

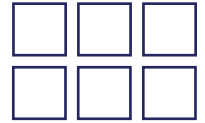
Working together: The 2007 Investor Forum

October 24, 2007



Ontario
Securities
Commission

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Choosing an adviser: getting helpful information

Appendix B

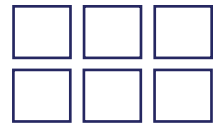
Getting help with your investment complaint

Appendix C

Exempt market products and risks

Appendix D

Illegal dealings, misrepresentations and fraudulent dealings



Message from the organizers

The Investor Forum, which took place on October 24, 2007, was designed as an opportunity for investors to learn, ask questions and provide input to representatives from the four sponsoring organizations:

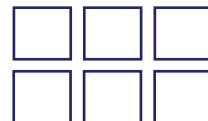
- Investment Dealers Association of Canada (IDA)
- Mutual Fund Dealers Association of Canada (MFDA)
- Ombudsman for Banking Services and Investments (OBSI)
- Ontario Securities Commission (OSC)

It also gave our four organizations a chance to tell investors about progress that we have made since the 2005 Investor Town Hall.

The Investor Forum is one example of how our four organizations are working together to address investors' needs. Our co-ordinated efforts have already produced significant results and have put in place a strong foundation for ongoing projects.

Since the 2005 Investor Town Hall, we have implemented the following initiatives:

- Collectively, we have taken steps to help investors navigate through the complaint process, including:
 - providing better communications materials for investors
 - co-ordinating our efforts to better serve investors
- We published a new, concise plain language guide on where investors can go for help if they have a complaint. The guide is available on each organization's website.
- We conveyed to the Ontario government concerns investors had about the two-year limitation period on starting legal action for an investment complaint. The government has made amendments that benefit investors who use the OBSI process.
- The IDA and MFDA proposed new standards on complaint handling, including time limits and improved communications.
- The OSC is participating in the Registration Reform Project, an initiative of the Canadian Securities Administrators (CSA). The project proposes requirements that would bring greater clarity and transparency to the client-adviser relationship.
- The OSC created an Investor Advisory Committee to enhance consultation with investors.



Working together, we have achieved much, but there is more to do. The Investor Forum was an important part of our joint efforts. We appreciate the participation of everyone who attended and the constructive attitude they displayed. We heard investors' views and we continue to work toward policies that address investors' needs. Moreover, our four organizations will continue to work together, with a focus on investor education, so that we can help investors make informed decisions and make sure they know what to do if they believe they've been treated unfairly.

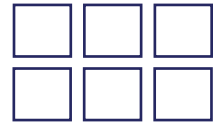
The materials that were used at the Investor Forum are attached to this report as appendixes. We hope you find it useful.

Susan Wolburgh Jenah
President & CEO
IDA

Larry Waite
President & CEO
MFDA

David Agnew
Ombudsman
OBSI

David Wislon
Chair & CEO
OSC



The format of the Investor Forum reflected the decision of the four sponsoring organizations to go a step further than they did at the 2005 Town Hall. Investors had the chance to provide input and ask questions, as they did in 2005, but they also had the opportunity to participate in educational breakout sessions on topics they have told us they are interested in. The outreach efforts and agenda described below reflect this approach.

Outreach: Getting the word out

Our four organizations were determined to reach as many investors as possible to inform them about the Investor Forum. We conducted an extensive and energetic outreach program. As a result, 243 people attended the event at the Metro Toronto Convention Centre. Attendees included investors, government and industry participants, and staff from the four sponsoring organizations.

We posted notices of the event on several online event calendars, including:

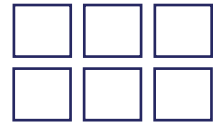
- Business News Network
- the Bulletin (thebulletin.ca)
- CityTV's What's On page
- eventsdurhamregion.com
- Investment Executive's online events calendar
- Mississauga.com
- northpeelmediagroup.com
- Toronto.ca community events page
- towncrieronline.ca

We issued a news release in mid-September, followed by a media advisory in mid-October. Articles on the Investor Forum appeared in the *Globe and Mail*, *Toronto Star*, *Toronto Sun* and *Investment Executive*. We also placed a quarter-page ad in the *Metro*, a free newspaper distributed to Toronto subway riders.

All four organizations posted event information and a registration page on their websites.

The IDA promoted the Investor Forum in the September issue of its quarterly publication, which was sent to all IDA member firms, corporate executives, government and media. It followed up in October with e-mails to IDA Member firm Chief Compliance Officers.

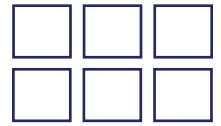
The MFDA promoted the event at its bi-annual member regulation forum sessions. It followed up with e-mails to its members.



OBSI promoted the Investor Forum in its September e-newsletter to more than 2,000 stakeholders.

The OSC posted event information on the main page of the Investor Education Fund website. It also included information in its spring and fall newsletters. The OSC sent an e-mail about the Investor Forum to its investor alert list. It also promoted the event at outreach events such as the Global Chinese Financial Forum and Orillia Seniors Day.

Investors who couldn't attend the event could listen to the plenary sessions and the breakout session on complaint-handling through a live Internet audiocast. Archived audiocasts of all sessions, as well as a transcript of the question-and-answer session, are available on our four organizations' websites.



The Forum: An opportunity to learn

The agenda for the Investor Forum reflected the event's educational and informational focus. It included:

- an update from our four organizations on how we are addressing issues raised at the 2005 Investor Town Hall
- breakout sessions with expert panels on:
 - the client-adviser relationship
 - the complaints and restitution process
 - risky products, and how to avoid frauds and scams
- a question-and-answer session with the heads of the four sponsoring organizations

All attendees were given a registration package that included *Getting help with your complaint*, the new, plain language guide for investors.

Attendees also received introductory material on our four organizations. Each organization had an information booth at the event, with staff available to answer questions and provide information.

Opening plenary session: Much accomplished, more to be done

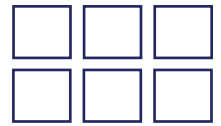
The Forum's opening plenary session was moderated by business reporter Mike Hornbrook of CBC National Radio.

The session focused on a report by a special working group consisting of the heads of the four sponsoring organizations. The report was delivered by Susan Wolburgh Jenah, President of the IDA and initial chair of the working group.

Ms. Wolburgh Jenah pointed out that at the 2005 Investor Town Hall, investors had many questions and concerns about:

- how to navigate the regulatory system, including where to go to find the track record of a potential financial adviser, broker or firm
- how to get information in plain language that is clear and easy to understand
- where to take problems or complaints
- the potential time and cost involved in making a complaint
- how to obtain compensation

These issues made it clear that there was work to be done—by our four organizations working together. This led to the formation of the special working group. Co-operation and co-ordination has been, and will continue to be, a hallmark of this initiative.



The special working group met frequently and has made considerable progress in a number of areas. Several improvements for investors were described at the opening plenary session and are highlighted below.

Navigating the complaint process

We have made it a priority to make the complaint process smoother for investors. It is now standard practice for our four organizations to transfer calls to each other so that investor complaints get to the appropriate organization more quickly and easily. OBSI now makes direct call transfers to most participating firms for clients who have to be referred. This is a small step that makes a big difference for investors seeking assistance, lessening the frustration of trying to deal with several different regulators.

Streamlined complaint process explained in plain language

Our four organizations created a new, concise plain language guide to help investors assess their options for making a complaint, identify the best organization to turn to for help and know the steps they might want to take along the way.

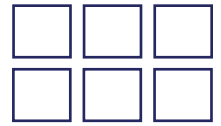
The guide also provides more information about OBSI, which some investors had asked for. A web-friendly version of the guide is available on each organization's website. [A Guide for Investors - Getting help with your complaint](#)

Improve complaint-handling at the firm level

Investors have expressed considerable frustration with the complaint-handling process at the firm level. They felt the process was too slow, difficult to access and not always fair.

We have taken a number of steps to respond to these concerns.

The IDA and MFDA issued Member Regulation Notices in December 2006. The notices provide guidance to firms on how to communicate more clearly and consistently with investors who file complaints. The IDA and MFDA followed up by issuing proposed new standards on complaint handling for their member firms.



Under the proposed new standards, member firms would have to:

- make their complaint-handling process clear so that clients know how to file a complaint
- make information about how to file a complaint easily available
- provide specific contact information for complaints or questions about the firm's complaint handling process
- send an initial response to anyone who files a complaint within five business days of receiving the complaint
- follow up on each complaint with a detailed response within a specified timeline, which must include:
 - the firm's reply
 - a reminder that the person who filed the complaint has the right to take their complaint to OBSI

As well, the OSC is participating in the CSA's Registration Reform Project. The Registration Reform Project proposals include recommendations on complaint handling, including expanding the use of independent dispute-resolution services. All registrants, whether or not they are members of the IDA or MFDA, would have to participate in an independent dispute-resolution service, such as OBSI. The goal is to allow investors to seek compensation without having to go to court, which can be expensive and time-consuming.

Better access to disciplinary records

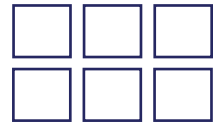
Many investors have voiced concerns about how hard it is to access the disciplinary records of firms and registrants. We believe that access to disciplinary information is essential to being an informed investor.

To help investors find disciplinary information more quickly and easily, the IDA, MFDA and OSC have created a handout that tells investors how to search for this information on their websites. This information is available online on the organizations' websites and in Appendix A.

The IDA also has a project underway to improve its investor information service. The association is working to develop a fully automated electronic information service that will provide more information about the qualifications and background of registrants.

