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Financial scams: the Paris Public Prosecutor's Office, the AMF, the ACPR and the DGCCRF are actively working together to fight this scourge responsible for heavy losses for retail investors

In these times of Covid crisis and low interest rates, the public is facing an upsurge in fraudulent offers for financial investments and services. At a joint press conference, the Parquet de Paris, the Autorité des Marchés Financiers (AMF), the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the General Directorate for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF) presented the latest developments in this area, as well as the actions taken, prevention measures and sanctions.

A lasting, multi-faceted phenomenon

The Covid-19 crisis and lockdowns witnessed a resurgence of fraudulent investment, savings and credit offers of all kinds. In a context of low interest rates, retail investors are attracted by "alternative" investments claiming to yield higher returns than traditional financial products.

According to a BVA survey conducted for the AMF, the French are generally well aware of the risk of investment scams (97% consider it "high", 51% "very high"), but many believe that non-risky investments more profitable than savings accounts exist (64%).

Financial scams cover a wide range of fraudulent acts and target a broad public. They range from false offers on everyday financial products, such as consumer loans buybacks (boilers, solar panels, etc.), to fictitious offers to invest in car parks or in nursing homes, and Ponzi schemes. The Paris Public Prosecutor's Office estimates the overall losses suffered by victims of financial fraud in France at around €500 million per year, and notes that the number of proceedings has remained relatively stable, even though some of them involve several hundred victims.

Savings accounts and loan scams have escalated over the past two years, resulting in high losses, averaging €72,000 per victim for savings accounts and €12,000 for loans in cases reported to the ACPR in 2021. After a two-year lull, trading scams on Forex, the unregulated currency market, and on crypto-assets picked up sharply in 2020 and 2021, causing significant losses, in the region of €38,000 and €20,000 per saver respectively according to statements made by the victims to the AMF. False offers to invest in airport parking spaces or in rooms in nursing homes generated even higher losses, of more than €50,000 and €70,000 respectively.

A well-oiled modus operandi and a new entry point: social media

The modus operandi of these offenders is now well established. They lure their victims with banner ads on internet, social media, mobile messaging applications, reputable news sites or by email. They collect the personal data of Internet users who have clicked on the banner via an online contact form. Then, fake advisors, described as professional, available and sympathetic, contact the future victims by telephone and build up trust, through manipulative arguments and repeated calls. After an initial modest investment presented as a winner and sometimes an initial withdrawal, the retail investors, who are now confident, are encouraged to invest much more. When they ask for their money back, they suddenly stop receiving answers to their emails or calls, and can access neither their account nor their funds.

For the past two years, in almost one out of two cases, this process has been combined with one or more identity theft operations designed to make the fraudulent offers credible and to make the future victims less vigilant: fraudulent use of the names of authorised products or professionals in the financial sector, large groups or SMEs, logos or registration numbers, etc.

Social media and influencers are the new entry point that has emerged in recent years. This means that a younger audience, from a more modest background than the traditional target of investment scams, is now being reached, particularly in the field of trading (Forex and crypto-currencies). The sharing of fake "good deals" on social media and messaging applications multiplies the impact of these scams. Several recent cases handled by the

DGCCRF confirm the worrying rise of misleading online commercial practices in the field of financial services, particularly from influencers. As a result, the DGCCRF has made the fight against unfair influence marketing practices one of its priority control areas for 2022.

The AMF has expressed its concern and vigilance with regard to investment recommendations on social media that do not comply with the principles of transparency and objectivity imposed by the European Market Abuse Regulation.

Among the scams disseminated on social networks, targeting fragile populations in particular, the ACPR draws public's attention to a fast-growing phenomenon: the development of fraudulent offers of loans between individuals that creates confusion with the regulated activity of crowdfunding or crowdlending.

Enhanced cooperation and new means of action

Prevention remains the most effective weapon against scams. The ACPR and the AMF, which are cooperating closely on this issue, notably through a joint working group set up in 2021, are working to detect fraudulent offers and alert the public and professionals as early as possible. The two authorities regularly publish subject-specific warnings (savings accounts, loans, whisky, car parks, trading training, containers, spoofing, nursing homes, etc.) and update their blacklists of unauthorised actors. The number of sites listed on the five blacklists of their joint site with the Banque de France, Assurance Banque Epargne Info Service (www.abe-infoservice.fr URL = [http://www.abe-infoservice.fr/]), has tripled since the end of 2019, with more than 3,500 web addresses. The AMF stresses the importance of consulting its white lists of providers and offerings that it has registered or delivered a visa: digital assets service providers, offerings in miscellaneous assets and initial coin offerings. In November, the ACPR and the AMF launched a new online public awareness campaign on the risk of financial scams on social media. The campaign, entitled "Don't do online or over the phone what you wouldn't do in real life", has already attracted more than a million views.

The effectiveness of the cooperation between the different authorities involved in the fight against financial scams was illustrated, for example, in a case involving digital fundraising in connection with the creation of an application for the purchase of airline tickets in cryptocurrency. This company, which planned to issue its own crypto-assets (tokens) and had applied for a visa from the AMF, is in fact suspected of using forged documents and of having canvassed investors without authorisation. The AMF warned the public on 30 September 2021, the day the operation was launched. It forwarded the information to the Paris Public Prosecutor's office, which entrusted the investigations to the Gendarmerie Nationale's Paris investigation unit. This coordinated and timely response made it possible to limit the damage to retail investors and employees.

Thanks to successful international cooperation, several suspects were also extradited from non-EU countries such as Israel and in the United Arab Emirates (Dubai).

In its fight against fraudulent online offerings and websites that sell non-compliant or dangerous products, since the law of 3 December 2020 relating to various provisions for adapting to EU law, the DGCCRF has had a new digital injunction power. If the perpetrator of the practice cannot be identified or has not complied with the injunction notified to it, the DGCCRF can order that a warning message be displayed to consumers about illegal online content, demand that the content be delisted from search engines and comparison services, or even order the blocking, transfer or deletion of a domain name.

For its part, the AMF uses its ability to take legal action to block access to fraudulent sites. Since 2014, the procedures initiated by the AMF have resulted in the blocking of 313 URLs.

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/]

About the ACPR

The Autorité de Contrôle Prudentiel et de Résolution is the administrative authority operationally attached to the Banque de France that supervises the banking and insurance sectors and ensures financial stability. The ACPR is also responsible for protecting the customers of the supervised institutions and ensuring the fight against money laundering and the financing of terrorism. It also has resolution powers. The ACPR's operational departments come under its General Secretariat. Visit our website at <https://acpr.banque-france.fr/> URL = [https://acpr.banque-france.fr/]

About the General Directorate for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF)

The DGCCRF is a department of the Ministry of the Economy, Finance and Recovery, with nearly 3,000 staff members spread in both mainland and overseas France. Its role is to ensure that every aspect of the markets (competition, security, fairness) functions properly, to the benefit of consumers and business competitiveness. Within this framework, the DGCCRF ensures in particular the economic protection of the consumers in order to inform and protect them against abusive commercial practices.

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19 May 2022

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HOUSEHOLD SAVINGS NEWSLETTER

MARKETING

06 April 2022

AMF Household Savings Observatory Newsletter - No. 48



WARNING

SAVINGS PROTECTION

30 March 2022

The AMF and the ACPR warn the public against the activities of several entities offering in France investments in Forex and in crypto-assets derivatives without being...



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