



Final Transcript

FEDERAL TRADE COMMISSION: Press Event

July 18, 2023/10:30 a.m. CDT

SPEAKERS

Todd

Samuel Levine – Director, Bureau of Consumer Protection, FTC

Arun Rao - Deputy Assistant Attorney General, Consumer Protection Branch of the US DOJ

Loyaan Egal – Chief of the Enforcement Bureau, FCC

Dave Yost – Attorney General, State of Ohio

Kwame Raoul – Attorney General, State of Illinois

[Call is already in progress]

PRESENTATION

Moderator Ladies and gentlemen, we do thank you for your patience. Please continue to hold the line. The conference should be underway shortly. Thank you.

[Audio silence]

Todd [Audio disruption] hearing from a series of speakers this morning about a cooperative effort involving federal and state law enforcement partners aimed at cracking down on illegal telemarketing calls. And after we hear

from all five speakers, we will take questions, first from those of you in

Calls, the FTC is today announcing five new enforcement actions against illegal robocalls and telemarketing fraud. I hope you'll look at the details of each case, as they tell a compelling story.

Today though, I'd like to talk about two areas of focus for this effort. The first are consent farms. Consent farms are not the kind of farms that harvest crops and raise animals. Rather, they turbocharge the scourge of unwanted calls in this country by luring consumers with offers for jobs or rewards, tricking them into turning over their personal information and claiming consumers have been consented to be robocalled. Of course, this consent is not real. In our experience as law enforcers and as human beings, we don't know many people out there who enjoy getting spam calls.

But nevertheless, these consent farms sell consumers' personal information, also known as leads, to telemarketers, who then believe they have free rein to blast consumers with spam calls. It is hard to overstate the role that these consent farms play in our country's epidemic of spam calls. By obtaining phony consent from millions of consumers and then selling these leads to unscrupulous telemarketers, they are fueling fraud and opening the door to billions of robocalls. But with the actions being

announced today, the FTC and our partners are looking to shut that door and lock it.

Let me start by describing one of our most significant actions, which demonstrates how we're moving upstream to target not only telemarketers, but also the consent farms that fuel their fraud. One of the largest consent farms out there is called Fluent, a publicly traded firm based in New York. As detailed in our lawsuit, Fluent and its affiliates use online ads to promise a job interview or a free gift card to lure people to its website. Once there, consumers would fill in their information to try to get what they've been promised: a job or a reward. But in fact, Fluent was tricking people into consenting to get robocalls and other marketing solicitations from dozens, or even hundreds of marketers.

You can see in these images how Fluent did that. They buried the consent in fine print above the confirmation boxes. That is how in under two years Fluent collected and sold more than 620 million telemarketing leads. The FTC's complaint and consent order with Fluent broadly bans the company from any future involvement with robocalls, and as part of the settlement fluid will pay a \$2.5 million civil penalty.

Finally, this is a lesson for point of entry VoIP service providers, those providers that help route overseas calls into the US. Take steps to keep illegal calls out of the country or the next call you get might be from the FTC.

These lawsuits should send a strong message to robocallers and their enablers. But we also have a message for the American public. When it comes to stopping the scourge of illegal telemarketing, the FTC is on your side. Over the last few years, we've secured judgments of more than \$2 billion against telemarketing scammers and their enablers. We've taken bad actors to court and secured permanent bans on their telemarketing schemes. We've armed the public with educational resources at ftc.gov/calls, where consumers can find free, actionable advice on how to block and report unwanted calls. And we've returned millions of dollars to consumers affected by these practices.

I'm pleased to say that these efforts are not in vain. In fact, the number of robocall complaints to the FTC feic thjTaaTaa6ye6 6)5 (o)TJ0 Tc 0 Tw 22.59 the let 2021

We are all aware of the significant problems posed, and immense frustration caused by scam calls. Like many of you, scam calls have rudely interrupted moments that I've been spending with friends and family. And we've all heard illegal messages delivered by fraud calls, including some that cause the listeners to experience fear, such as when a fraudster impersonates a financial institution reporting a purported problem, or pretends to be a government agency purportedly on the verge of arresting the listener. Scam calls can cause financial devastation, and the full impact of frauds and scams can extend even beyond monetary loss suffered by the victim. Nearly two-thirds of fraud victims report experiencing stress, anxiety, difficulty sleeping and depression.