The MFDA is developing a disciplinary records search function, accessible from the MFDA website, allowing investors to easily access disciplinary records of members and their approved persons.

The OSC has done considerable work on its website so that it is now possible to search for registration information by firm or by individual.



As well, the CSA is working toward a central registry that would contain all of the decisions by securities regulators and self-regulatory organizations across the country.

Addressing the limitation period on court action

One of the most common concerns expressed by investors was the shortened limitation period under the *Limitations Act, 2002*. A person who wishes to launch a complaint in Ontario must generally do so within two years of discovering the problem. Otherwise, they may lose their right to take legal action.

We conveyed these concerns to Ontario's attorney general, and the Ontario government has since amended the Act. Changes have been made that benefit investors who make use of the OBSI process. Under the Act, the time limit stops running while a dispute is in resolution with an independent third party. The changes clarify that OBSI is considered an independent third party dispute-resolution service.

Further, we revised our brochures and information materials to tell investors about the two-year limitation period. Our contact centres also tell investors about it. This assists investors by letting them know they must act in a timely manner to preserve all of their options.

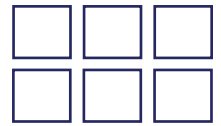
OSC Investor Advisory Committee

Many investors expressed a desire for clearer avenues to offer input and feedback on the issues that matter to them. In November 2005, the OSC established the Investor Advisory Committee to enhance consultation with investors, based on extensive discussions with current and former OSC Commissioners, Canada's Association for the 50 Plus, the IDA, MFDA, OBSI and the Small Investor Protection Association.

The Investor Advisory Committee has provided valuable input and advice about regulatory policymaking. The OSC is currently examining how best to continue to obtain this valuable, constructive input from investors.

Looking forward

Our four organizations have made considerable efforts to address investors' concerns. We are all committed to working together on initiatives that will enable investors to get educational support, information and help when they need it.



Breakout sessions: Educating investors

After the opening plenary session, attendees moved to breakout sessions, where they could focus on specific issues and ask questions of expert panellists. These breakout sessions addressed three issues that we frequently hear about from investors:

- getting help with an investment complaint
- understanding investment products and risks
- working with an adviser

Each of these sessions featured lively discussions, including questions and comments—positive and critical—that were thoughtful and helpful.

Getting help with your investment complaint

This session was designed to give investors better information on:

- making a complaint about investment products, services or advice
- what to expect when bringing a complaint to a regulator and to OBSI

The session provided an overview of the options for consumers who have a complaint. It also offered an in-depth guide to the four sponsoring organizations' complaint-handling processes. The presentation can be found in Appendix B.

The session was chaired by Eric Kirzner, Professor of Finance and the John H. Watson, Chair in Value Investing, Rotman School of Management, University of Toronto.

The panellists were:

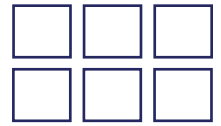
- Alex Popovic, Vice-President of Enforcement, IDA
- Shaun Devlin, Vice-President of Enforcement, MFDA
- Rob Paddick, Senior Deputy Ombudsman for Investments, OBSI
- Joanna Fallone, Manager, Case Assessment, OSC

Each panellist described:

- their organization's role in the complaint process
- how to initiate a complaint at their organization
- the types of information and documents required

Understanding investment products and risks

This session aimed to educate investors on higher-risk products and investment scams. It outlined the risks of investing in exempt market securities and gave an overview of the most common types of frauds and scams.



The session was moderated by Hugh Corbett, Director of Litigation, MFDA.

The panellists were:

- Steven G. Kelman, President and Designated Compliance Officer, Steven G. Kelman & Associates Limited
- Scott Boyle, Assistant Manager of Investigations, Enforcement Branch, OSC

Steven G. Kelman talked to investors about the additional risks of investing in exempt market securities, including:

- hedge funds
- principal protected notes
- promissory notes
- limited partnerships
- other investments such as land developments

Scott Boyle discussed common types of frauds and scams and how to recognize them. Some of the warning signs of fraud to watch out for include:

- unsolicited phone calls and e-mails
- unregistered sellers
- promises of high returns with low risk
- loans to access locked-in retirement funds
- promotion of offshore tax havens
- opportunities to invest in a company that is about to go public

The presentation on exempt products is available in Appendix C. The presentation on illegal distributions, misrepresentations and fraud is available in Appendix D.

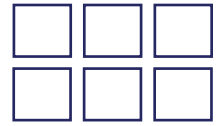
Working with an adviser

This session provided an overview of how to choose a financial adviser. It also talked about how to build a good working relationship with your adviser by outlining the roles and responsibilities of both the investor and the adviser.

This session was chaired by financial commentator Glorianne Stromberg. The panellists were:

- Jim Rogers, Chair, Rogers Group Financial
- Bruce Cohen, personal finance author and lecturer

Jim Rogers discussed the reasons for choosing an adviser or firm that is regulated by the OSC, IDA or MFDA. He also talked about why registration matters, how the National Registration Database (NRD) works and its value to investors.

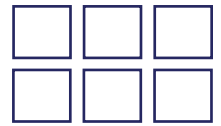


Bruce Cohen outlined the roles and responsibilities of the investor and the adviser in building an effective working relationship, including setting out clear expectations.

Attendees were given a handout on using the IDA, MFDA and OSC websites that demonstrated how to access information on:

- whether a firm or adviser is registered
- if there's a history of disciplinary action

This handout is available in Appendix A.



Closing session: Responding to investors

After the breakout sessions, attendees returned to the main room for the closing plenary session, moderated by Mike Hornbrook. The session provided an opportunity for investors to ask questions of the heads of the four organizations:

- Susan Wolburgh Jenah, President and Chief Executive Officer, IDA
- Larry Waite, President and Chief Executive Officer, MFDA
- David Agnew, Ombudsman, OBSI
- David Wilson, Chair and Chief Executive Officer, OSC

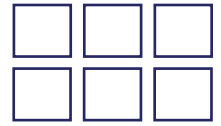
The panel answered 12 questions during the hour-long question-and-answer session. As well, senior staff from each of the four organizations were available in case the audience had additional questions.

The questions from investors covered a range of topics, including whether investor complaints are documented by the organizations. The IDA and MFDA both maintain electronic databases, and members must provide a record of every complaint received. OBSI provides case studies on its website.

Attendees also asked about the reason for the two-year limitation period for investor legal action. Another question was about protecting the confidentiality of whistle-blowers. Three questions dealt with whether fraud insurance should be available to make it easier for victims of fraud to get compensation.

Many questions, both in the plenary session and in the breakout sessions, underscored investors' desire to learn more about investing and their rights and responsibilities.

In their comments during the question-and-answer period, the panellists noted that education is one of the best ways to protect people against fraud. All four organizations reiterated their commitment to helping investors learn more about investing and how to protect themselves.



Working together

The IDA, MFDA, OBSI and OSC are grateful to all who participated in the 2007 Investor Forum. The views expressed there will help shape our policies and procedures.

Based on the views expressed at the Investor Forum, three critical points became clear:

1. We must continue our work to ensure a fair environment for retail investors.
2. Clear communication, robust investor education and strong consumer protection help investors make informed investment decisions and protect their money.
3. Our four organizations must continue to work closely together on behalf of investors.

Investor confidence is vital to the success of capital markets. And regulatory co-operation and investor education are key to building that confidence. Our four organizations are committed to working together and to making investor education and protection a priority. We want to continue to hear investors' views so that we can set policy that addresses investor needs.

Investor Forum

Appendix A

Working together: The 2007 Investor Forum



How do I find out if my advisor/firm is registered with the OSC or an SRO?



How do I find out if my advisor/firm has a disciplinary history?



Ontario Securities Commission

Registrant Search

- Look on the OSC home page under *Registrant Lists*
- Registrants involved in trading or advising clients in securities in Ontario will be listed on this website, including IDA and MFDA registrants.
- The search results will tell you what category they are registered in, and any OSC terms and conditions attached to their registration.

OSC Home Page



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Dialogue with the C

October 15, 2007

In the Matter of Saxon Financial Services et al.

October 15, 2007

In the Matter of Global Partners Capital et al.

October 12, 2007

In the Matter of Firestar Capital Management Co et al.

October 11, 2007

In the Matter of Global Partners Capital et al.

October 5, 2007

In the Matter of Imagin Diagnostic Centres Inc. et al.

October 4, 2007

In the Matter of John Daubney and Cheryl Lit

October 3, 2007

In the Matter of John Daubney and Cheryl Lit



Ontario Securities Commission

Registrant Search

Terms and Conditions

- They may be imposed for various reasons, for example, to address a regulator's concerns, to restrict activities, or as a result of disciplinary or other proceedings.

Registrant Search

Terms and conditions may be imposed for various reasons, for example, to address a regulator's concerns, to restrict

Search here to find out if an individual or firm is registered with the OSC.

A registrant list is also available in PDF.

ns on individuals who are granted registration in the securities industry for the e, a six-month period of supervision and/or post-registration proficiency

416-593-8314 or 1-877-785-1555 for more information about:

registered and in what category

- terms and conditions
- disciplinary actions against an individual or firm

For the Registrant List: Firms only in PDF [click here](#).

FIRM:

FIRM A

and/or

INDIVIDUAL:

Search

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Registrant Search

For the Registrant List: Firms only in PDF [click here](#).

Registration data on this page was last updated from NRD on **Wed, Aug 22, 2007**.

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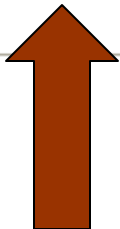
 indicates terms and conditions exist.

