



ALTERNATIVE INVESTMENT PRODUCTS (RARE EARTHS, PRECIOUS METALS, DIAMONDS, ETC.): BE ON YOUR GUARD!

Offers of investment in various assets such as rare earths, precious metals, diamonds, etc. are increasingly made to the general public as alternatives to traditional savings products, with the promise of high yields. The greatest possible caution is advised, however... because while investing money in physical goods may seem reassuring, unfortunately in practice fraud in these sectors is frequent.

The FSMA wishes therefore to warn you!

The FSMA does not supervise commercial activities relating to such physical goods as rare earths, precious metals, diamonds, wine, buildings, etc. However, where physical assets are offered to the public in the form of instruments that make possible a financial investment, these 'alternative' investment products may fall within the scope of the financial legislation that the FSMA is tasked with enforcing (in particular, the Prospectus Law) and may only be offered to the public under certain conditions.

Investors are therefore urged to exercise heightened prudence. Do not be taken in by the falsely reassuring appearance of a physical investment, and remember that prospects of a high yield always go hand in hand with high risk. To claim otherwise is false and may indicate fraud.

In what follows, we provide more information about these types of offers of alternative investment products. If you wish to verify whether an offer falls under the supervision of the FSMA, please feel free to contact us via the [electronic contract form](#).

1. How do these frauds get started?

Would-be investors are usually contacted unsolicited (cold calling or email) by a person or company who offers them an investment in an asset presented as an alternative to traditional investment products. Sometimes, would-be investors are attracted by advertisements on the internet.

The asset is offered as an alternative for investing one's capital, and is accompanied by promises of high yields. The information presented is one-sided, however, omitting to mention or downplaying the risks of loss.

The market and the prices offered are generally obscure, and it is very difficult for the would-be investor to verify whether they are paying the correct price for the investment.

Frequently the company in question suggests that the assets be stored abroad. In that case, the investor cannot easily verify whether the product has in fact been delivered.



2. What are the problems encountered by victims of these frauds?

Complaints made by consumers who consider they have sustained damage from such offers are varied:

- some complain that they bought the object for a sum well above market price, as well as of having been misled as to the value of the assets acquired;
- others complain that they are unable to resell the asset acquired;
- still others have heard nothing more from the company and therefore never manage to recover either the assets purchased (provided, of course, that a real transaction took place, which is not always certain), or the money invested;
- finally, many companies active in this sector soon go bankrupt or into liquidation; once again, the investor's chance of recovering his or her investment is slim.

3. A victim - what can you do?

Do you consider that you have been the victim of a fraudulent investment offer? Please feel free to contact us via the [electronic contact form](#). We will verify whether the offer made violated/violates the legislation with which we supervise compliance. If that is the case, we will be sure to take the necessary measures (warnings, administrative sanctions, etc.).

To try to recover the money lost, please also file a complaint with the judicial authorities, who are the competent authorities in this matter. The FSMA has no competence to handle individual complaints. We will do our best, however, to point you in the right direction.

4. Advice to consumers

Investors are therefore urged to exercise heightened prudence. The usual advice by the FSMA thus applies. In particular:

- **be wary of (promises of) completely disproportionate returns.** In this regard, it is frequently the case that fraudsters present significant earnings at the beginning, until the day when the investor asks to withdraw the funds invested.
- **always verify the identity of the company** (company identity, home country, etc.). If the company cannot be clearly identified, it should not be trusted. Also beware if the company does not have a long track record.
- **do not take for granted the information provided by such companies:** be especially careful about any claimed assurances about your investments or promises of repurchase/resale that may



resemble a capital guarantee: if an offer is fraudulent, the guarantees offered are likewise; the same is true of promises of repurchase/resale.

- **insist** that your interlocutor **provide clear and comprehensible information**. Do not invest if you do not understand precisely what is being offered. Be sure to read all the documentation carefully, including any fine print; very often the text there is far from the sales pitch you were given!
- **beware** of unsolicited phone calls / emails ("**cold calling**"), that is, any contacts that you did not request. These are often at the source of fraud; also be careful of any insistent salespeople and those who want to persuade you to sign quickly.
- **consult the warnings** published on the [website of the FSMA](#), as well as on the sites of foreign supervisory authorities and of [IOSCO](#).

Please note: the fact that the FSMA has not published a warning about a company does not mean that company holds a valid authorization. On the one hand, as indicated above, such offers **do not always fall under the supervision of the financial authorities**. On the other hand, while the FSMA seeks to ensure that it publishes warnings in a timely manner, it is entirely possible that the activity of a given company that is acting illegally on the Belgian market may not yet have been reported to it, all the more so since unauthorized companies tend to change names regularly.

- consider also doing a **general search** for the company **using the customary search engines**. You may find some testimonials by persons who have had contacts with the company. But beware that there may be some falsely positive testimonials, posted by the company itself and intended solely to elicit the confidence of investors.

5. To go further...

If you would like more information about the legal regime that may apply to such offers of alternative investment products, please consult the [Communication of 13 November 2014](#) addressed to companies that distribute investments in movable or immovable goods. Should you still have any questions, please feel free to contact us via the [electronic contact form](#).

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