drug cartel dealings. Allan created false certificate of deposits. Antigua relied heavily on Allan's business but later stripped him of his Knighthood as people of Antigua severely lost money because of his scam and faced financial loss until 2009. He was sentenced to 150 years in prison for money felonies laundering, securities fraud and other felonies.

## **4. Scott Rothstein's Scheme, 2009**

Scott W. Rothstein was disbarred lawyer, who committed \$1.2 billion Ponzi scheme. He involved fabricated settlements in legal cases in which people sold large settlements to him for lump sum of cash. Later Alan Sakowitz, a land developer, attorney of real estate contacted FBI regarding Scott's activities with concern. The federal police and FBI found his scam and he was incarcerated to 50 years in an unknown federal prison

# **10. INDIAN CASES**

## **a. Sahara Forex Scam (2011)**

The case was between Sahara real estate corporation along with Sahara Housing Investment against SEBI. Sahara raised funds from investors through

---

<sup>22</sup> Ponzi's Scheme, Mitchell Zuckoff, Penguin Random House

fully convertible debentures OFCD which was not permitted by SEBI. In 2012, Hon'ble Supreme Court ordered Sahara to refund of 24,000 crores with 15% of interest to over 2 Crore investors who invested between 2008-11. In 2020 SEBI filed against Sahara & Subrata Roy seeking Rs.62,000 crores<sup>23</sup>.

**b. Speak Asia Forex Scam (2011)**

This scam involved earning money through online and lured investors to purchase web subscriptions of Rs.11000 each. Subscribers were provided that they'll earn money by filling out online forms etc. CID Found 2276 crores being duped from over 27 lakh people and arrested the mastermind Ram Sumiran Pal and the other people involved in this scam<sup>24</sup>.

**c. Stock Guru India Forex Scam (2011)**

Self-styled investment adviser duped Rs.1000 Crores. More than 2 Lakh investors lost their money. This scam promised 20% interest a month. The scammers offered solutions for insurance and mutual funds, offered trading solutions and other portfolios for management. Investors paid Rs.1000 as registration, investments with a minimum of Rs.10,000 for investments<sup>25</sup>.

**d. Axis Forex Scam (2018)**

The scammers involved in this scam shared investors data and investments related sensitive information in exchange for kickbacks from brokers in Dubai. ED arrested Joshi, the main accused and seized his assets<sup>26</sup>.

**e. Pune Forex Scam (2019)**

An app operator swindled over 500 individuals with impaired speech and other disabilities. He lured others in pretense of making money by recruiting others. The complainant Harshal Santaram Purjan received links & videos through acquaintance on forex trading, he was led by nose by the promise of doubling or tripling money. Purjan pledged his gold for 8 lakhs only to lose what he invested. It was later found that the mastermind behind the scam was a Dubai based swindler Vinod Kunde businessman Ponzi Scheme, money laundering and forex scam. He

<sup>23</sup> CIVIL APPEAL NO. 9833 OF 2011, [https://www.sebi.gov.in/sebi\\_data/attachdocs/1351500106870.pdf](https://www.sebi.gov.in/sebi_data/attachdocs/1351500106870.pdf)

<sup>24</sup> <https://www.deccanherald.com/content/371301/rs-2276-crore-speak-asia.html>

<sup>25</sup> <https://www.thehindubusinessline.com/markets/stock-markets/stock-guru-scam-ed-to-attach-properties-of-accused-couple/article23107670.ece>

<sup>26</sup> <https://timesofindia.indiatimes.com/business/india-business/ed-seizes-rs-12-96-lakh-in-foreign-currency-after-raids-against-former-axis-bank-mutual-fund-manager/articleshow/113267844.cms>

was arrested and ED attached his properties in Dubai<sup>27</sup>.

**f. Kerala Forex Scam (2020)**

The Tamil Nadu cyber wing arrested a man from Malappuram, who rented his bank account as a mule account in the name of a feed agency for cyber fraudsters. He received Rs.1 lakh every month & received Rs.40,000 in advance. The victim stated that the fraud gang contacted him on pretense of forex traders & would yield multiple profit. The company was SEBI approved and victim invested Rs.2.22 crores<sup>28</sup>.

