



Policy & Profit

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IT is the dread of any responsible child to unintentionally buy counterfeit medicine for their elderly.

In 2022, my elderly aunt, trusting the convenience of a leading Malaysian eCommerce platform, asked for my help to buy a bone vitamin supplement.

A few months later, when she asked for a refill, something didn't sit right with me and I investigated the matter.

The result was a devastating confirmation of my fears: the first product, the one my aunt had been consuming for months, was a counterfeit.

My numerous attempts to report the counterfeit product were initially met with silence. It was only after I escalated the issue on social media, tagging government officials, that the platform took action.

Even then, the response was incomplete; the specific product listing was removed, but the seller remained active – he/she had, in fact, a separate listing for the same product in a different quantity that was never taken down.

When I checked in late 2023, that product listing was still up. This experience showed me that our current system isn't designed to prevent fraud – it only reacts to it, and often, only after public pressure.

The unfortunate truth is that big platforms have little incentive to act swiftly against fraudulent sellers.

Customers are made fully accountable for their purchase, and are only encouraged to warn others through reviews when they have been sold poor-quality products.

The platforms, meanwhile, still earn their percentage from these deceitful sales.

This business model creates a perverse incentive to look the other way, rather than investing in proactive measures to protect consumers.

It's a 10.10 on growth

Malaysia's eCommerce sector has grown exponentially, contributing an estimated 13.6% to our gross domestic product, valued at RM248.2bil. It is also estimated that the eCommerce players' income alone reached RM1.2 trillion in 2023.

Along with the mammoth growth it brings to our economy, it has created a ripe environment for negligence, fraud and deceit. With tariff wars threatening a



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Rein in eCommerce fraud

- Malaysia's fast-paced eCommerce growth necessitates eCommerce law reforms
- A balance needs to be struck to protect consumers, empower businesses and hold platforms accountable
- We need a single, cohesive law that recognises the power dynamics at play

flood of cheap and potentially fraudulent goods into our market, the need to revamp our regulations is urgent.

Accountability of sellers towards quality and standards control must be in place, while platform owners also need to invest in better compliance mechanisms and consumer education that emphasises buying quality over taking in poor products casually.

I applaud our government for wanting to strengthen the legal framework for eCommerce by 2026 – even more so considering it is amidst a more complex digital landscape compared to when I was involved in the development of the Consumer Protection (Electronic Trade Transactions) Regulations 2012.

Many platforms, many agencies conundrum

Malaysia lacks a single, unified law for e-commerce. Different platforms fall under different ministries – Shopee and Lazada under the Domestic Trade Ministry and the Health Ministry, depending on product category; Grab under the Transport Ministry; social media marketplaces like Facebook, TikTok under the Communications Ministry and so on. This fragmented system leaves no single agency empowered to oversee the entire digital economy.

This is further complicated by powerful big platforms, often for-

eign, which operate as monopolies. While claiming to support small businesses, they often abuse their gatekeeper position by charging high commissions and using their data advantage to launch competing products, among other things.

We need to acknowledge these dangers and regulate them accordingly.

New approach to regulation

To move forward, we need an approach that recognises the different players in the market, and we need to balance among three key parties: consumers, businesses and the large eCommerce platforms that serve as gatekeepers. We cannot regulate small, independent sellers the same way we do multibillion-dollar platforms.

As the government re-examines these laws, I hope to see a unified, cohesive consumer protection framework that covers the digital economy wholly.

The law must recognise the different players in the eCommerce space, making a distinction between direct sellers and online platforms. Even within these two categories, there should be tiers of accountability based on their volume of transactions and revenue.

There should be higher standards for bigger sellers and platforms, and additional measures for foreign ones.

A dedicated agency should enforce these rules, coordinate

with relevant ministries, and run consumer awareness campaigns.

Its funding could come from penalties and frozen funds from delinquent platforms and sellers, making it self-sustaining.

Importantly, we need to see an emphasis on regulating the big platforms, where they own and control the larger eCommerce market share.

In particular, we can consider:

> **Fund-freezing mechanism:** Platforms must freeze listings of fraudulent sellers and surrender illicit earnings to the government. All money earned from that listing, including commissions of past transactions, should be handed over.

This directly pressures platforms to enforce compliance, while funds support a consumer protection agency. This measure aims to hit platforms where it hurts most – their bottom line – forcing them to take compliance more seriously.

> **Time-bound investigation:** There should be time-bound investigation targets placed when complaints are made. It should be shorter for particularly sensitive items like food, health and beauty products.

> **Gatekeeper rules:** We need guidelines to prevent platforms from giving preferential treatment to their own products or services, similar to the European Union's Digital Markets Act or India's marketplace model.

> **Disclosure of complaints and actions:** Beyond the star rating and review sections, platforms should be required to publicly share seller complaint and refund statistics. This transparency would empower consumers to make more informed choices.

ECommerce has transformed Malaysia's economy, but the fragmented regulatory landscape leaves consumers and businesses exposed.

A unified, comprehensive framework is essential to safeguard users, hold platforms accountable, and ensure that digital growth translates into fairness, trust and opportunity for all Malaysians. Until then, I have learnt to scrutinise every listing before clicking "purchase."