Firm	Registration Categories	Terms and Conditions
 FIRM A	Limited Market Dealer Securities Dealer	<ul style="list-style-type: none">Other

The date provided indicates when the information was last updated.

Registration Categories are also provided.

Click on the link under Terms and Conditions to obtain a description of specific terms or conditions.





Ontario Securities Commission

Disciplinary History

- The records of proceedings on the OSC website are only those initiated by the OSC, under the *Securities Act* (Ontario) or the *Commodity Futures Act*, and do not include those conducted by recognized self-regulatory organizations (SROs).

Enforcement Proceedings

Click on the links to see notices of hearing, settlements, decisions and other related documents.

the Office of the Secretary, notices of hearing, statements of allegation, decisions.

[G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [X](#) [Y](#) [Z](#)

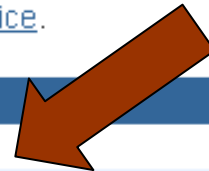
Note:

This section is organized by the first letter of the company or by the first letter of the last name of the individual. The website list date for documents in the Enforcement section is the date the document was signed. For a full explanation of the organization of the Enforcement section please [click here](#).

Click here to see the Ontario Securities Commission [Rules of Practice](#).

B

- ▶ Registrant
July 6, 2001 [Notice of Hearing](#)
- ▶ Registrant
August 10, 2007 [Notice from the Office of the Secretary](#)
August 10, 2007 [Order](#)
- ▶ Registrant
July 26, 2007 [Notice from the Office of the Secretary](#)
July 26, 2007 [Notice of Hearing](#)
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OSC

Ontario Securities Commission

Call the OSC Inquiries and Contact Centre at **416-593-8314** or **1-877-785-1555** for more information on:

- What the categories mean
- How long an individual or firm has been registered and in what category
- Terms and conditions



INVESTMENT DEALERS ASSOCIATION OF CANADA

Member Firm/Registrant Information Service

- Provided by the IDA to help investors access public information available on its Member firms and their registered employees.

IDA Home Page



INVESTMENT DEALERS
ASSOCIATION OF CANADA

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Member Firm/Registrant Information Service

The info service gives you a range of options to find out information about an IDA Member firm or registrant.

[Home](#) | [Help](#) | [Site Index](#) | [Contact Us](#) | [Employment](#) | [Print-Friendly](#) | [Disclaimer](#) | [Site Search](#)

[Member Firm/
Registrant Info Service](#)

[Ombudsman](#)

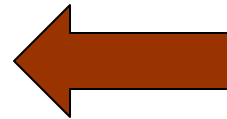
[Consumer Protection](#)

Member Firm/Registrant Information Service

Last Updated: Thursday August 17, 2006

Member Firm/Registrant Information Service

- [Types of Information](#)
- [Information Search](#)
 - [Member List](#)
 - [Online Search](#)
 - [Information Request Form](#)
- [Glossary of Terms](#)



This service is provided by the IDA to help investors access the public information available on its Member firms and their registered employees. A complete list of current IDA Member firms is accessible online under Member List. Information relating to IDA disciplinary actions since September 1997 is also available online, and can be accessed immediately using the [Online Search](#) function. Current registration status of individuals and past disciplinary information is freely available upon request. An [Information Request Form](#) is available, and inquiries will be answered within seven business days of receipt.

What's New
About Us
Contact Us
Enforcement
Industry Issues & Information
Investors
Media, Events, Speeches
Membership
Regulatory Policy
Registration
Resources For Members
Rule Book & Bulletins
Investment Industry Association Of Canada



INVESTMENT DEALERS ASSOCIATION OF CANADA

Member firms

- For firms, current membership status (e.g., active, suspended, etc.), and headquarters are provided.
- A current list of IDA Member firms, including address is available.

Member List

Industry Issues & Info ▶

Member List

All IDA Member firms are listed on the IDA website alphabetically.

[C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [WXYZ](#)
[Member Directory](#) | [Print-Friendly](#) | [Excel](#)

Registration ▶

Resources For Members

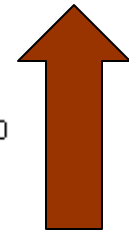
Rule Book & Bulletins ▶

Investment Industry Association Of Canada

[ABN AMRO Capital Markets Canada Limited](#)

Address

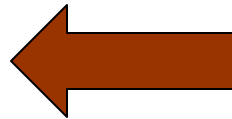
TD Centre, PO Box 114
79 Wellington Street West, Suite 1500
Toronto ON M5K 1G8
(416) 367-0850



[Acadian Securities Incorporated](#)

Barrington Place, Pedway Level
1903 Barrington Street, Suite 100
Halifax NS B3J 3L7
(902) 496-7580
www.acadiansec.com

[Acker Finley Inc.](#)



Suite 1316, 181 University Ave
ING Tower
Toronto ON M5H 3M7
(416) 777-9005
www.ackerfinley.com

[Acumen Capital Finance Partners Limited](#)

Suite 700
404 - 6th Avenue SW
Calgary AB T2P 0R9
(403) 571-0300



INVESTMENT DEALERS ASSOCIATION OF CANADA

Disciplinary history

- The results of disciplinary hearings involving Member firms and their registered employees are public information, and are available on the IDA's website (after September 1997 only) or by request to the IDA (including decisions before September 1997).

Online Search



INVESTMENT DEALERS
ASSOCIATION OF CANADA

Search the name of an individual or Member firm.

If they are registered with the IDA and have a disciplinary history (since September 1997), you can find out.

[Employment](#) | [Print-Friendly](#) | [Disclaimer](#) | [Site Search](#)

[Ombudsman](#)

[Consumer Protection](#)

[Home](#) > [Disciplinary Search](#)

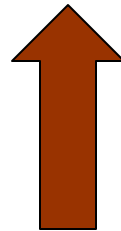
Last Updated: Thursday August 16, 2007

Search by firm name or last name

MEMBER FIRM / REGISTRANT

Search

[Search Tips](#)



- What's New
- About The IDA
- Compliance
- Enforcement
- Industry Issues & Info
- Investors
- Media, Events, Speeches
- Membership
- Regulatory Policy
- Registration
- Resources For Members
- Rule Book & Bulletins
- Investment Industry Association Of Canada

Online Search - Results

INVESTMENT DEALERS ASSOCIATION OF CANADA

Investors

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[e-Publications](#) [Member Firm/ Registrant Info Service](#) [Ombudsman](#) [Consumer Protection](#)

[Task Force](#)

You Are Here: [Investors](#) > [Member Firm/Registrant Information Service](#) > [Disciplinary Search](#)

Last Updated: Thursday August 16, 2007

Search by firm name or last name

[Search Tips](#)

- Media Releases: Hearings**
Release Date: 8/22/2007
URL: /Files/Media/MediaRelease/Hearings/MRH2007082200_en.pdf
IDA Hearing Panel fines MEMBER FIRM / REGISTRANT \$60,000

Click on the link to see the media release, decision, notices and other related documents (if available).



INVESTMENT DEALERS ASSOCIATION OF CANADA

Registrants

- For individuals, registration status includes the kind of approval currently granted by the IDA (e.g., to advise and trade in securities, options, etc.), whether that approval is subject to supervision, and place of employment. This information is not available on the website at this time, but may be obtained by filling out the Information Request Form.

Information Request Form

Don't hesitate to contact us!

Fill out the info request form to obtain information relating to the registration status of individuals and the disciplinary history of firms and individuals (before September 1997), registration terms and conditions and current situation.

All requests will be answered within seven business days of receipt.

**IDA Investor Information Service
Information Request Form**

The IDA's Investor Information Service is provided to help investors access public information relating to IDA Member firms and their registered employees. All inquiries will be returned within seven business days.

Your Information * required fields

First Name:

Last Name:

Address:

City:

Province:

Postal Code:

Please include a telephone number where we may reach you in the event we need to clarify your request.

Daytime telephone:

Please indicate how you would like to receive our response.

Mail

Fax:

Email:

Subject of Your Inquiry - Please provide as much information as possible

First Name:

Last Name:
(For individuals only)

Firm Name:

City:

Province:

Nature of Your Inquiry - Please check all that apply.

Firms:

current membership status

location of head office

disciplinary history

Individuals:

type of current approval (e.g., to trade in securities)

current place of employment

current conditions on approval

disciplinary history

Please note: Information is only provided on individuals and firms under the jurisdiction of the IDA. Prior to 1997, the regulation of Member firms and their registered employees was carried out by a broader range of agencies and organizations. Ongoing investigations or complaints that have not been validated are not disclosed to the public due to privacy law concerns. The information provided by the Investment Dealers Association of



INVESTMENT DEALERS ASSOCIATION OF CANADA

Call the IDA's information and complaint line at **1-877-442-4322** for more information on an IDA Member firm or registrant.



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

MFDA Members

- MFDA Members are the firms that are registered as mutual fund dealers with the provincial securities commissions to distribute mutual funds to Canadian investors.

Approved Persons

- Licensed salespersons (known as Approved Persons) are employees or agents of, the Member. They are the people you deal with on a one-on-one basis when investing in mutual funds through an MFDA Member.



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

On the MFDA website you can:

- Access the directory of all MFDA Members
- Access a list of current enforcement cases against Members and Salespersons
- Access a list of completed enforcement cases against Members and Salespersons
- Search the name of a MFDA Member or Salesperson to check if there are any current or completed cases in which they are involved

MFDA Home Page



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

SEARCH

Go

[ABOUT THE MFDA](#) | [NEWS](#) | [FOR INVESTORS](#) | [FOR MEMBERS](#) | [POLICY & REGULATION](#) | [ENFORCEMENT](#)

The Mutual Fund Dealers Association of Canada (MFDA) is the national self-regulatory organization (SRO) for the distribution side of the Canadian mutual fund industry.

