

■ EDITORIAL

Public institutions mobilised against the scourge of investment scams

From identity theft to fake investments in cryptocurrencies or car parks, the spectrum of investment scams is very broad.

The phenomenon has a high cost to society. According to estimates by the Parquet de Paris (Public Prosecutor's Office), it represents about €500 million of swindled money every year.

It causes financial losses that are often devastating for investors and a lot of psychological distress.

The study by the AMF breaks down the mechanism of the trap that closes in on the victim. It provides insights that are essential for helping the authorities to improve their prevention systems and helps investors avoid these traps.

The figures are telling: six out of ten French people have been exposed in some way to an alternative investment proposal and half of them have followed up on this initial contact.

Lastly, 3% of French people say they have taken out one of these offers and 1% of them have probably fallen victim to investment scams.

An insecure financial situation, a certain risk appetite for savings or a lack of confidence in investments and financial institutions are all factors that lead people to respond to requests, often out of curiosity.

Social media and influencers are increasingly becoming an entry point for scams. These new media reach in particular a younger and more vulnerable audience.

In a joint speech on Monday 13 December 2021, the Parquet de Paris, the AMF, the ACPR and the DGCCRF affirmed their determination and active cooperation in the fight against this scourge. The authorities presented their actions in terms of prevention, education and repression.

They also called on the public not to believe unrealistic promises of large, quick, risk-free and effortless gains. ■

■ FOCUS

Investment scams: youth communities under influence

A "digital ethnography" has highlighted the impact of influencers on the scam journey and how they operate.

These influencers surf on a mythology of success with its artefacts, its standardised "ideals" and the presentation of real or fictional characters who embody proof of easy success.

The get-rich-quick myths

This mythology is shared on social media through accounts dedicated to investing, online betting, budgeting or entrepreneurship.

The vocabulary is codified. The pitch is to become "rich" and even a "millionaire" very quickly, "before 30".

Everything would seem to be possible with courage, determination and the right #mindset.

A code word: #Financial Freedom

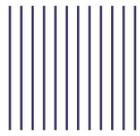
The narrative thread is simple: an unfavourable starting situation, a "system" (studies, salary, credits, small pension) presented as a trap, and the meteoric rise of the influencer posing as a "mentor" and sharing "knowledge that cannot be learned at school".

A modus operandi by rebound

From their platforms where they demonstrate their financial success, once they have baited their target, these influencers invite him or her to join them in various private spaces (closed groups on Telegram, Discord or Snapchat, Google Forms, ad hoc sites).

Details of investments can only be accessed by joining an "investor group" or "VIP club". Investors are required to make an initial deposit of a few hundred euro on trading platforms.

Beginners attracted by the media coverage of the gains made by early-adopters, hold out the hope of massive and rapid gains...only to be sorely disappointed. ■



The French and Investment scams

How many French people are affected by investment scams? How does it work?

To assess the extent of the phenomenon of investment scams, the AMF asked the BVA institute to survey a sample of 5,000 French people aged 18 and over. The aim was to measure how exposed the population is to investment scams. The survey also investigated the modus operandi of these scams.¹

Knowledge of the investment scam phenomenon

84% of respondents say they are aware of the existence of investment scams. This percentage is slightly higher among the retired and non-active population (90%) and only 76% among those under 35. Almost three quarters have heard of identity theft involving financial investments.

Half of the respondents consider this risk of scams to be very high.

Context: the level of trust of the French towards different types of investment

The French are relatively comfortable about investing in traditional real estate (7 out of 10). They are slightly less convinced about investing in parking spaces (between 4 and 5 out of 10) or rooms in nursing homes (1 out of 3).

Many of them also place their trust in "a savings account that pays a higher rate of interest than traditional savings products" (6 out of 10).

Tangible goods (diamonds, commodities, wines, etc.) inspire confidence in more than a quarter of respondents.

On the other hand, they say they are more wary of financial market trading, cryptocurrencies, Forex investments or herds of cattle (only one person in 10 trusts these types of investments).

It is worth noting that a quarter of under-35s responded that they have trust in cryptocurrencies.

Poorly understood savings benchmarks

A sizeable proportion of the population believes that there are better alternatives to traditional investments. For 48% of people interviewed in France, making a good investment these days therefore means "leaving traditional investments behind".

More than 6 out of 10 people believe that there are non-risky investments that are more profitable than savings passbooks. ■

Exposed persons

In this survey, people were considered to be exposed to scams in the following situations:

- They have already been contacted by an organisation other than their bank for financial investments: 30% of respondents;
- They have already done internet searches for "alternatives" to traditional investments: 23% of respondents;
- They have already seen an advertisement for "alternatives" to mainstream investments: 36%.
- They have already seen an ad offering to increase their income, to make money quickly: 45%.

The survey shows that 6 out of 10 French people have been exposed to at least one of these situations.

They are more likely to be high SPC and to be men. This population is more informed and less risk averse: three quarters of those who have savings and accept a little risk in general have been exposed.

What type of investment have they been exposed to?

For a third of those exposed, the proposed investment was in a cryptocurrency. It could also be a property investment (3 out of 10) or a savings account with "higher interest rates than traditional savings accounts" (one quarter).

Do you remember the type of investment proposed?



Source: "The French and investment scams". BVA survey for the AMF, Dec. 2021

¹ The complete study report is available on the [AMF website in the Publications/Reports, research & analysis section](#).

One out of every two exposed people has followed up on a solicitation

Half of those exposed - which corresponds to 3 out of 10 respondents - have followed up in one way or another on this first exposure. Of those who followed up, 30% indicated that they had made further inquiries, 21% clicked on the advertisement, 21% read the email message received.

