Protect Your Money
Office of Investor Policy, Education and Outreach
OSC Enforcement Branch
The OSC and what we do

An independent Crown corporation responsible for regulating Ontario’s capital markets

Our mandate

• Provide protection to investors from unfair, improper or fraudulent practices

• Foster fair and efficient capital markets

• Instill confidence in our capital markets
Office of Investor Policy, Education and Outreach

Our mandate
Ensure investor perspectives are considered in OSC policy and operational activities

• We seek to identify and understand investor issues and concerns through investor engagement and research

• A better understanding of investors helps us provide more effective protection from unfair, improper and fraudulent practices
Welcome to OSC in the Community!

• A new way for us to engage directly with investors, businesses and community leaders where you live and operate

• Investor seminar offers resources and tips to help you be better informed and protected

• Part of our efforts to ensure the OSC is an accountable, transparent organization

• About engaging with those impacted by Ontario’s securities legislation
What we’ve heard from investors

Common investor issues and concerns:

- Investment fraud
- Lack of understanding of fees paid to advisors and investment performance
- Uncertainties regarding advisor-client relationship
- Restitution
- Outliving savings and losing money on investments – for seniors especially
- Speaking with the OSC directly
Fraud Prevention

Enforcement Branch
Agenda – Fraud prevention

1. About the Enforcement Branch
2. Investment fraud overview
3. Fraud warning signs
4. Types of scams
5. Tips for protecting your money
Enforcement branch

- Investigates and litigates Securities Act breaches
- Seeks orders in public interest before adjudicative tribunals of the Commission and the courts
- Mix of investigators, forensic accountants, lawyers and support staff
- Team types
  - Joint Serious Offences
  - Insider Trading
  - Case Assessment
  - Investigation/Litigation
In cases of wrongdoing

**#1** We issue reprimands, fines, suspensions or bans from securities industry in admin. proceedings

**#2** We seek incarceration in quasi-criminal proceedings

**In 2014...**

- Commenced 22 proceedings involving 26 individuals and 19 companies – 8 fraud-related cases

- Concluded proceedings against 48 people, 43 companies – one-third faced fraud allegations
Investment fraud overview

Fact: 
**1 in 20** Canadians is a victim of investment fraud.

Fact: 
**Almost 3 in 10** Canadians have been approached with a potential fraud.

• An underreported crime

• Doesn’t just impact your wallet – can affect your mental and physical health, relationships, quality of life
Warning signs of fraud

- High-pressure tactics – You must act now!
- Phone call, e-mail from someone you don’t know
- Promise of high return with low risk
- Encouragement to recruit friends or family
- Unregistered seller
- Suggest providing false financial information
- Tax avoidance strategy
- Company about to be listed on exchange
Common fraud types

- Affinity
- Ponzi/pyramid
- Boiler room
- Pump and dump
- Double dip
Affinity fraud

Target
Groups sharing a common identity (e.g., cultural, religious, occupational, sports related)

How it works
• Con artist builds trust and may even endear themselves to (or be part of) the group’s leadership

• Person could be from within the group or has worked their way in

• Early investors appear to achieve high returns quickly so that rest of group wants in and to get referral fees
Ponzi/pyramid scheme

Target
Investors are recruited and encouraged to recruit others

How it works
• Investment “returns” are paid with money from new investments – not earned from invested money
• Scam collapses when new investments stop
Boiler room

Target
Anyone with money to invest

How it works

• Typically starts with an unsolicited phone call or e-mail

• Business appears legitimate – address in financial district; has website and toll-free number

• Con artist uses pressure tactics like repeated contact and limited-time offers

• Victims left with worthless shares
Pump and dump

**Target**
Anyone with money to invest

**How it works**
- Typically starts with an unsolicited phone call or e-mail
- Encouragement to buy promising over-the-counter or penny stocks
- Con artist holds large blocks of shares
  - As price driven up, share value increases
  - When con artist sells, share value plummets
- Victims left with worthless shares
Double dip – Repeat scams

Fact: 35% of fraud victims are defrauded more than once

- Con artists create, reuse and 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
- “If you tell the regulators, they’ll shut us down and you won’t make back your money”
Always do a background check before you invest