It was established in June 1998 at the initiative of the Canadian Securities Administrators. The MFDA regulates the operations, standards of practice and business conduct of its Members and their representatives with a mandate to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry.

For more information about the MFDA, we encourage you to explore this website or contact us at our Corporate or Regional offices.

QUICK LINKS

[Complaints](#)

[MFDA Investor Protection Corporation](#)

[Login to EFS](#)

METS

[Member Directory](#)

[Careers](#)

[Custodial Agreement Listing](#)

[2006 Annual Report](#)

Member Directory

All MFDA Member firms are listed on the MFDA website alphabetically.

The effective membership date is also provided.

Association of Canada
des courtiers de fonds mutuels

SEARCH

Go

NEWS | FOR INVESTORS | FOR MEMBERS | POLICY & REGULATION | ENFORCEMENT

Members

Directory of Members

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

Membership

> Becoming A Member

> Membership Fees

> Membership Statistics

> Frequently Asked Questions

Forms

2006 Year In Review

Acadia Financial Services Inc.

(Membership Effective October 10, 2003)

Place de l'Acadie

295 Boulevard St. Pierre Ouest
C.P. 5554

Caraquet, NB E1W 1B7

Phone: (506) 726-4204

Fax: (506) 726-4025

Ackber Financial Corporation

(Membership Effective May 10, 2002)

18 Crown Steel Drive, Suite 311

Markham, ON L3R 9X8

Phone: (905) 479-1882

Fax: (905) 479-1820

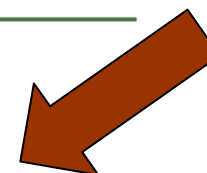
Addington Financial Corporation

(Membership Effective May 10, 2002)

7050 Weston Road, Suite 320

Vaughan, ON L4L 8G7

Phone: (905) 850-5075

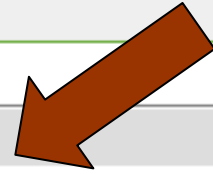


Enforcement Hearings – Current Cases

Enforcement

Enforcement Hearings - Current Cases

If an MFDA Member or salesperson is currently involved in the disciplinary process, you'll find out here. Click on the links to see the media release, order and other related documents.



Location

Date and Document Type

Toronto

June 27/07

[News Release](#) (MFDA issues Notice of Hearing regarding MEMBER

XXI)

June 22/07

[Notice of Hearing](#)

Toronto

June 28/07

[News Release](#) (MFDA Central Regional Council Hearing Panel Makes Findings Against MEMBER

705)

June 28/07

[Order](#)

June 4/07

[Order](#)

May 15/07

[News Release](#) (MFDA Sets Date for MEMBER Hearing in Toronto, Ontario)

May 01/07

[News Release](#) (MFDA issues Notice of Hearing regarding MEMBER

Mar. 28/07

[Notice of Hearing](#)

> Hearings Schedule

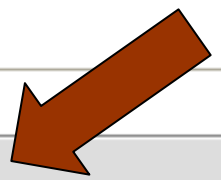
> **Current Cases**

> Completed Cases

Hearing Procedures

Enforcement Hearings – Completed Cases

If an MFDA Member or salesperson has completed the disciplinary process, you'll find out here. Click on the links to see the media release, order and other related documents.



Enforcement		Enforcement Hearings - Completed Cases	
How To Make A Complaint A B C D E F G H I J K L M N O P Q R S T U V W X Y Z			
Location	Date of Issue	Document Type	
Toronto	July 17/07	Case Summary (Hearing Panel approves Settlement Agreement with MEMBER)	
	July 06/07	News Release (MFDA Hearing Panel issues Decision and Reasons respecting MEMBER Settlement Hearing)	
	June 22/07	Decision and Reasons	
	June 15/07	News Release (MFDA Hearing Panel Approves Settlement Agreement with MEMBER)	
	June 15/07	Order	
	May 14/07	News Release (MFDA issues Notice of Settlement Hearing regarding MEMBER)	
	May 14/07	Notice of Settlement Hearing	

- Current Cases
- > **Completed Cases**
- Hearing Procedures
- > Rules of Procedure

Searching

[DISCLAIMER AND PRIVACY](#) | [CONTACT US](#) | [RELATED LINKS](#)



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

SEARCH

Go

[ABOUT THE MFDA](#) | [NEWS](#) | [FOR INVESTORS](#) | [FOR](#)

The Mutual Fund Dealers Association of Canada is the national self-regulatory organization on the distribution side of the Canadian mutual fund industry.

It was established in June 1998 at the initiative of the Canadian Securities Administrators. The MFDA regulates the operations, standards of practice and business conduct of its Members and their representatives with a mandate to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry.

For more information about the MFDA, we encourage you to explore this website or contact us at our Corporate or Regional offices.

Search for information on the MFDA website.

Each page of the website offers the search feature.

[MFDA Investor Protection Corporation](#)

[Login to EFS](#)

[METS](#)

[Member Directory](#)

[Careers](#)



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

Call the MFDA's information and complaint line
at **1-888-466-6332** for more information on
an MFDA Member firm or registrant.

Investor Forum

Appendix B

Working together: The 2007 Investor Forum



Getting help with your investment complaint

- ▶ Robert Paddick, Senior Deputy Ombudsman, OBSI
- ▶ Alex Popovic, VP, Enforcement, IDA
- ▶ Shaun Devlin, VP, Enforcement, MFDA
- ▶ Joanna Fallone, Manager, Case Assessment, Enforcement, OSC

Investor Forum Where to start!

- ▶ Contact your advisor or firm
- ▶ Be clear about what went wrong and when
- ▶ State the outcome you expect
- ▶ If not satisfied with the response, ask about the firm's complaint process and follow the steps outlined

Investor Forum If that doesn't work...

- ▶ If you want money back: contact OBSI
- ▶ If you think an individual or firm has broken the rules: contact a regulator – IDA, MFDA, or OSC
- ▶ If both apply, contact OBSI and a regulator at the same time
- ▶ Not sure? – contact any of us and we will make sure you get to the right place

OBSI Who We Are

- ▶ OBSI is a national, independent dispute resolution service for banking customers and retail investors
- ▶ We look at unresolved disputes between firms and clients: if we find a firm has acted unfairly, made an error or given you bad advice, we will recommend compensation
- ▶ OBSI covers more than 650 firms, including all member firms of the Investment Dealers (IDA) Association, the Mutual Fund Dealers Association (MFDA) and the Investment Funds Institute of Canada (IFIC)
- ▶ Our service is free to consumers

OBSI What We Do

- ▶ We consider the law, regulations, good industry practice and firm policies, but ultimately decide cases on the basis of fairness in the circumstance
- ▶ We work informally and confidentially to resolve disputes
- ▶ Major complaint areas are unsuitable investments, unauthorized transactions and DSC fees

OBSI Recommendations

- ▶ OBSI can recommend compensation up to \$350,000
- ▶ In some cases, we may recommend a solution that doesn't involve money, such as an apology or a corrected credit rating
- ▶ Recommendations are not binding on firms or clients but we have an excellent track record of firms and clients accepting our recommendations
- ▶ OBSI will publish a firm's refusal to follow a recommendation

OBSI What you need to do

- ▶ Contact us as soon as possible after getting the final response from the firm, but no later than 6 months after
- ▶ It's best to send us your complaint in writing
- ▶ Explain what went wrong and when
- ▶ Where possible, explain the amount you are seeking and why
- ▶ Include copies of the letters you have sent to and received from the firm
- ▶ We will acknowledge receipt of your complaint usually within one business day

OBSI Complaint Assessment

- ▶ We assess your complaint to determine if it is within our mandate
- ▶ If no, we will try refer you to an organization that can help you
- ▶ If yes, we will assign your file for review
- ▶ We may try to facilitate a settlement to resolve the dispute early

OBSI Complaint Investigation Process

If we open an investigation, we:

- ▶ Contact you to explain the process
- ▶ Have you and the firm sign an agreement to allow us to investigate and obtain a copy of your file from the firm
- ▶ Interview you, your advisor, firm representatives, and third parties as necessary
- ▶ Conduct additional research; review and analyze the information collected
- ▶ Complete a detailed report for review by you and the firm

OBSI Timely complaint handling

- ▶ We keep you updated during the review process
- ▶ Complex cases take longer to review
- ▶ Our target is to complete 80% of our files in 180 days and we are currently meeting this standard

MFDA / IDA Who We Are

- ▶ The Investment Dealers Association of Canada (IDA) is a national self-regulatory organization overseen by the Canadian securities commissions
- ▶ The Mutual Fund Dealers Association of Canada (MFDA) is the self-regulatory organization for mutual fund dealers

