

# OSC INVESTOR NEWS

Brought to you by the Office of the Investor



## About the OSC

The Ontario Securities Commission is an independent Crown corporation that works to protect investors by administering and enforcing securities laws in the province.

### Contact us

Our Inquiries & Contact Centre is available from 8:30 a.m. to 5:00 p.m. Eastern Time, Monday to Friday.

We operate in English and French but are able to handle inquiries in over 200 languages.

We can help you to check if a financial advisor or company is registered and do other important background checks, and can also provide assistance if you have a complaint or suspect investment fraud.



1-877-785-1555

[inquiries@osc.gov.on.ca](mailto:inquiries@osc.gov.on.ca)

## Beware of the latest thing

It's natural for people to be attracted to the new and "hot" investment trend of the time. They often appear to be a way to make a lot of money relatively quickly. Remember that investments offering big payouts come with big risks. Investing in a novel product can make sense if it suits your financial goals and risk profile, and you've [checked before you invest](#) that the individual or company offering it to you is registered. However, if the investment isn't appropriate in light of your individual needs and circumstances, it could spell trouble for you in the form of significant losses.

Through our enforcement efforts, outreach and what we've heard from investors in touch with our Inquiries & Contact Centre, the marketing of new and complicated investment products is proliferating, aided in part by sophisticated technologies, the internet and social media. These investments aren't necessarily illegal nor are they always scams – in fact, you could see gains from them. But if you invest, you have to accept that you might lose the value of your investment and even owe money in some cases. The following examples of recent investment trends are ones to watch your wallet around.

### Binary trading

Binary options, also referred to as "all-or-nothing" options, are similar to bets on whether the value of an asset will increase or decrease over a fixed period. They're typically traded within extremely small timeframes, which increases risk significantly. Even knowledgeable investors may find it difficult to predict whether the stock price of a public company will go up or down in the next 10 minutes, and wins and losses happen quickly. Binary options often trade in currency markets, adding to their high-risk nature.

## Related scams

The investment vehicles may be new but the methods scammers use to separate you from your hard-earned savings are age old. When considering a novel investment, be on the lookout for signs of a scam like the ones outlined here.

### Forex scams

These scams often use ads in newspapers, or on radio, TV or websites. The ads look legitimate and offer you an exciting way to get into the foreign exchange market. You may not be told that the investment is very risky or that you're likely to lose some or all of your money.

Signs of forex scams include outrageous claims of success based on courses or software and stipulations that you transfer money outside of Canada or provide your credit card information.

### Pump and dump scams

In this scam, you receive an email or phone call promoting an incredible deal on a low-priced stock. What you don't know is that the person or company contacting you also owns a large amount of this stock. As more investors buy shares, its value skyrockets. Once the price hits a peak, the scam artist sells their shares and the value of the stock plummets. You're left holding worthless stocks.

Signs of a pump and dump scheme include guarantees of high returns with no risk, the seller not being registered to sell securities and unsolicited offers from people you don't know claiming to have a "hot tip" to share.

No matter the investment, ask questions about it and stay attuned to the red flags of fraud. If it sounds too good to be true, it probably is.

Take note: promises on certain binary option websites that "even if you lose the trade, you do not lose money" are false. Disclaimers in small print on the same websites clearly state that you can lose all or a portion of your money.

Many binary trading platforms operate from servers in the United States and overseas, meaning that the funds go outside of Canada, often through a wire transfer. This makes it virtually impossible to get your money back. Moreover, these trading platforms don't necessarily comply with Canadian regulatory requirements and may be engaging in illegal activity.

## Forex trading

Foreign exchange, or "forex", "FX" or "spot/FX" trading, is where investors buy and sell currencies with the aim of turning a quick profit on exchange rate movements. While it may seem easy to enter the world of forex trading, it's actually a complex, volatile and very risky market that should be avoided unless you have sufficient financial resources and expertise.