## 11. CONCLUSION

Forex transactions are either spot or forward which refers to the delivery, or settlement, date whereby the exchange of currencies takes place. They normally carry different rates of exchange. Every rate varies from second to second. This shows that the trade markets are not always stable. It becomes the investors liability by either investing in the forex markets or when losing the investments. Even though the regulatory bodies take necessary actions against the scams and advises people time to time to be aware of such fraudulent activities, it is the public who should be aware of the fake markets and scammers. In my opinion the punishments for scamming and fooling out the innocent people must be much stricter than he current codes.

## 12. REFERECE

- <https://www.worldbank.org/en/archive/history/exhibits/Bretton-Woods-and-the-Birth-of-the-World-Bank>
- Reserve Bank of India-  
<https://www.rbi.org.in/commonman/english/Currency/Scripts/Ancient.aspx#:~:text=The%20first%20documented%20coinage%20is,dynastic%20coin%20issues%20is%20controversial.>
- <https://www.hdfcbank.com/personal/resources/learning-centre/pay/know-what-is-foreign-exchange>

<sup>27</sup> <https://theprint.in/india/how-a-pune-investors-complaint-blew-lid-off-rs-900-cr-fraud-linked-to-octafx-forex-trading-platform/2316478/>

<sup>28</sup> <https://www.thehindu.com/news/cities/chennai/salem-businessman-loses-222-crore-man-from-kerala-held-for-online-trading-investment-scam/article68875993.ece#:~:text=According%20to%20the%20police%2C%20the,Trading'%20would%20yield%20multiple%20profit.>

- <https://www.forexbrokers.com/education/types-of-forex-scams>
- The Rise of Mr. Ponzi, Inkwell Publishers, Ltd. (Mark Mathosian), (2 July 2001)
- <https://www.cftc.gov/>
- <https://www.avatrade.com/education/trading-for-beginners/forex-scams>
- <https://seon.io/resources/dictionary/trading-bot-scams/#:~:text=This%20is%20where%20trading%20bot,%2C%20goodbye%20platform%2C%20goodbye%20money.>
- <https://corporatefinanceinstitute.com/resources/career-map/sell-side/capital-markets/market-manipulation/>
- <https://natlawreview.com/article/what-market-manipulation>
- <https://dcba.lacounty.gov/portfolio/false-advertising/>
- [https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-prohibition-of-fraudulent-and-unfair-trade-practices-relating-to-securities-market-regulations-2003-last-amended-on-january-25-2022-\\_55604.html](https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-prohibition-of-fraudulent-and-unfair-trade-practices-relating-to-securities-market-regulations-2003-last-amended-on-january-25-2022-_55604.html)
- <https://consumer.ftc.gov/features/robocall-scam-examples>
- <https://www.indiacode.nic.in/repealedfileopen?rfilename=A1973-46.pdf>
- <https://www.rbi.org.in/commonman/English/scripts/FAQs.aspx?SID=6>
- <https://www.rbi.org.in/commonman/English/scripts/FAQs.aspx?Id=3347>
- [https://www.indiacode.nic.in/bitstream/123456789/1988/1/A1999\\_42.pdf](https://www.indiacode.nic.in/bitstream/123456789/1988/1/A1999_42.pdf)
- <https://www.ftc.gov/news-events/topics/identity-theft/phishing-scams>
- <https://www.rbi.org.in/commonman/English/Scripts/PressReleases.aspx?Id=2438>
- <https://www.sebi.gov.in/acts/futpfinal.html>
- Ponzi's Scheme, Mitchell Zuckoff, Penguin Random House
- C.A NO. 9833 OF 2011,  
[https://www.sebi.gov.in/sebi\\_data/attachdocs/1351500106870.pdf](https://www.sebi.gov.in/sebi_data/attachdocs/1351500106870.pdf)
- <https://www.deccanherald.com/content/371301/rs-2276-crore-speak-asia.html>
- <https://www.thehindubusinessline.com/markets/stock-markets/stock-guru-scam-ed-to-attach-properties-of-accused-couple/article23107670.ece>

- <https://timesofindia.indiatimes.com/business/india-business/ed-seizes-rs-12-96-lakh-in-foreign-currency-after-raids-against-former-axis-bank-mutual-fund-manager/articleshow/113267844.cms>
- <https://theprint.in/india/how-a-pune-investors-complaint-blew-lid-off-rs-900-cr-fraud-linked-to-octafx-forex-trading-platform/2316478/>