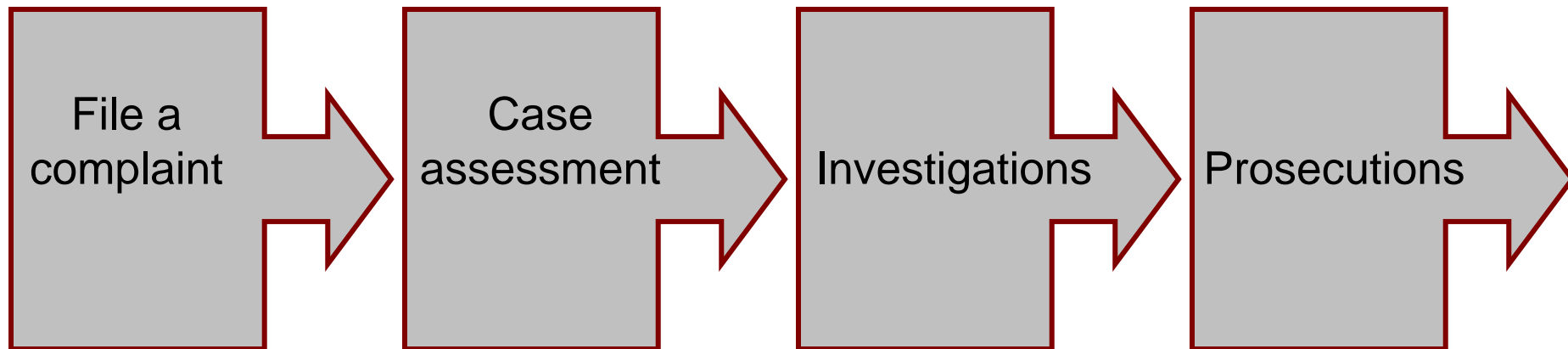
MFDA / IDA Who We Are

- ▶ The IDA regulates **214 investment dealers** and their **30,480 registered employees** in over 5,000 offices across the country
- ▶ The MFDA regulates **162 mutual fund dealers** and their **70,000 registered employees** across the country

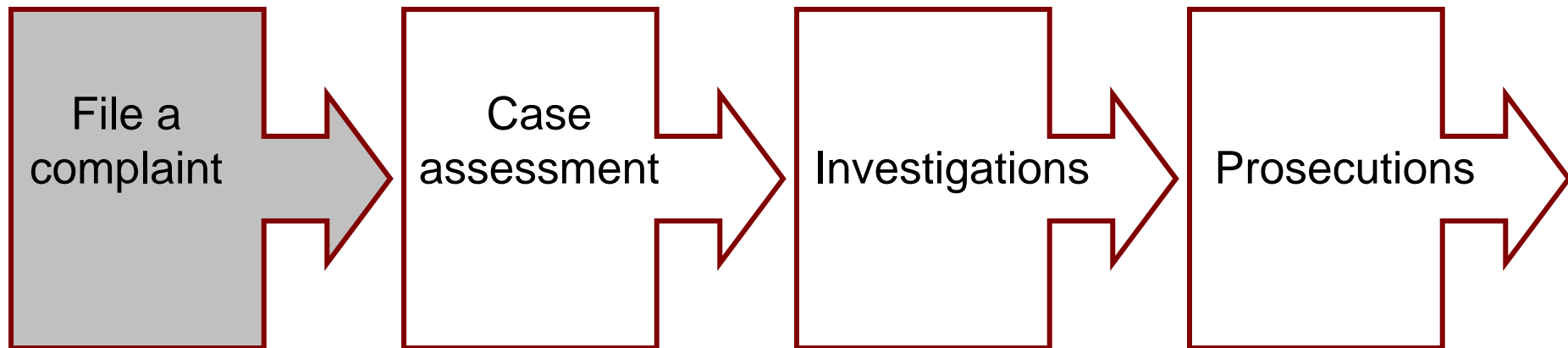
MFDA / IDA Who We Are

- ▶ The IDA's mission is to protect investors, foster market integrity and enhance the efficiency and competitiveness of the Canadian capital markets
- ▶ The MFDA's mission is to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry

MFDA / IDA Making a complaint



MFDA / IDA Making a complaint

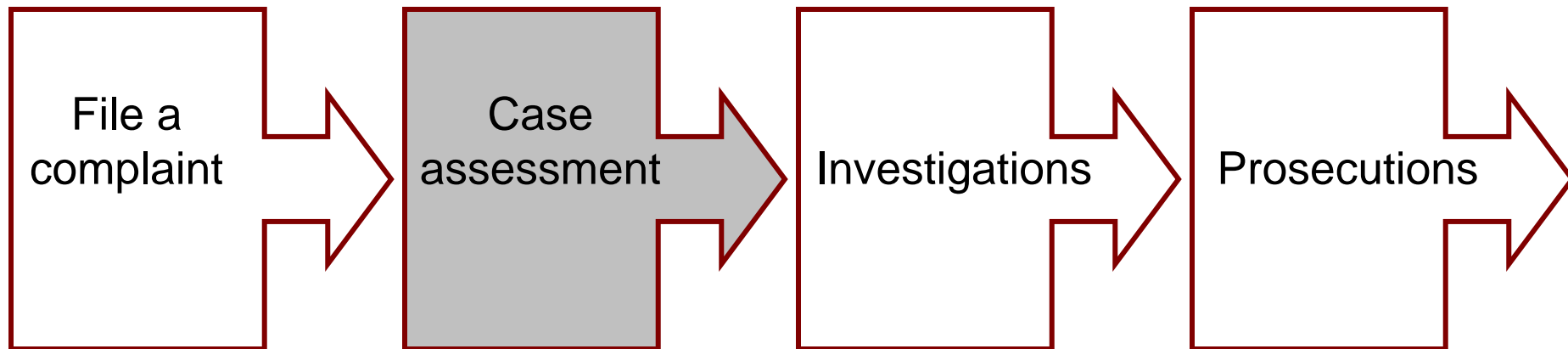


MFDA / IDA Making a complaint

- ▶ Our case assessment officers can help you make your complaint to us or direct you to another appropriate body

*Remember - you can file a complaint with the IDA or MFDA and your firm **at the same time***

MFDA / IDA Case assessment



MFDA / IDA Case assessment

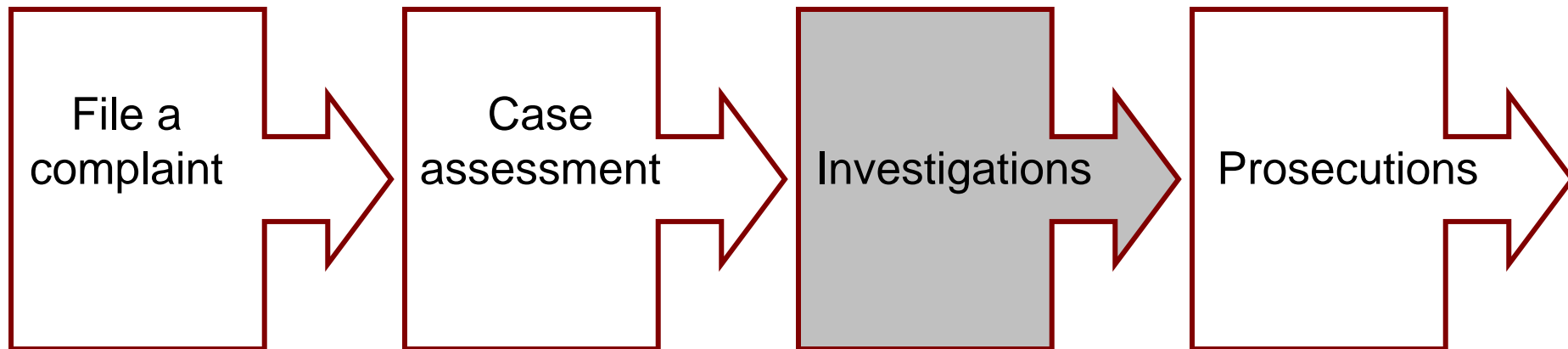
Keeping clients informed

- ▶ The IDA sends an acknowledgement letter within 2 days of receipt of the complaint (MFDA – 5 days)
- ▶ The IDA contacts the complainant every 45 days until the assessment is completed (MFDA – 60 days)

Assessing the complaint

- ▶ Does the complaint involve an IDA or MFDA firm or registrant?
- ▶ Is the complaint a regulatory matter (not service related)?
- ▶ Is there preliminary evidence of regulatory infraction?
- ▶ If yes to all, the complaint is sent to investigators

MFDA / IDA Investigations



Keeping clients informed

- ▶ The IDA sends a letter to the complainant notifying them that an investigation has begun within 5 business days (MFDA –1 day)
- ▶ The IDA contacts complainants 90 days after an investigation has been opened and every 60 days thereafter while the investigation is ongoing (MFDA – 90 days)