And what was your attitude ... (towards this contact, this research, these ads, etc.)?



Source: "The French and investment scams". BVA survey for the AMF, Dec. 2021

How many finally subscribed?

Of those who followed up, 8% finally took out an investment, i.e. 2.6% of the French population (129 out of 5 000 people surveyed).

Why did you subscribe to this offer?



Source: "The French and investment scams". BVA survey for the AMF, Dec. 2021

Who are the subscribers?

Two thirds of subscribers are male. They are more likely to be people from low SPCs (4 out of 10) than those who did not subscribe (3 out of 10). Young people are over-represented: 4 out of 10 are under 35, compared with 1 in 4 of those who have not subscribed. ■

How were subscribers contacted?

Respondents who had made an investment had often searched the internet for alternatives to traditional investments (58%). Three quarters had been contacted by an organisation other than their bank, by email (56%), by telephone (35%) or via social media (36%). The most widely used social media were Instagram (43% of contacts via a social media site), TikTok (37%), Snapchat (32%) and WhatsApp (30%). ■

What were the difficulties encountered?

Of those who subscribed, almost 80% still have their investment open and almost three quarters have subsequently experienced at least one difficulty such as being unable to retrieve their funds (1 in 2), no contact after payment (4 out of 10), no returns (1 out of 2), or no visibility on the investment results (1 out of 2).

To subscribers: have you experienced any of the following situations with this investment?



Source: "The French and investment scams". BVA survey for the AMF, Dec. 2021

Likely victims: 1% of the sample

Of the subscribers who responded that they were unable to recover their funds or had no further contact, two thirds considered the funds invested to be lost.

These "likely victims" of investment scams represent half of the subscribers, or about 1% of the sample.

Since investments are often still "open", scam situations are potentially not yet revealed at the time of the survey.

Payments are often made by bank transfer, but also by online money transfer or by credit card. One in nine victims responded that they had made a payment in cryptocurrencies.

In 6 out of 10 cases, the future victim's bank had alerted him/her at the time of his/her request for a bank transfer or a credit card transfer.

Finally, it should be noted that half of the people who felt they had been scammed said they had taken an online trading course.

■ FOCUS

Investment scam victims

Half of those who had taken out an alternative investment (129 people) felt they had been scammed.

These are individuals with little experience of saving and investing: 7 out of 10 victims responded that they did not feel comfortable when it came to saving. More frequently than others, they responded that they manage their investments alone and do not seek advice from a professional or a relative.

Those who feel they have been scammed are relatively young: half are under 35 years old (when this age group represents a quarter of the French population). Half of them are also low SPCs (while they represent a third of the French population).

It should be noted that people living in the north-east of France are over-represented: 3 out of 10 compared to 2 out of 10 in the general population.

Three interviews of victims

To better understand how scams work, BVA interviewed five of the 61 victims from the quantitative study. These interviews clarified the background to the investment scams they experienced and the modus operandi of the scammers.

Below is an account of three interviews.

31-year-old woman, employee

The initial motivation was the need to "get some extra money, take care of my mother, save money for my son, etc. knowing that my father had left us a lot of debts".

Receipt of a profit-sharing bonus: "Money that I had earned but not a salary. It was a reward, and I thought that maybe the reward could bring me a bit more...".

A Facebook post showing "the testimony of Marie who had tripled her stake in 3 days".

Registration on a platform with her contact details. She was called that very evening (a UK number; staff who spoke French with an accent).

An investment in cryptocurrency. Attractive promises: "money-making", "double/triple your stake, "quick", "no risk", "simple".

Available and responsive staff. "They asked questions. They put themselves in my shoes. They took an interest in me and my family.

And then: unable to access my account; no news; unreachable contacts. Amount lost: €250.

Feelings: "I felt betrayed, guilty... Guilty for having been so gullible, for having thought that it could work. Angry with them and with myself".

46-year old man, temping employee

Two years ago, a need to earn some extra income. Attracted to high returns but wary of stock market investments. Information on cryptocurrencies in the media: "On TV they were talking about bitcoin, a virtual currency. When it was launched, it wasn't worth much and then it took off! "

A process of research on the Internet. A registration on a platform with transmission of contact details followed by a telephone call.

The investment was made in cryptocurrency. Attractive promises: higher returns than bank investments, possibility of withdrawing money at any time. A site that seemed "serious" with a telephone number, available contacts providing explanations. Amount lost: €1,000.

And then: unable to withdraw profits; unreachable staff; website became unavailable: "When I saw that it had almost doubled (it had risen up to as much as €1,600) I decided to withdraw €600, the profit. And there, I found that I couldn't enter the website. I typed in my login, my password, and I couldn't log on, the site didn't work anymore! "

70-year-old woman, pensioner

In 2020, I received an unexpected inheritance of €30,000. An interest in moderate risk investments and a "gambling" temperament.

The lockdown created a context that was conducive to spending more time on the internet. Contacted a bank but received no response: "I called the bank but I was told 'we'll see together after the lockdown' and I don't like waiting".

The receipt of an email as a trigger, followed by a contact and conversations by phone and email.

The investment was made in parking spaces (in Italy) despite advice from a relative to be careful. Attractive promises: 10.8% of returns, non-taxable in France, resale possible at any time.

Contact persons with realistic functions, pleasant, available and conscientious; the sending of documents that seemed serious; a company that "looked real", a member of the "International Association of Investment Funds".

And then: Unable to retrieve the money invested; contacts unreachable; searches made on the Internet to evaluate the reliability of the website. Amount lost: €5,000.

Feeling of having been naive, feeling of fatalism and relativism: "After, I said to myself, well, let's not make a big deal of this." If I had ended up only with this €5,000, then I would have said to myself that I had been swindled.