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Financial Literacy

Course Code: COM2FM106 • Module 4 Notes

1. Financial Frauds: Security and Protection Measures

With the growth of digital banking and online investing, financial fraud has become more sophisticated. Protecting personal wealth requires understanding the mechanics of scams and implementing security best practices. This final module covers common banking frauds, investment scams (Ponzi schemes), and essential security measures.

Common Banking & Digital Frauds

Phishing & Identity Theft

- **Phishing/Vishing:** Fraudulent emails, messages, or calls pretending to be bank staff, tricking users into sharing passwords or PINs.
- **Identity Theft:** Stealing personal documents (Aadhaar, PAN cards) to open fake accounts or take out unauthorized loans.

Card & ATM Frauds

- **Skimming:** Devices attached to ATM slots to read card data.
- **Card Cloning:** Duplicating magnetic strip cards to process unauthorized payments.

Investment Scams: Ponzi & Pyramid Schemes

Ponzi Schemes are fraudulent investment operations where the operator pays returns to older investors using capital contributed by new attraction recruits, rather than from actual business profits. They collapse when new inflows stop. Key traits to identify Ponzi schemes include:

- Guaranteed high investment returns with little or no risk.
- Overly consistent returns regardless of market conditions.
- Unregistered investments and unlicensed sellers.
- Complex, secretive investment strategies.

Security Measures & Precautions

To protect against digital and financial frauds, individuals must follow strict security guidelines:

Action Area	Security Best Practice & Precaution
Credential Protection	Never share OTPs, PINs, or passwords with anyone. Banks never ask for this information.
Network Safety	Avoid conducting financial transactions on public Wi-Fi networks. Ensure websites start with "https://".
Investment Verification	Always verify if the investment entity is registered with **SEBI** (Securities and Exchange Board of India).
Device Security	Use biometric locks, update banking apps regularly, and enable transaction limits.