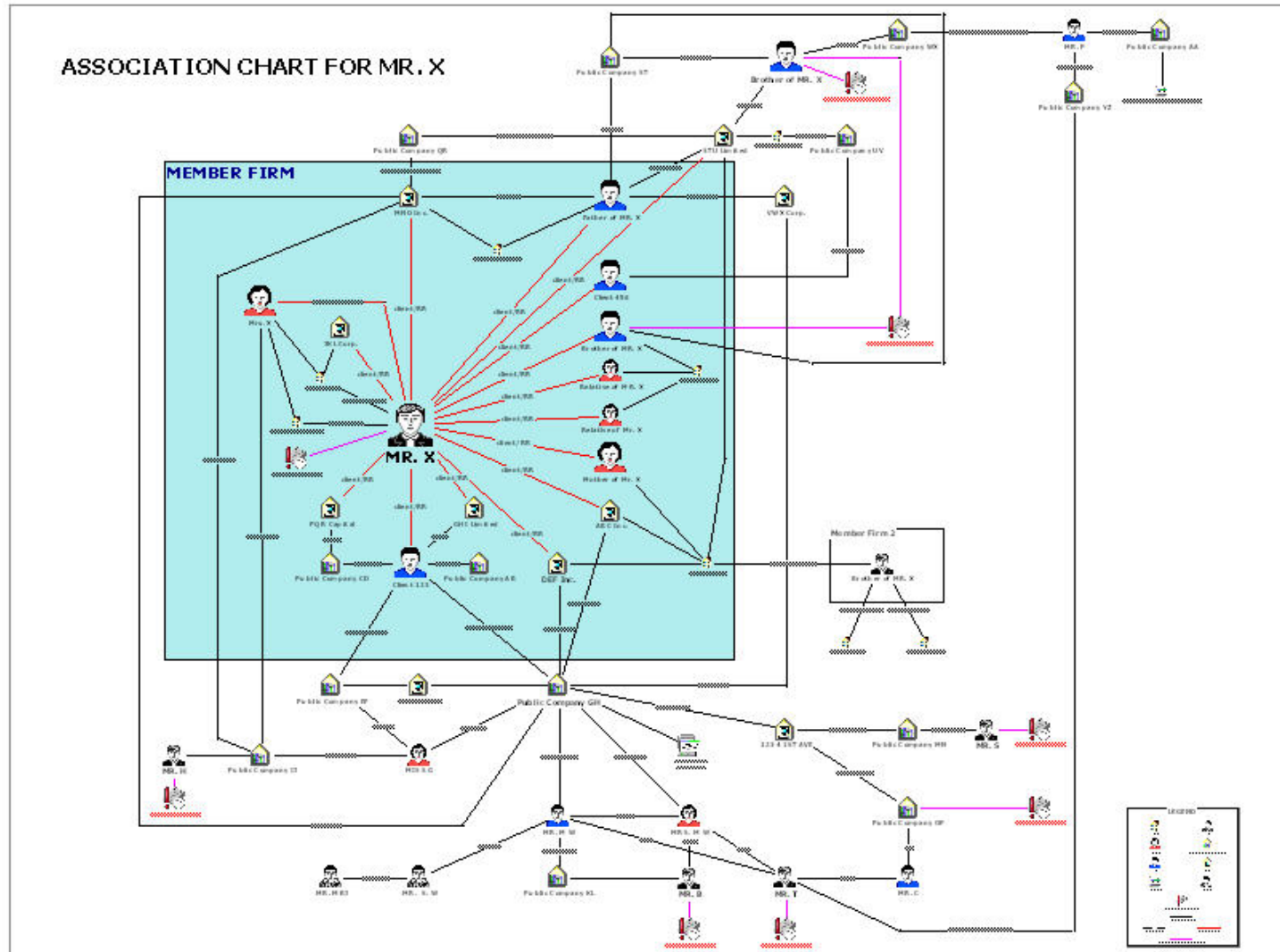
Collecting evidence

- ▶ Investigators review the file, interview witnesses and videotape testimony, request documents etc.
- ▶ *Example:* we had a case with 40 bankers boxes containing 225,000 documents

Using our resources

- ▶ Forensic accountants, lawyers, investigators, forensic handwriting examiners, custom designed software etc.

MFDA / IDA Investigations

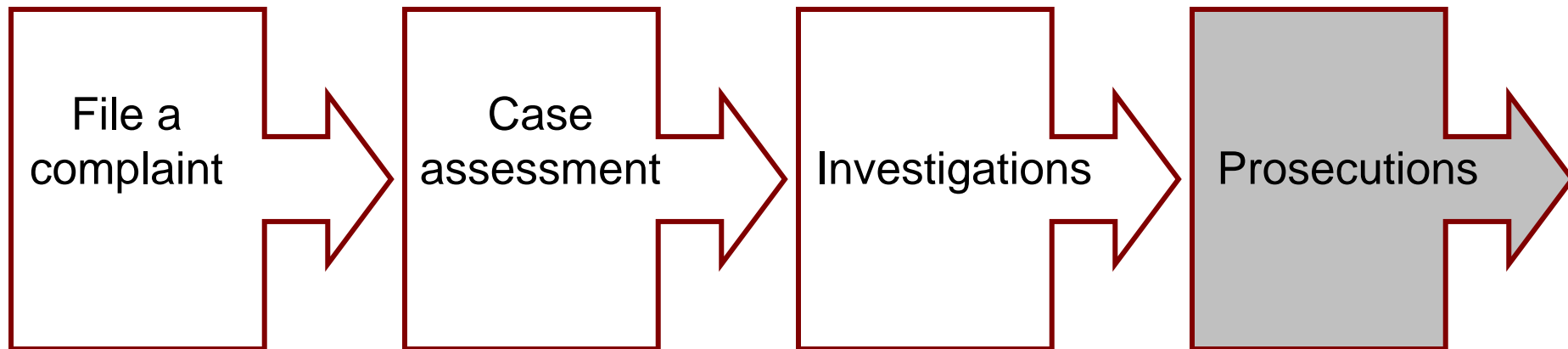


Working with other regulators

- ▶ Complex investigations can involve multiple jurisdictions and be international in scope
- ▶ We work with: police, provincial securities commissions, FBI, SEC, US Dept. of Justice

At any time, criminal activity (including fraud) is reported to the police or appropriate agency

MFDA / IDA Prosecutions



MFDA / IDA Prosecutions

- ▶ If there is enough evidence to support that a violation of our by-laws has occurred, the matter goes to prosecutions

Keeping clients informed

- ▶ Whenever we anticipate a hearing a Notice to Public (NTP) is posted on the website
- ▶ When we impose a discipline penalty on a firm or one of its registered employees, a media release, Settlement Agreement and Decision are posted on the our websites
- ▶ Discipline hearings are open to the public, except when a Hearing Panel Determines otherwise

Firms:

- ▶ a written reprimand
- ▶ fines, up to a maximum of \$5 million per contravention
- ▶ suspension or termination of rights and privileges
- ▶ terms and conditions on continued Membership
- ▶ expulsion of membership
- ▶ any other fit remedy or penalty

Registered employees:

- ▶ a written reprimand
- ▶ fines, up to a maximum of \$1 million per contravention (MFDA - \$5 million)
- ▶ suspension of approval and upon any conditions or terms
- ▶ terms and conditions or prohibitions on continued approval
- ▶ revocation of approval or permanent bar from approval with the IDA or MFDA
- ▶ any other fit remedy or penalty (often includes re-writing of licensing courses)

IDA Timely complaint handling

Case assessment

- ▶ IDA - to resolve **80%** of the closed files within **75 days** of receipt of the complaints. The 80% benchmark was surpassed at a national level for the past two years, and was in fact overachieved in 2006.

Investigations

- ▶ IDA - to resolve **60%** of the closed files within **365 days** of receipt of the investigation. The 60% benchmark has been surpassed at a national level for the past four years.

Case assessment

- ▶ MFDA - 80% of all cases to be closed or escalated to the Investigations group within 120 days of case The benchmark has been met or surpassed in every year since it was introduced.

Investigations

- ▶ MFDA - 80% of all cases to be closed or escalated to the Litigation group within one year of escalation from Case Assessment. The benchmark has been surpassed since it was introduced.

Prosecutions

- ▶ IDA - to resolve **60%** of the files within **six months** of receipt. The 60% benchmark has been met in the past three years, and surpassed in the past two years.
- ▶ MFDA - **80%** of files to be closed or the subject of a Notice of Hearing or Settlement Hearing within **ten months** of escalation from Investigations. The MFDA has surpassed this standard since it was introduced.

OSC Who We Are

- ▶ The regulatory body responsible for overseeing the capital markets in Ontario
- ▶ Administers and enforces the provincial *Securities Act*, the provincial *Commodity Futures Act* and certain provisions of the provincial *Business Corporations Act*
- ▶ A self-funded Crown Corporation accountable to the Ontario legislature

OSC Who We Regulate

- ▶ The OSC regulates various types of capital market participants including:
 - persons or companies advising or trading in securities or commodities futures (unless under an exemption)
 - public companies
 - investment funds
 - self-regulatory organizations
 - clearing agencies and marketplaces (including exchanges, alternative trading systems and quotation and trade reporting systems)

OSC Inquiries & Contact Centre

- ▶ Provides information and educational resources
- ▶ Assists you in understanding the complaint process
- ▶ Acknowledges complaints and responds within 15 - 20 days of receipt
- ▶ Publishes Investor Alerts to help investors learn about the latest frauds and scams
- ▶ Maintains an online Tips form that allows investors to send tips anonymously

OSC Enforcement

- ▶ Deals with matters involving the public interest
- ▶ Investigates matters which involve broad market issues and impact market integrity (e.g. insider trading, disclosure by public companies, accounting and auditing issues, takeover bid issues, illegal distributions)
- ▶ Investigates complaints against dealers and advisers that are not members of the IDA or MFDA
- ▶ Works cooperatively with other securities regulators, SROs and external agencies in Canada and abroad

OSC Case Selection

▶ Approach

- Select cases posing greatest threat to market integrity
- Most effective use of resources

▶ Considerations

- Nature of conduct or activity
- Market participants involved
- Impact on investors and the market
- Urgency – ongoing activity
- Jurisdiction
- Limitation

OSC Enforcement Process

Case Assessment and Surveillance:

- ▶ Conduct initial analysis and assessment
- ▶ Refer matters involving serious breaches to Investigation

Investigation:

- ▶ Conducts investigations
- ▶ Refers appropriate matters to Litigation

Litigation:

- ▶ Negotiates settlements and conducts proceedings before the Commission and the Courts

OSC Communication

During an investigation:

- ▶ Enforcement may contact complainants through questionnaires, telephone or interviews
- ▶ Limits on communication e.g. privacy law, confidentiality restrictions imposed by the OSA, potential prejudice to the investigation and to parties under investigation, reveal market sensitive information
- ▶ **Exceptions**
 - investor protection outweighs non-disclosure concerns
 - conduct or issues substantially in the public realm
 - to correct the public record