Check registration
1-877-785-1555
www.osc.gov.on.ca

Use our website as your resource for:

• Investor warnings

• Concluded and ongoing disciplinary proceedings

• Investment fraud checklist and other related materials

...and Google search name(s)
If you suspect a scam

Contact us
1-877-785-1555
inquiries@osc.gov.on.ca

• Your local police

• Canadian Anti-Fraud Centre
  1-888-495-8501
Working with a financial advisor

Office of Investor Policy, Education and Outreach
Investor protection is a three-way street
...between you, your advisor and us

The OSC’s role

• Regulates and enforces rules for trading securities in Ontario

• Investigates misconduct and imposes sanctions

• Provides education through the Office of Investor Policy, Education and Outreach

GetSmarterAboutMoney.ca
Invest Wisely

• Empowers investors with tools and information to help them protect themselves
Partnering with a financial advisor

#1 question: Are you and your firm registered?

Also ask...

- What are your qualifications?
- Who are your clients?
- How much experience do you have?
- How are you paid?
- What products and services do you offer?
- How will you work with me?

Before investing with anyone, check their registration and credentials. It pays to take your time and do your homework!
Your advisor’s responsibility

• **Must know you**
  - Your investment goals, time horizon, risk tolerance and financial circumstances

• **Must know the product they recommend**
  - The investment’s structure, features, risks

• **Must make suitable investment recommendations**
  - Match between your goals and objectives and the investment
Care more about your money than anyone else does

Your role

• Be open and honest about your finances
  ▪ Ensure your advisor’s understanding of your needs and objectives is correct – impacts recommendations made

• Understand your money personality
  ▪ What is your risk tolerance – your ability and willingness to take on risk/lose money?

• Understand what you’re investing in

• Ask questions!
Trends

- Canadians are living longer
  - Seniors are working longer

- Cost of living is increasing

- Seniors are investing in the stock market
  - seniors invest directly in the stock market
  - seniors invest through pension plans...
Research with Fund Facts

- Key information about mutual funds
- Easy to understand
- Apples-to-apples comparisons
- Available through your advisor, fund company websites and at www.sedar.com
Fees matter

Saving 0.25% in fees on a $100,000 investment means....

An additional $6,637

An additional $23,464

After 15 years

After 30 years

Illustrates the difference between compounding wealth at 3.75% and 4%.

In 15 years, the total paid for a 0.25% annual fee is approximately $5,100. Had that $5,100 been invested, it would have earned an additional $1,500.

In 30 years, the total paid for a 0.25% annual fee is almost $14,000. Had that $14,000 been invested, it would have earned an additional $9,500.
Before you invest

Your advisor should answer the following for you. If they don’t, ask!

- How does this investment work?
- Why should I buy it?
- How will it help me reach my goals?
- What’s the level of risk?
- What are the costs to buy, hold and sell it?
- When can I sell it?
- Will I pay fees or penalties if I need to get my money out sooner?

Don’t invest if you don’t understand the product, the risks and how much it costs.
Assessing your advisor

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 advisor provides
5. Decide if you’re happy with results over time
Signs of a problem

- You rarely hear from your advisor
  - You should meet together in person at least annually

- Your advisor’s suggestions don’t seem to match your goals
  - Be especially cautious of high-risk investments

- Your advisor makes frequent or unusual trades
  - Your permission is needed before any trade

- You feel pressured to invest
  - Ultimately, it’s your decision...and it’s okay to say “no”
How to make a complaint

1. Talk to your advisor and their manager

2. Escalate your complaint with the firm in writing

3. Contact Ombudsman for Banking Services and Investments
   1-888-451-4519 or www.obsi.ca

Need help?
OSC Contact Centre
1-877-785-1555
inquiries@osc.gov.on.ca

We operate in English but are able to handle inquiries in over 200 languages.
Mandate: help Canadians make smarter financial decisions with unbiased, easy-to-use information

Funded by settlements and fines from OSC enforcement proceedings

Provides investors with straight answers to their money questions
Other useful investor resources

- Brochures
- Videos
- OSC Investor News

www.osc.gov.on.ca
Thank you

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