Stopping these pernicious calls requires taking a comprehensive approach to the problem. We are seeking to bring scam callers to justice through both civil actions, including monetary penalties and injunctive relief, and criminal prosecutions, meaning prison time. Additionally, government enforcement agencies recognize that scam call operations require the support of a broad array of actors, including those who assist fraudsters in reaching vulnerable consumers by providing lead lists or transmitting scam calls using VoIP technology, as Sam discussed a moment ago. Scam call operations would not succeed in enriching fraudsters without the

participation of those who facilitate the movement of money from victims' bank accounts to fraudsters.

That same comprehensive approach requires that we work across agencies and use all the tools available to us, as the enforcement actions discussed today illustrate. The US Department of Justice's Consumer Protection Branch works closely with the FTC on efforts to stop scam calls. In May of this year we sued XCast Labs, which according to the complaint, allegedly facilitated billions of illegal robocalls, including calls that falsely claimed an affiliation with the Social Security Administration or pretended to be a utility and threatened to cut off service unless the victim made an immediate payment. Our close coordination with the FTC also recently resulted in a civil resolution with Nexway, a payment processing company which allegedly processed payments for technical support scams, including some that use deceptive pop up notifications warning that the victim's computer had been infected with a virus, and did so to induce the victims to pay money.

The ramifications of making fraud calls are serious and can include criminal prosecution. And I want to share a few examples with you. First, in a case brought by the Consumer Protection Branch, a defendant was

Thank you, again, to the FTC for coordinating this event and for hosting us this morning and to all of the agencies participating in this week for your partnership in this effort. I look forward to continuing to work with all of you as part of our collective efforts to combat scam calls. Thank you.

Samuel

Thank you, Arun. And let me now turn things over to Loyaan Egal, Chief of the Enforcement Bureau at the Federal Communications Commission.

Loyaan

Thanks, Sam. Good morning, everyone. Again, I'm Loyaan Egal, chief of enforcement at the FCC. I want to thank Director Levine and the Chicago and Atlanta field offices from the FTC for putting together and coordinating this event. I'd like to thank our partners at the US Department of Justice, Deputy Assistant Attorney General Rao, Attorney General Yost from Ohio and Attorney General Raoul from Illinois. Thank you very much.

We, too, are very pleased to participate in this event today with our partners. The FCC has the primary regulatory role with regards to implementing the rules coming out of the STIR/SHAKEN statute. And as a result of that, we provide the rules and regulations dealing with call

blocking and other obligations that voice service providers have to follow to police their networks for illegal robocalls. This includes working with the private sector in selecting the organization that handles the efforts to trace back the origin of successive suspected illegal calls.

We've employed two primary enforcement methods in combating these illegal robocalls. First, the FCC has employed its injunctive authorities looking at requiring originating and gateway providers who are facilitating calls to block or effectively mitigate suspected illegal calls after they've

within that enterprise, and then authorized downstream providers to block that traffic when those entities failed to mitigate those unlawful calls. This resulted in a 99% drop in auto warranty robocalls.

We also applied the same effort and approach with regards to illegal calls related to student loans. We identified a company named Urth Access that was responsible for originating millions of illegal robocall campaigns related to student loan debt relief. And after we took our action, we saw that there was a result in an 89% drop in illegal calls related to student loan robocalls.

We've also told the industry that it needs to employ and implement Know Your Customer principles, meaning providers need to know whose traffic they're carrying and whether or not that traffic is facilitating illegal robocalls. In addition, we've also taken actions to remove companies from the robocall mitigation database. The FCC requires that all providers of telecom services certify in the robocall mitigation database that they have the mechanisms in place to prevent originating illegal robocalls. And if they do not, we've taken action to remove them from that database.

We've also brought some of the largest fines in the FTC's history against robocall facilitators, including the aforementioned company I mentioned, Sumco Panama, where we brought approximately \$300 million proposed fines against them for placing over, again, 5 billion unlawful robocalls related to auto warranties.

In addition to taking those enforcement actions and approaches, we've worked really hard and successfully to enter into approximately 45 memorandums of understanding with our partners at the state level. We have also had a long-standing cooperation agreement with our partners at the FTC and worked very closely with them in bringing enforcement actions in the space. And we've worked with our partners at the Department of Justice to see what other enforcement actions we can bring in a coordinated fashion.

Lastly, looking forward, we are looking at the FCC to expand our investigations to identify and expose the financial networks and businesses that are supporting and benefiting from this illegal conduct. We're also working with mobile phone device makers and software operating system companies to better understand issues and develop effective approaches for dealing with text messages, as we're seeing an influx move from

robocalls to text. And we're continuing to build our partnerships with our law enforcement partners at the federal, state and international level to deal with this on a coordinated enforcement effort. Thank you.