After an investigation:

- ▶ Public disclosure is made when proceedings are initiated

OSC Timelines

- ▶ **Challenges**
 - complex and document intensive
 - specialized knowledge and forensic tools
 - multiple/offshore jurisdictions
 - legal obstacles

- ▶ **2006/07**
 - Intake Units
 - average of 2 months to complete files

 - Investigation
 - average of 9.5 months to complete files

OSC Litigation Options

- ▶ Settlement
- ▶ Commission hearings
- ▶ Court proceedings
- ▶ Other actions:
 - Interim Relief (e.g. Cease Trade Orders)
 - Court Applications (e.g. Freeze Directions)
 - Receivership Applications

Investor Forum

► **Appendix**

OBSI / IDA / MFDA / OSC

-Contact Information

-Customer Complaint Forms Samples

OBSI Contact information

- ▶ Phone: 1-888-451-4519
- ▶ Fax : 1-888-422-2865
- ▶ Email: ombudsman@obsi.ca
- ▶ Online complaint form: www.obsi.ca
- ▶ Mail: OBSI, P.O. Box 896, Station Adelaide, Toronto, ON M5C 2K3

MFDA / IDA Contact Information / Complaint

If you have a complaint you can:

- ▶ call the toll-free Information/Complaint Line
 - 1-877-442-4322 (IDA)
 - 1-888-466-6332 (MFDA)
- ▶ email the IDA at enforcement@ida.ca or the MFDA at complaints@mfsa.ca
- ▶ Email or fax a Customer Complaint Form
- ▶ Complete a Online Customer Complaint Form

OSC Contact Information

- ▶ Phone: 1-877-785-1555
416-593-8314
- ▶ Fax: 416-593-8122
- ▶ E-mail: inquiries@osc.gov.on.ca
- ▶ Online: www.osc.gov.on.ca
- ▶ Mail: 20 Queen St., West, Box 55, 19th Floor
Toronto, ON M5H 3S8
Attention: Inquiries & Contact Centre

OBSI Customer Complaint Form

 **OMBUDSMAN**
For Banking Services | des Services Bancaires
and Investments | et d'Investissement

Complaint form

If you have any questions, visit our website at www.obsi.ca to find our Frequently Asked Questions (FAQs) and other resources. You can also call us at 1-888-451-4519.

After filling out this form, either mail or fax it to us – with any supporting documents you want to include – at the address on page 3.

If you are submitting a complaint on behalf of someone else, please complete this section with your contact details. Fill out the rest of the form with complaint and contact information for the person on whose behalf you are acting.

Title: _____ *First Name: _____ *Last Name: _____
 Street/PO Box/RR: _____
 City: _____ Province: _____
 Postal Code: _____ Country: _____
 *Daytime Phone: _____ *Evening Phone: _____
 Email Address: _____

Please describe your relationship to the person for whom you are making a complaint:

Section A: Your contact information

Person # 1	Person # 2 (if applicable)
Title: _____	Title: _____
*First Name: _____	First Name: _____
*Last Name: _____	Last Name: _____
*Daytime Phone: _____	Daytime Phone: _____
*Evening Phone: _____	Evening Phone: _____
Email Address: _____	Email Address: _____

**Required information*

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Mailing Address

*Street/PO Box/Route: _____
 *City: _____
 *Province/State: _____
 *Postal Code: _____
 *Country: _____

Section B: Details of your complaint

You must complete all sections marked with an *.

- *Type of account this complaint is about: Personal
 Small Business
 Both
- *Name(s) of the firm(s) your complaint is against: _____
- *Summary of your complaint:

**Required information*

Page 3 of 3

- *Have you completed the complaints resolution process at your firm? Yes No
If NO, please explain:
- *Have you started legal proceedings? Yes No
If YES, please explain:

Additional information (not required)

- How did you hear about OBSI? Link from another organization's Website
 Your Firm
 Friend/colleague
 Search Engine (i.e. Google)
 Other
 If other, please provide details: _____

Section C: Send us the complaint and supporting documents

Send this completed form to us at the address or fax number below. If you have completed the complaint resolution process at your firm, please include its final letter to you along with any other supporting documentation.

Mail: Ombudsman for Banking Services and Investments
 PO Box 896, Station Adelaide
 Toronto, ON M5C 2K3

Fax: 1-888-422-2865

**Required information*

MFDA Customer Complaint Form



**Mutual Fund Dealers Association of Canada
Enforcement Department**
Association canadienne des courtiers de fonds mutuels
121 King Street West, Suite 1000, Toronto, Ontario, M5H 3T9
TEL: 416-361-6332 FAX: 416-361-9073 WEBSITE: www.mfda.ca

Please use this form to file a complaint with the Enforcement Department of the Mutual Fund Dealers Association of Canada. While an individual may file a complaint on behalf of someone else, we require written authorization from that person in order to proceed with our review of the complaint. Receipt of your complaint will be acknowledged and if further information is required a Case Assessment Officer will contact you.

1. Your Information

Mr./Mrs./Ms./Miss/Dr. _____
Please Print Name in Full

Address: _____

City: _____ Province: _____ Postal Code: _____

Home Telephone: () _____ Business Telephone: () _____

Fax Number: () _____ E-Mail Address: _____

2. Account Information

Name of Dealer: _____

Name of Approved Person (Mutual Fund Salesperson): _____

Number of Accounts at Dealer: _____

If you are filing this complaint on behalf of another person please provide that person's name and address:

3. Complaint Summary

Please provide a brief, chronological summary of your complaint. Please attach any relevant documentation you may have. Further details may be requested from you at a later date.

4. Contact with the Salesperson, Dealer Head Office and/or Other Regulator

Knowing the history of your complaint can help us deal with your complaint more effectively.

Have you contacted your approved person in writing regarding this complaint? Yes No

Have you contacted the dealer's head office in writing regarding this complaint? Yes No

Have you contacted your provincial Securities Commission? Yes No

5. Your Signature

Signature: _____ Date: _____

If you are filing this complaint on behalf of another person, please have the person(s) sign below:

Signature: _____ Date: _____

Signature: _____ Date: _____

Your complaint form can be mailed or faxed to the address and number below:

Mutual Fund Dealers Association of Canada
Enforcement Department, Case Assessment
121 King Street West, Suite 1000
Toronto, Ontario, M5H 3T9
Fax: (416) 361-9073

Investor Forum

Appendix C

Working together: The 2007 Investor Forum



Exempt Market Issues

Exempt Market

Steven G Kelman
President, Steven G Kelman & Associates Ltd
Investment Counsel

Exempt Market Issues

- ▶ Understanding the additional risks
- ▶ Are they suitable for you?

Meaning of Exempt

- ▶ Exempt from rules requiring a prospectus
- ▶ Offered under an exemption
 - Deposits including principal protected notes with Schedule I and II chartered banks
 - Insurance annuity contracts including segregated funds
 - Securities offered by means of offering memorandum to accredited investors and under the \$150,000 exemption

Principal Protected Notes

- ▶ Majority issued by Chartered Banks
- ▶ Deposit amount guaranteed by issuer only if held to maturity
 - Time horizons vary widely
 - If sold prior to maturity, price received will be based on value of assets linked to the note
 - Not covered by deposit insurance
- ▶ Minimum purchase generally \$2,000

Principal Protected Notes

- ▶ Portfolio fee is higher than MER of linked asset
- ▶ Some principal protected notes use leverage
- ▶ Look to suitability of linked asset
 - If linked asset is medium risk and suitable for long term growth then PPN should be considered medium risk and suitable for long term growth
 - If linked asset is high risk or speculative then consider potential income as high risk or speculative

Exempt Market Securities

- ▶ Limited partnerships
- ▶ Promissory notes
- ▶ Mortgage investment corporations
- ▶ Land development
- ▶ Factoring corporations

Who Can Buy

- ▶ **Accredited Investors include individuals:**
 - who beneficially own (either by themselves or with a spouse) \$1 million of financial assets
 - whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,
 - who, either alone or with a spouse, have net assets of at least \$5 million
 - Assumption is that an Accredited Investor afford to obtain independent advice

Who Can Buy

- ▶ Non-Accredited Investors who purchase a minimum of \$150,000 of the security
 - Assumption is that anyone with \$150,000 to invest in a single security is sophisticated and can obtain independent advice
- ▶ Can you risk \$150,000 in a single investment?
- ▶ Can you risk \$150,000 of borrowed money?

Prospectus VS. Offering Memorandum

Prospectus

- ▶ Regulator reviews for completeness
- ▶ Must include full disclosure of risks
- ▶ Full disclosure of all material facts
- ▶ No misrepresentations

Offering memorandum

- ▶ Regulator does not review for completeness
- ▶ Must include full disclosure of risks
- ▶ May include less information than prospectus
- ▶ No misrepresentations

Know Your Client Rule

- ▶ Advisors may only recommend trades that are suitable in terms of client risk tolerance and investment objectives
- ▶ Advisor must make sure that client understands the risk

Understand the Risks

- ▶ Review the risk factors that are stated in the offering memorandum
- ▶ If the document states that the securities offered are high risk or speculative it means they are high risk or speculative and suitable only for investors who
 - can afford to lose part or all of the investment
 - have significant investment knowledge
 - have a high net worth

Understand the Risks

- ▶ “An investment in the Funds offered hereby is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and for investors who have a significant degree of investment knowledge and sophistication as well as a high net worth”

Quality Varies Widely

- ▶ Look at more than one product

Analysis of Product

- ▶ Look at management history and track record
- ▶ Look at risk factors
- ▶ Look at objectives
- ▶ Look at markup
- ▶ Look at business plan
 - Analyze numbers; review for completeness
- ▶ Are objectives, markup and business plan reasonable?

