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The Autorité des Marchés Financiers (AMF) is continuing its drive against the dangers of speculative trading for private investors

Continuing its struggle against speculative trading aimed at private investors, the AMF has revealed the findings of a mystery shopping campaign conducted on Forex and binary options websites. The regulator is also getting involved to limit the general public's exposure to multiple advertising communications.

Mystery shopping on speculative trading websites

In December 2014, the AMF conducted a campaign to accurately assess the business practices of online trading websites. These sites are targeting the general public through several advertisements and encourage individual savers to take speculative positions on the foreign exchange market or to invest in binary options.

These mystery shopping visits were conducted as follows:

- 29 sites selected, among the most visible to French users, offering trading in Forex and/or binary options.
- Procedures by bank transfer only and the mystery shopper is prohibited from providing their credit card details (which some sites refused). An "obstacle" that did not prevent 9 accounts from being opened out of the 29 target sites: 8 accounts on sites approved by the Cypriot regulator, 1 on an unauthorised site.

- The start of trading activity.
- Attempt to withdraw funds.

The test therefore made it possible to assess the different phases of the relationship between the user and said sites: prior information requested from the client, including their identity, a presentation of the risks involved, account creation, "training" on trading and transactions, as well as withdrawing the funds deposited for the test.

The findings of this campaign are clear, both in terms of non-observance of the regulations by providers and in terms of incentives to invest, or even pressure exerted on a client who remains under-informed on the matter of risk:

- In 5 cases out of 9, no proof of identity was requested. For 3 of them, it was even possible to trade for 10 days without the client's identity being checked.
- The site asks very few questions in the client profile fact-finding stage. Furthermore, while the mystery shopper is always presented as a novice without any knowledge or experience, no discouraging action was taken.
- The "training" offered to the client is often deceptive, concealing the complexity of the financial instruments on offer. Phrases heard during the "training" include: "It's very easy to understand and manage this". "There is no such thing as a 100% success rate, but you can expect three out of five winning trades".
- The sales pitch is impressive: rather than providing training, the advisers' main objective was to encourage the user to deposit more funds. More generally in the active trading stage, safeguards are rare or non-existent: on some platforms, there is no order confirmation and indicators that are difficult to understand (for example, the gains shown may include the amounts invested). Follow-ups from sales staff and other "coaches" are sometimes insistent: "Invest quickly to avoid wasting your time and mine", "It would be great if you could increase the capital during the day".
- Finally, there are several obstacles to recovering sums that have not been lost: on the one hand, the procedure to follow indicated on the sites is often unclear, and on the other hand, withdrawing funds is dependent on minimum criteria (an amount of transactions being reached or a period of activity, for example). In addition, many sites advise against withdrawing funds and encourage a new deposit or the provision of credit card numbers.

Several weeks after having made their requests, the mystery shopper only recovered their funds from 2 sites out of 9.

The AMF is committed to limiting speculative trading advertisements

These mystery shopping visits confirm the reprehensible practices and unscrupulous business approaches of the sites in question. The exposure and methods of recruiting the general public to this type of offer are mainly due to advertising pressure, these offers being widely disseminated on websites with a very large audience.

Beyond its duty to educate and inform, the Autorité des Marchés Financiers is using the resources at its disposal to concretely limit this phenomenon:

- The AMF, which obtained the blocking of multiple sites operating without approval from the judge of the High Court of Paris, will continue in its endeavours;
- In order to go further to protect savers, the AMF is proposing a legislative provision giving the regulator the legal capacity to ban the advertising of very high-risk products.

Through its various initiatives, the AMF recalls that private investors should avoid trading in Forex and complex financial instruments.

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