

News releases AMF: 2019

AMF warns the public about an aggressive marketing technique called “boiler room”

Published on September 6, 2019

The AMF warns the public about this fraudulent practice that encourages investors to purchase financial products on the basis of sales pitches unrelated to the real value of the assets in question and with the promise of extremely high price increases. The AMF calls on retail investors to exercise the greatest vigilance.

Boiler room marketing is a practice whereby an unauthorised entity presents itself as a brokerage firm or an asset management company and contacts investors, unprompted and often by telephone, to showcase the potential of an asset in which they hold an interest. By employing aggressive sales tactics and promising high yields, the aim is to encourage individuals to invest in the asset in question and thus enable the manipulators to sell their shares at a high price.

This type of fraud, in existence for a number of years, may concern listed companies in a number of European markets and may target retail investors across Europe.

The AMF has indications that suspicious buying recommendations are currently being made for shares listed on Euronext Access, notably including:

- Media Lab (IT0005324105) ;
- Arthur Maury (FR0013268067) ;
- Design your Home (SE0007045380) ;
- Gour Medical (FR0013371507) ;
- Parx plastics (NL0012650535) ;
- Italy Innovazioni (IT0005336521).

The AMF has information indicating that these buying recommendations could be based on information that is false or misleading and/or possibly conceals existing conflicts of interest. Some of these actions could constitute criminal offences.

Before analysing the issues of this fraud, it should be pointed out that the vast majority of the shares involved concern companies whose stocks are quoted via the double-fixing system. This applies to shares that are not very liquid. Thus, unlike continuous listing, where orders are matched to transactions and prices determined instantly throughout the day, with double fixing, there are only two listings each day, in the morning at 11.30 am and in the afternoon at 4.30 pm. In between these two listings, the order book is filled with buy and sell orders, and there is no quotation that generates a price immediately.

The AMF is calling on retail investors to exercise the greatest vigilance by:

- checking that the financial intermediary proposing or advising financial investments is registered and/or authorised to operate in the jurisdiction in which it claims to do so;
- not responding to the sales communications of unregistered or unauthorised entities and not passing on their information to third parties;
- filing a complaint with the competent court and providing the competent legal authorities with as much information as possible (money transfer references, identified contacts, postal and email addresses, Skype, etc.);
- applying the cautionary rules described above and keeping proof of their exchanges (telephone conversation recordings, screen captures, etc.) if they do decide to invest.

Lastly, the AMF reminds investors to follow these safety guidelines before making any investment:

- no advertising materials should make you overlook the fact that high returns always involve high risk;
- learn as much as you can about the company or intermediary trying to sell you a product (authorisation/certification, company history, location of head offices, etc.);
- only invest in a product you understand;
- ask yourself how, and by whom, the purchase price or selling price of the advertised product is set, and find out the precise terms and timeline for selling the product, especially in cases where the product invests in an asset class with low liquidity.

In concrete terms, how is this type of fraud carried out?

Mr Schmidt is sitting quietly at home when his phone rings. When he picks it up, a stranger with a pleasant voice introduces himself as Peter Dorf, an employee of a broker well-known in the country and the region. Peter Dorf is a smooth talker and explains to Mr Schmidt that he has some very interesting information to share with him about a wonderful stock market investment opportunity that has to be seized at once. It concerns shares in BIOMIAOU, a small but hitherto little-known company specialising in cat food containing organic super foods that improve the health and life expectancy of cats. The pet food market is booming and he has reliable information that this company is already highly coveted by global pet food giants who are gearing up to make a takeover bid in the very near future. In short, according to the broker's latest calculations, the share price is going to make a leap with a return of 20% to 30% practically assured in the next few months! The BIOMIAOU share price has already started to increase, rising by 5% within the last month, proving that things are moving fast and that Mr Schmidt needs to act quickly if he does not want to miss the opportunity of the year! Peter Dorf therefore proposes that Mr Schmidt buy 1,000 shares to start with. Mr Schmidt thanks him, tells him he is going to think about it and hangs up. The trap has been set! After the call, Mr Schmidt takes a look at a financial website and does indeed see a few rather flattering articles about BIOMIAOU's growth prospects and an increase in prices and volumes in recent months. Peter Dorf had been telling the truth...He can therefore make a killing if he doesn't waste any time! Peter Dorf calls again the next day and convinces Mr Schmidt who immediately buys one thousand shares, rejoicing at the profit he is going to make. There is no doubt about it, the stock exchange is for smart people!

Mentions légales:

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What Peter Dorf has not told Mr Schmidt is that he actually works for Mr Catseye who wants to sell his BIOMIAOU shares at a high price! Peter Dorf receives very substantial fees to act as a tout who will help Mr Catseye to find gullible buyers. If BIOMIAOU does actually exist, it will often be a shell company which may or may not have any real activities, and which is certainly not covered by any industry giants. The whole affair is well thought out marketing hype which, if it convinces enough people like Mr Schmidt, will push up the price and volumes of BIOMIAOU shares traded, thus convincing even more victims to buy the shares.

Once the price and volumes of the BIOMIAOU share have risen enough for Mr Catseye to sell all his shares at a very high price, Peter Dorf stops making his calls. And since no one is buying the BIOMIAOU share, its price and the volumes traded plummet. Mr Schmidt ends up with a large number of shares bought at a high price but which now have little value and are almost no longer traded. It is a real scam!

The AMF's advice: Never trust any recommendations or inducements given by a direct marketer over the phone. If you have any doubts, you must always consult a certified professional to make the right investment.

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>

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