



AUTORITÉ  
DES MARCHÉS FINANCIERS

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## **The AMF publishes a study of complaints from French retail clients of European investment firms operating under the freedom to provide services**

**The Autorité des Marchés Financiers has analysed more than 200 reports received from French retail investors against investment service providers operating in France under the European passport. More than 60% of all claims and losses reported concerned entities based in Cyprus. The study highlights irregular practices, including difficulties in closing accounts or redirections to unauthorised non-European subsidiaries.**

Following a large number of reports from retail investors, the AMF decided to carry out a quantitative assessment of the complaints made against European firms providing investment services in France without a branch, and to a lesser extent against non-European entities. The detailed analysis of the 221 complaints and reports received by the AMF's Epargne Info Service platform over two years, between January 2019 and December 2020, revealed that firms established in Cyprus were over-represented (141). With regard to losses declared by investors concerning firms operating in France under the freedom to provide services, 60% of these amounts also corresponded to clients of companies authorised in Cyprus.

There were five main reasons for retail investor complaints:

- aggressive commercial practices (repeated or cold calls, pressure to invest, promises of rapid gains);
- order execution problems, including orders placed without informing investors;
- difficulties in, or even impossibility of, closing a trading account;
- illegal provision of investment advice;
- redirection to subsidiaries established outside the EU (therefore unauthorised) without informing the client, thus depriving the latter from the benefits of the EU protections : negative account balance protection, leverage cap for the riskiest derivatives.

This practice of redirecting customers amounts to circumventing the product intervention measures on speculative products (binary options, CFDs) adopted in March 2018 by the European Securities and Markets Authority (ESMA) and implemented at the national level by the AMF in summer 2019.

These European service providers operating under the freedom to provide services are the subject of complaints received by the AMF, but do not fall under the supervision of the French regulator. The AMF notes that the allocation of powers between home and host authorities in the context of the cross-border provision of investment services does not provide for sufficiently effective coordination mechanisms to respond quickly to service providers acting irregularly under the freedom to provide services. The AMF is currently working at the European level, in coordination with its European counterparts who are also facing these problems, to bring about regulatory changes in the context of the forthcoming revision of the Markets in Financial Instruments Directive (MiFID II), with the aim of strengthening investor protection.

#### *About the AMF*

*The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org> URL = [https://www.amf-france.org/]*

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