Protect Your Money

Eleanor Farrell, Office of the Investor
Allister Field, Enforcement Branch
Perry Quinton, Investor Education Fund
What the OSC does

- Makes rules for trading securities in Ontario
- Monitors for compliance with those rules
- Investigates misconduct
- Enforces the rules and imposes sanctions
- Provides investor education through the Investor Education Fund
Office of the Investor

- Engages with investors
- Goal is to better understand investors’ perspective and ensure it is considered and addressed in policy and operational activities
- A better understanding of investors helps the OSC provide more effective protection from unfair, improper and fraudulent practices
Agenda - Fraud Prevention

- About the Enforcement Branch
- Investment fraud overview
- Types of scams
- Warning signs of fraud
- Tips for protecting your money
OSC Enforcement Branch

- Investigates and litigates breaches of Securities Act
- Seeks orders in public interest before adjudicative tribunals of the Commission and the courts
- Mixture of Investigators, Forensic Accountants, Lawyers and Support Staff
- Types of Team
  - Boiler Room Team
  - Insider Trading Team
  - Case Assessment Team
In cases of wrongdoing

- The OSC can issue reprimands, fines, suspensions or bans from the securities industry in administrative proceedings
- Can seek incarceration in quasi-criminal proceedings

2012

- Commenced 30 proceedings involving 71 individuals, 36 companies before tribunals – 15 cases involved fraud
- Concluded proceedings against 63 individuals, 37 companies
  – half of them faced fraud allegations
- Court sentenced 2 people to jail for breaches of Securities Act and Commission orders
OSC Website

www.osc.gov.on.ca

• A section for investors
• Online registration check
• Investor Warnings
• Investment fraud check list
• Avoiding frauds and scams

OSC Contact Centre inquiries@osc.gov.on.ca 1-877-785-1555 (toll free)
Investment Fraud Overview

• 3 in 10 Canadians approached with a potential fraud

• 1 in 20 Canadians is an investment fraud victim

• Under-reported crime

• Impact on mental & physical health, relationships
Affinity Fraud

• Con artist finds a common interest with a group

• May target community groups:
  – Religious groups
  – Ethnic groups
  – Clubs

• Builds relationship, trust
Ponzi/Pyramid

- Investors are recruited & encouraged to recruit others
- Investment “returns” are paid using money from new investments – not earned from money that has been invested
- Scheme collapses when new investments stop

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Boiler Rooms

- Unsolicited phone call
- Business appears legitimate:
  - Address in financial district
  - Website, toll-free number
- Caller uses pressure tactics:
  - Repeat calls
  - Limited-time offers
- You’re left with worthless shares
Pump and Dump

- Unsolicited phone call or spam e-mail
- Encouraged to buy promising over-the-counter or penny stocks
- Con artists hold large blocks of shares:
  - Drives up sales, value increases
  - Con artists sell their shares, value plummet
- You’re left with worthless shares
Double Dip – Repeat Scams

- 35% of fraud victims are defrauded more than once
- Con artists keep or sell lists of their victims
- “Initial investment will pay off if you send more money”
- A previous investment will pay off if rolled into a new one
Warning Signs

• Phone call or email from someone that you don’t know
• High-return; low-risk
• Tax avoidance
• Company is about to be listed on an exchange
• High-pressure tactics – must act now
• Suggestion that you provide false financial information
• Encouragement to recruiting friends or family
• Unregistered seller
If you suspect a scam, report it

- OSC: 1-877-785-1555
  inquiries@osc.gov.on.ca

- Local police

- Canadian Anti-fraud Centre (originally known as PhoneBusters)
  1-888-495-8501
Before you invest

Check registration
- 1-877-785-1555

Check OSC web site
- [www.osc.gov.on.ca](http://www.osc.gov.on.ca)
Perry Quinton
Investor Education Fund
Straight answers to your money questions
#1

Know your money personality.
Check your risk tolerance

When it comes to money, does the thought of losing it make you cringe?

While losing money is never an occasion to celebrate, everyone has a limit on how much they are willing to lose. Understanding your personal comfort level with risk and financial loss is critical to making informed financial decisions.

Take this quiz and learn your risk tolerance level.

Start the quiz
Shop around to get the best value for your money.
How to find an adviser

• Referrals: Family, friends, workplace, bank, other professionals

• Professional associations:
  – Investment Industry Regulatory Organization of Canada (IIROC) – [www.iicroc.ca](http://www.iicroc.ca)
  – Mutual Fund Dealers Association of Canada (MFDA) – [www.mfda.ca](http://www.mfda.ca)
  – Advocis – [www.advocis.ca](http://www.advocis.ca)
  – Financial Planners Standards Council – [www.fpsec.ca](http://www.fpsec.ca)
  – Portfolio Management Association of Canada – [www.portfoliomanagent.org](http://www.portfoliomanagent.org)

• Online search engines
#3

Care more about your money than anyone else does.
What to ask when choosing an adviser

1. What are your qualifications?
2. Are you and your firm registered?
3. How much experience do you have?
4. What products and services do you offer?
5. Who are your clients?
6. What is your investment philosophy?
7. How are you paid?
8. How will you work with me?
Top 4 retirement financial planning tools

- **Mutual fund fee calculator**
- **Pay down debt or invest**
- **Investment recovery calculator**

### Retirement cash flow planner

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<th>Retirement value at start of year</th>
<th>Change in investment value by end of year</th>
<th>Rate of return on investment</th>
<th>Required deposit or withdrawal</th>
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<th>Investment value at end of year</th>
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Working with an adviser

- What to expect
- Your responsibilities
- Questions to ask
- Assessing your adviser
- If you have a complaint
Your adviser should:

1. Give clear, specific advice
2. Explain the risks
3. Answer your investing questions
4. Protect your personal information
5. Get permission before buying or selling
6. Send regular statements and updates
You have a responsibility to:

• Be open and honest about your finances
• Understand what you’re investing in
• Ask questions
Questions to ask about your investments:

• How does this investment work?
• Why should you buy it?
• How will it help you reach your goals?
• What is the level of risk?
• What are the costs to buy, hold and sell the investment?
• When can you sell your investment?
• Will you pay fees or penalties if you need to get your money out sooner?
Assessing your adviser

1. Understand your total return over time
2. Calculate your total costs each year
3. Compare your results to benchmarks
4. Assess the value your adviser provides
5. Decide if you’re happy with results over time
Consider making a complaint if:

• You rarely hear from your adviser
• Your adviser’s suggestions don’t seem to match your goals
• Your adviser makes frequent or unusual trades
• You feel pressured to invest
How to make a complaint

1. Talk to your adviser and their manager

2. Write a letter

3. Contact the Ombudsman for Banking Services and Investments (OBSI)

   www.obsi.ca

   1-888-451-4519
Thank you from the OSC

InvestorOffice@osc.gov.on.ca

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GetSmarterAboutMoney.ca™