In many cases, the size of a minimum forex trade demands that investors use leverage. This involves paying a percentage of the purchase price up front and borrowing the rest through a margin account. The securities the investor buys are used as collateral. Leveraging can lead to large losses that accumulate quickly because you may be required to keep putting up more money if exchange rates don't move the way you expect. With forex trading, the potential to make substantial gains can be high but so can the potential for large losses, especially if you're trading on margin.

## Marijuana-related investments

New Government of Canada rules provide a framework for companies to now grow and sell medicinal marijuana. This development has opened up a free market for medical marijuana domestically.

Companies won't be able to grow or sell medical marijuana without a licence. The potential time and costs associated with meeting the stringent licencing requirements are extensive. There's no assurance that a company will be successful in obtaining a licence or in creating shareholder value.

If a company is discussing its intention to enter the medical marijuana industry, investors should understand what resources it has committed to its plan, as well as the related risks, cost implications and time required before it can begin licensed operations.

## What to check before you invest

As an investor, you have certain responsibilities. Unless you have a discretionary account where your advisor is authorized to make investment decisions on your behalf, you're the one "in charge."

This is all the more true for do-it-yourself investors who don't have an advisor to help them with their due diligence. Whether you have an advisor or not, always ensure you understand how an investment works and its risks before committing any money to it.

What are the steps you can take to be better informed and make better investment decisions?

**1. Do a background check.** Regardless of what you choose to invest in, the persons or companies selling you the investment should be registered with the OSC unless they have an exemption. Before giving anyone your hard-earned money, visit [checkbeforeyouinvest.ca](http://checkbeforeyouinvest.ca) to determine if they're properly qualified. Illegal or fraudulent schemes are often operated by individuals and companies that aren't registered.

To properly "check before you invest," don't forget to research whether the company is on our Warning List and if the individual or company selling you the investment has been disciplined in an OSC proceeding or sanctioned by a Canadian regulator and listed as a CSA Disciplined Persons. Be cautious about dealing with anyone appearing on these lists, which you can also access through our [website](#).

**2. Ask about a prospectus.** Contact the OSC to find out if the investment has a prospectus. A prospectus is required to provide full, true and plain disclosure of all material facts about an investment. It generally must be filed with the OSC if an investment is sold in Ontario. In some cases, an exemption from the requirement to provide a prospectus to investors may apply, so check with us first.

**3. Borrow only what you can afford to lose.** The higher the potential investment return, the higher the risk. Don't borrow to invest or trade on margin unless you clearly understand how leveraging works and the risks involved.

**4. Know the red flags of investment fraud.** Be wary of offers that sound too good to be true and that use terms like "high return," "no risk" or "one-time opportunity." Other signs of a scam include high-pressure sales tactics such as fear mongering and fine print that contradicts advertising claims.

If you're suspicious about an investment opportunity, please [contact us](#) for assistance.

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## Be an informed investor

### Investor Education Fund

The Investor Education Fund is a non-profit organization founded and supported by the OSC that provides unbiased and independent financial tools to help you make better financial decisions. Visit their website at:

[GetSmarterAboutMoney.ca](http://GetSmarterAboutMoney.ca).



An Ontario Securities Commission initiative

## Keep reading

- [Thinking about trading forex? Know the risks before you invest](#)  
*OSC Investor News*
- [Use caution when considering buying binary options](#)  
New Brunswick Financial and Consumer Services Commission
- [BCSC issues warning about Binary Options Trading Platforms](#)  
British Columbia Securities Commission
- [Caution urged for those looking to invest in medical marijuana](#)  
CSA Investor Alert

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## Get involved

The Office of the Investor leads the effort to identify and understand investor issues and concerns through investor engagement and research.

We help to ensure investor perspectives are considered in the OSC's policy and operational activities. This includes working with the Investor Advisory Panel and Investor Education Fund to support their efforts.

Hearing about your personal experiences as an investor and the issues affecting your investments will help us improve the way we work to better protect investors.

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