Hedge Funds

- ▶ Different than mutual funds
- ▶ Less transparency than mutual funds
- ▶ Various strategies, many of which use leverage
- ▶ Underlying assets may be illiquid

Real Estate Limited Partnership

- ▶ Look at the promoter's mark-up
- ▶ Look at the price per rental/condo unit relative to similar properties
- ▶ Look at qualifications of the appraiser
- ▶ Look at income stream
 - What will property manager do to enhance value?
- ▶ Will you get all tax benefits described?
- ▶ Look at what can go wrong

Land Development

- ▶ What happens if the land doesn't appreciate over a specific term?
- ▶ What annual fees does the promoter charge?
- ▶ What is the price you pay relative to the price the promoter paid?

Promissory Notes

- ▶ Who is the issuer?
- ▶ Is the asset secured?
- ▶ What is your security?
 - Interest coverage
 - Asset coverage
 - Five year history should be required
- ▶ Who is the trustee?

Factoring Corporations

- ▶ Copies of the debenture and trust deed;
- ▶ The name and address of the trustee and its qualifications;
- ▶ Actual commission rates paid on one, two and three year debentures.
- ▶ Audited Financial Statements including detailed statements of investments for the past three years and current interim statements;
- ▶ Provisions of revolving credit agreements;
- ▶ Copy of the company's standard form of factoring agreement;

Factoring Corporation

- ▶ Copy of checklist or other documents used in accessing loan applications;
- ▶ The Chief Executive Officer's statutory declaration advising of any specific licensing arrangements that apply to the company, any defaults in past five years including but not limited to loan agreements, debenture interest payments and principal repayments, any judgments, any material litigation;
- ▶ Brief biographies of key personnel and owners including disclosure of any disciplinary actions by regulators, bankruptcies, judgments;
- ▶ Copy of the company's business plan; and
- ▶ Details on procedures that assure that investors receive interest prior to payment of fees to management.

Mortgage Corporations

► Risks

- General economic risks
- Credit risks
- Interest rate risk
- Borrowing risk

Donation Programs

- ▶ Tax shelter gifting programs
 - These are not securities
 - These are not investments

- ▶ Canada Revenue Agency has denied \$1.4-billion of claimed donations so far

Before You Invest

- ▶ Do you understand the risks?
- ▶ Do understand the product?
- ▶ Can you accept the risks?
- ▶ Can you afford negative consequences?
- ▶ Diversify

Investor Forum

Appendix D

Working together: The 2007 Investor Forum



Investor Forum

OSC Enforcement Branch Boiler Room Unit

Illegal Distributions
Misrepresentations
Fraudulent Offerings

Scott Boyle,
Assistant Manager, Investigations
Enforcement Branch

Boiler Rooms

Term used to describe a fraud scheme in which salespeople are hired to call unsuspecting individuals and push investment opportunities.

High pressure calls are often used to pitch worthless or nonexistent securities.

Investment Opportunity

- ▶ Pre-IPO opportunity
- ▶ Listing on exchange pending
- ▶ Limited Shares available
- ▶ Exclusive offering

Investment Opportunity

- ▶ Little or no risk
- ▶ Sure thing
- ▶ Double your investment
- ▶ Guaranteed

CSA 2007 Investor Study

1 in 20 Canadians
Victim of investment fraud

40% of Canadians
approached with investment fraud

CSA 2007 Investor Study

Victims

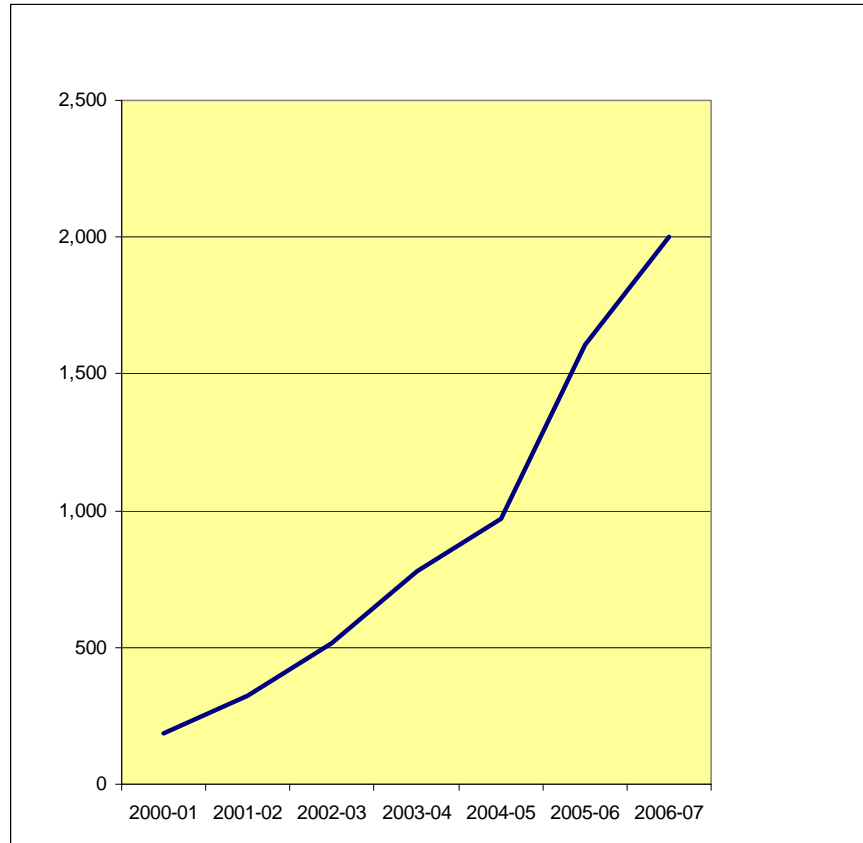
22%

reported a one time investment fraud

28%

reported a repeat investment fraud

OSC Scam Inquiries 2000-2007



OSC Boiler Room Unit

Identify Fraudulent & Scam Offerings

Investigate Boiler room activities

Expose individuals involved

OSC Boiler Room Unit

- ▶ Disrupt – Search warrants – inspections
- ▶ Prevent – Cease Trade Orders
- ▶ Prosecute – Section 122 & 127

Investment Experience?

- Identified themselves as:
“experienced investors”
- 41% investing for greater than 11 years

Victims of Investment Fraud

Demographics?

- 26% were between 51-60 years old
- 38% older than 60 years of age

Victims of Investment Fraud

Gender?

- 81% male

How Much?

- Average investment = \$40,000

Victims of Investment Fraud

How?

- 57% report first contact was by telephone
- Victims were often pursued by boiler room for more than 6 months
- 26% reported contact by four or more boiler rooms

Victims of Investment Fraud

15% of victims were persuaded to invest on the
FIRST call !!!

Impact of Investment Fraud

Victims of less than \$10,000

63%

less willing to make future investments

Impact of Investment Fraud

Victims of greater than \$10,000

75%

are less willing to make future investments

Impact

49%

introduced by friend, co-worker, neighbour or family

75% of victims

no recovery of any money

Creating the illusion

- ▶ Adoption of an existing company identity
- ▶ Fraudulent Web sites
- ▶ Identity concealing e-mail addresses
- ▶ Prepaid Cellular telephones, VOIP

Creating the illusion

- ▶ Post office boxes (suite 6131)
- ▶ Virtual Office locations – Business Centres
- ▶ Document illusions – backdating
- ▶ Fictitious investment advisors & staff

The Hook

- ▶ Ground Floor Opportunity, Pre IPO
- ▶ This is how the “rich” get richer
- ▶ My active investors are coming on board with some very large positions
- ▶ Time sensitive – Act now or miss out “AGAIN”
- ▶ Restricted offering – can only give you 10,000 shares

Qualifier / Closer / Loader

- ▶ Qualifier: First Contact confirm identity and interest
- ▶ Closer: Subsequent calls to victim; Makes the sale
- ▶ Loader: Ladders victim into successive purchases

Selling Techniques

- ▶ Working from prepared scripts
- ▶ Refined to adopt successful selling techniques
- ▶ Use of psychological tools to disarm potential investors
- ▶ Honesty / credibility / references

Psychological tools

- ▶ “We are in this together”
- ▶ “I personally have over \$50,000 in XYZ Corp”
- ▶ “I have my whole family invested in this”
- ▶ “I’m working for you”

The Ladder

- ▶ “Start small and let me prove myself”
- ▶ Price increase - Opportunity to purchase more stock
- ▶ “instant paper profit”

The Ladder

New opportunity – repurchase first issue at \$\$ profit
\$\$

Sell second fraudulent issue with a minimum size
block purchase

Advance fee scam – Contact investors to sell
worthless stocks for an administrative fee

Red Flags

- ▶ Exclusive opportunity
- ▶ Time sensitive
- ▶ Information is only available from seller

Red Flags

- ▶ Foreign jurisdiction involvement
- ▶ Off-shore banks (even US)
- ▶ Foreign brokerage firms – Where are they registered?

Protect yourself

Hang Up!

- Investment professionals don't create relationships over the phone

Due Diligence?

- Confirm information from “legitimate” 3rd parties

Contact the Regulator

Provincial regulators can confirm registration of individuals or firms

Report to the regulator the contact and provide information

OSC Contact Centre

www.osc.gov.on.ca
inquiries@osc.gov.on.ca

Toll free 1-877-785-1555
416-593-8314