

### **Virtual gains but real losses. Although you might actually generate Forex Trading gains in rare instances, getting money out of your account may not prove straightforward...**

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Popular websites are packed with adverts touting the advantages of online trading using binary options<sup>1</sup> or forex instruments. They offer so-called training packages – often devoid of any substance – and promise big gains from small starting investments. These bets typically end up as straight-out losses. Even in the rare instances where winning trades mean that the credit balance on a trading account exceeds the initial deposit, this balance is virtual until paid into the customer's personal bank account. I have witnessed situations where despite multiple requests to withdraw funds, everything is done to string out the withdrawal procedure and reduce the amount taken out.

#### **The facts**

Mr G. had been tempted for some time by adverts appearing at the bottom of the news website that he checked every morning. These offered training to help investors tap into big potential gains on the forex market, notably by using leverage. The idea of learning about trading, rather than the lure of gains, was what piqued Mr G's interest in the first place. He decided to leave his contact details on one of the sites that he was taken to after clicking on an ad. Someone claiming to be an expert trader from a major forex website called him the next day. This person told Mr G. how simple the trading system was to use and said that the company was in good standing internationally, boasting approvals from the Autorité des Marchés Financiers and the Banque de France. Mr G. agreed to pay €300 and got brief training on how the online trading platform worked.

Two weeks later, an adviser from the company called and encouraged him to deposit more funds, saying that if he put down €500, he would get a €200 bonus. Mr G. agreed and paid the requested amount by bank card. After a month of small gains and losses, the balance on the trading account stood at €950. Since he needed the money, Mr G. asked to withdraw the entire amount. Although initially his adviser tried to talk him out of this with the promise of larger gains in the future, in the end he agreed to the request but told Mr G. that he would lose his bonus, leaving a balance of €750.

Since no money had been transferred to him, Mr G. tried to contact the company by email because he could not reach his adviser by telephone. He was told that his withdrawal had been rejected and that he could only take out €568 because he had been charged \$200 dollars for having an inactive account for more than a year. Mr G. was taken aback by these charges – in dollars, no less – since his account had been inactive for just a month. Even so, he asked to recover the remaining amount. Once again, weeks passed with no transfer. He emailed the company once again and was informed that the available amount was now €407 because some trades were seemingly still in process. Mr G. tried yet again to contact his adviser by telephone to get some explanations. The adviser eventually answered and said that a recently opened trading position had resulted in the loss of all the remaining money and that the balance on his trading account was now zero. But Mr G. had not logged onto his account for several weeks.

He contacted me in the hope of recovering the amounts deposited with this company.

#### **The analysis**

My first step is to make sure that the company is authorised to supply investment services in France. If it is not, I cannot intervene and must forward the matter to the office of the public prosecutor. In this instance, the company

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<sup>1</sup> A binary option is a financial instrument that may be used to bet on the future performance of an underlying asset, such as a commodity, currency or equity. Forex refers to the FOReign EXchange market on which currencies are traded.

was indeed authorised to provide the service of order reception and transmission<sup>2</sup>. However, and contrary to what Mr G. was told, the firm was not authorised by the AMF but by the regulator in Cyprus, which is a member country of the European Union, and was thus covered by a European passport allowing it to provide this investment service in France. In this situation, the AMF has no power to issue sanctions, as the Cypriot regulator that authorised the company has responsibility for this.



I asked Mr G. to provide me with as much information as he possibly could to back up his testimony. Although he had not managed to record any phone conversations, he was able to provide me with screenshots of his online trading account and email exchanges with the company.

The evidence was damning for the company and revealed that most of the information provided was contradictory and unverifiable. I contacted the company to ask it to clarify the situation and provide justification for the exact amount that its customer could withdraw.

While I awaited this reply, Mr G. told me that he had been contacted by an adviser from the company encouraging him to make yet another deposit in exchange for an even bigger bonus. He refused but the next day he received another call, supposedly from the company's compliance department, telling him that he could withdraw €384. To receive this money, he was told he would have to give up all claims by signing various documents, some of which were written in English and which once again indicated different amounts. I advised Mr G. not to sign these documents as they stood and reminded the company of my request.

Shortly afterwards, Mr G. was again contacted. He was told that he had received a reimbursement of €800 on his personal bank account, which was confirmed by his bank. At the same time, the company sent me a terse reply stating that it considered the dispute to be settled.

## The recommendation

I made sure that Mr G. was ultimately refunded all the money initially paid to the company. While it is a pity that I did not receive a meaningful response to my questions, the evidence kept by Mr G. to support his claim definitely helped to ensure that he received full repayment of the funds paid to the company.

## The lesson to be learned

Yielding to the temptation to play at being a trader with binary options or forex instruments is a risky game that ends up in the loss of the investment in the vast majority of cases. Any gains made on a trading account remain virtual until they are taken out. But there are often many obstacles to withdrawing funds. I can intervene only if the company is authorised and especially if the maximum possible amount of material evidence has been kept. Regrettably, in most cases, customers do not keep a record of their exchanges. But do not forget that the money paid to these companies is all too real.

The AMF has shown its determination to fight these practices. In early 2015, it asked France's authorities to regulate or even ban online advertising of this type of unacceptable practice.

**Read more**  
[The AMF Ombudsman](#)

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<sup>2</sup> According to Article D321-1, 1° of the Monetary and Financial Code: "The service of reception and transmission of orders for third parties shall constitute the reception and transmission to an investment services provider [...] on behalf of a third party, of orders in relation to financial instruments".