Samuel

It's now my honor to introduce Ohio Attorney General Dave Yost.

Dave

Thank you, Sam. The Attorney General of Ohio gets robocalls. It really is a universal plague. And I'm pleased to be here with so many colleagues, partners in this fight. The fight is for all of you who are tired of having your phones used as a way to hijack your time and your attention, to hound and harass you, people in Ohio, that we know their names, these aren't statistics, Peter in Norwood, Ohio who endured at least 44 separate

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Samuel Thank you, General Yost. And it's now my honor to introduce General Kwame Raoul from the state of Illinois.

Kwame Thank you. Good morning, and you're going to hear the word partner one more time, because I truly value the partnership with the FTC, the DOJ and FCC and my friend and colleague, General Yost, who has been a leader in gathering us for efforts to try to combat the annoyance of robocalls and the extent to which they prey on consumers within our respective states and every geographic area of our respective states. And just like General Yost, it includes me as well. And I'm more than annoyed. And so that's why it's a great pleasure to be able to collaborate on this effort with this nationwide effort.

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reminder to please keep your questions focused on today's topic. And we will only be taking questions from members of the press, so please identify yourself and your organization when posing a question,

Jason I'm Jason Knowles from ABC 7 in Chicago. If you can kind of sum up the overall initiative, like how many settlements, how many lawsuits and what exactly is being done for the crackdown?

Samuel Certainly. This is a really comprehensive effort. This involves more than 102 participants, more than 180 enforcement actions and we're securing all kinds of relief against telemarketers and their enablers, depending on the conduct. You heard from Arun Rao on how we've secured criminal penalties against some of these actors. We've secured civil penalties against some of these actors. We've secured permanent injunctions barring them from the robocall business, and more. So you can look at our website, see the whole host of actions that we're announcing today. But this is really a comprehensive crackdown, as I said, not only on

W Yes, [indiscernible]. I would like to know if these expand the investigation to track also text messages?

Samuel That's an excellent question. This announcement is focused on robocalls, but there's no question that there's been a whole scourge of robotext messages that are often deceptive. I want to be very clear, under the FTC act it is illegal to deceive people through text messages. And we're prepared to hold those actors accountable. Moreover, what we often see in texting is people trying to impersonate the government, people trying to impersonate companies like Amazon and UPS, and we've actually proposed a nationwide ban on impersonation fraud that would apply to the dissemination of these text messages and allow us to get stiffer penalties against those who engage in these practices. So we're very much focused on robotext messages as well. This action is focused on robocalls.

Loyaan, do you want to add anything to that from the FCC perspective?

Loyaan Yes, just really quick. I think for us, as I mentioned, we are working with the phone device makers, the Apples, the Googles, to better understand the technology so that we could focus our enforcement authorities, which right now are limited with regards to text messages. But we're focusing on

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Misty Thank you very much.

Moderator Next, we go to Sabrina Franza with CBS Chicago. Please go ahead.

Sabrina Good morning. My question is in regards to how much more advanced this could get in the next coming years and months. I know we're seeing AI introduced in a lot of scams. I haven't heard you speak about that today in regards to robocalls. But in the way that things will likely advance as robocalls, robotexts get even more deceptive, what is the plan to make sure that we're adjusting for that new technology as we start seeing it and as we start seeing these calls and texts being even more deceptive?
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specifically targeting these consent farms? Or have we done these before?

Is this a new approach just looking at these consent forms and their existence? Because I don't know how long they've been around and how long you guys have actually looked at targeting them, other than what you're talking about today.

Samuel

Sure. This is Sam Levine from the FTC. And the question was about consent forms and whether this is a new approach. Now, I want to be clear, it has long been the law under the Telemarketing Sales Rule that the practices of these consent farms, that is third parties tricking people into turning over their personal information and tricking people into consenting to robocalls, is not legal. It has long been the law under the Telemarketing Sales Rule, as I said, that robocallers need to get direct consent from the consumers whom they wish to call.

That said, today's action is shining a bright spotlight on the existence of this problem. Candidly, the fact that publicly traded companies like Fluent, as well as some of the other companies engaged in the sweep, suggest to us that this remains a very big problem in spite of this having been the law for many years. So we are sending a strong message to other consent farms out there, your practices are against the law and you will

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Host