

FOR IMMEDIATE RELEASE
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New study reveals gaps in investor knowledge, attitude and behaviours.

Montreal - Canadians understand the importance of being an informed investor, according to a new study by the Canadian Securities Administrators (CSA). However, these same investors fall short when it comes to putting their knowledge into practice, making them more vulnerable to unsuitable or illegitimate investment opportunities.

According to the study, one in three Canadians report having been approached with a fraudulent investment. And while many (86%) understand that suspicious investment opportunities should be reported, few (14%) actually do so. Despite this experience with fraud, just over half (51%) believe they are just as likely to be a victim of investment fraud as anyone else, while 47% believe fraud is a common occurrence. Canadians feel that investor education and banning rule-breakers should be high priorities for regulators.

These are just some of the findings of the CSA Investor Index, released to mark the launch of Investor Education Month in October. Conducted by Innovative Research Group, Inc., the study was administered to more than 5000 Canadians to help gauge investor knowledge and skills; understanding of and experience with fraud; and Canadians' awareness of their Securities regulators and expectations for them.

“For the first time, we have a tool that sets out to effectively measure the overall attitudes and behaviours of investors across Canada on a regular basis,” says Jean St-Gelais, Chair of the CSA. “Our plan is to use this information to identify the critical knowledge gaps and actively address them in a way that helps Canadians become more engaged, informed and educated investors.”

Canadians seem to understand the importance of investing and the value of investor education. The majority (72%) are saving or investing in their future, mostly in RRSP or pension plans. And more than half of all respondents understood the importance of key concepts like diversification (64%) when making financial decisions. However, other results show that knowledge is not being put into practice:

- Most (88%) believe a financial plan is important, but over half (58%) don't have one.
- Most respondents (92%) agreed on the importance of conducting independent research before investing. However, 49% did not personally research their most recent investment, and 22% invested immediately after hearing about an investment opportunity. Among the 44% of those who didn't personally research their most recent investment, 72% bought the investment solely on the advice of their financial adviser.
- More than half (51%) of respondents feel confident in their financial investing decisions, and 64% report they are confident about where to go when checking out investment

opportunities. Yet they show mixed performance when it comes to understanding fundamental concepts (such as risk tolerance).

In addition, the study highlights differences in some of the regional data across Canada:

Alberta

- 42% have a financial plan that includes clear investment goals and 60% report being familiar with their most recent investment, and could explain the risk and benefits to someone else in detail (compared to 38% and 53% nationally, respectively).
- most likely to personally research their investments (57% as compared to 48% nationally) and invest in opportunities only after taking time to think about it (72% compared to 65% nationally).
- 38% believe they have been approached with a possible fraudulent investment.
- 80% agree it is important to report even the suspicion of fraud, but only 10% actually report investment fraud to the authorities (compared to 14% nationally).

Atlantic Canada

- 32% are least likely to agree that investment fraud is common in their province (compared to 47% nationally).
- 43% are most likely to think that they've been approached with a fraudulent investment (compared to 36 % nationally).
- Only 23% report being aware that there is a provincial agency responsible for regulating financial investments in their province (compared to 45% nationally).
- 91 % of Atlantic Canadians viewed 'educating investors so they can better protect themselves against fraud' as 'extremely important' or 'very important'.

British Columbia

- Of those who believe they have been approached with a fraudulent investment opportunity, 14% (compared to 11% nationally) report having invested money in a fraudulent investment. This extrapolates to 5.46% of BC residents having invested in fraudulent investments.
- 52% believe that investment fraud is common to their province (relative to 47% nationally, 38% Alberta and 32% Atlantic Canada).
- 68% feel confident they know where to find information on investment opportunities.
- 92% believe having a financial plan is important (compared to 88% nationally).

Ontario

- 70% worry that they don't have enough savings to meet their needs, compared to 66% nationally.
- 92% believe it's important to have a financial plan, but just 40% have a financial plan with clear investment goals (relative to 38% nationally).

- 50% believe that investment fraud is common in their province (relative to 47% nationally).
- Of the 41% who believe they have been approached with a fraudulent investment opportunity, 11% report having invested money in a fraudulent investment. This extrapolates to 4.51% of Ontario residents having invested in fraudulent investments.

Prairies

- 85% agree that they should not invest without independently researching an investment opportunity, yet only 45% personally researched their most recent investment (compared to 48% nationally).
- 53% were familiar with their most recent investment and believed they could explain the risks and benefits; 19% felt that they did not understand how risky each of their investments are (compared to 12% nationally).
- 34% believe that investment fraud is common in their province, and 33% believed they had been approached with a fraudulent investment.
- 62% reported being introduced to fraud over the Internet (compared to 49% nationally).

Quebec

- 94% agree that they should not invest without independently researching an investment opportunity, yet only 39% personally researched their most recent investment (compared to 48% nationally).
- 31% have a financial plan with clear investment goals (compared to 38% nationally).
- 51% believe that investment fraud is common in their province, and 58% believe that they are just as likely to be a victim as anyone else, above the national average of 51%.
- 35% agreed that one of the best ways to make money in the stock market is to look for hot tips (compared to 19% nationally).

The full study is available online on the CSA website www.csa-acvm.ca

The CSA Investor Index is a mixed methodology study combining a random digit dialling telephone study with an in-depth online study. A 2,000 person telephone study was used to provide an incident rate for weighting purposes of Canadians' investing profile. The online study was used to develop a profile of Canadian investor segments, as well as provide a large sample of Canadians who have actually experienced fraud.

The CSA Investor Index online survey was conducted by Innovative Research Group, Inc. (www.innovativeresearch.ca), a national public opinion research firm, between August 10 and Monday, August 31, 2006. Results from the survey are based on 5,568 completed online interviews of Canadians, 18 years of age or older.

The sample used has been weighted according to telephone data on Canadian investing behaviour and 2001 Census data to accurately reflect a representative cross-section of Canadians.

With a sample of this size the aggregated results are considered accurate to within ± 1.79 percentage points, 19 times out of 20 (margin of error will vary among regional segments).

The CSA, the council of securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets. Their mandate is to protect investors from unfair or fraudulent practices through regulation of the securities industry. Part of this protection is educating investors about the risk, responsibilities and rewards of investing.

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For more information:

CSA Website: <http://www.csa-acvm.ca/>

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