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Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

News Release

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Investment adviser practices trigger most complaints to securities regulators

Toronto – For the second year in a row, problems with investment advisers top the list of complaints received by securities regulators across Canada with issues such as suitability, customer service and registration as common complaints.

"The complaints we are receiving across the country stem from the actions of those registrants who deal directly with retail investors," said Doug Hyndman, Chair of the Canadian Securities Administrators (CSA), the umbrella organization representing the 13 provincial and territorial securities commissions. "While our enforcement divisions are clamping down on these activities, in many cases, there are simple steps investors can take to avoid these types of problems."

The top five complaints and how to avoid them:

1. **Suitability –** To avoid problems in dealing with your investment adviser, always ensure that your investment needs and objectives are discussed in depth at the time of opening a new account, and that your adviser accurately records this important information. Always be very clear about your expectations and intentions. Ask lots of questions about any investment that is recommended to you. Always ask about potential risk associated with any investment. Consider high-risk investments and leveraged investment strategies very carefully before agreeing to them. Always read the prospectus or offering memorandum before purchasing a security.

2. **Unregistered Sales –** Always check with your provincial or territorial securities regulator to ensure that the person you are dealing with is registered and can legally advise or trade in that type of security.

3. **Unregistered Distributions or Exempt Market Securities -** Avoid buying into illegal distributions of securities by asking for, and carefully reading, a prospectus or offering memorandum before you purchase the securities of a private company. Consider how well you know and trust the principals of the company. Be wary of any claims of quick profits, high return, future listings on a stock exchange or fantastic product sales or profits. Understand that the securities of a private company are illiquid, the risk of failure is high and you could lose your entire investment.

4. **Scams and frauds including unregistered sales** – To avoid becoming the victim of a fraudulent scheme, watch for the following red flags: offshore investments, secret investments, high returns with guaranteed low risk, and promises of quick profits. If you don't understand an investment, don't invest. Always do your due diligence by

asking lots of questions and carefully reviewing all documentation. Remember, if it sounds too good to be true, it probably is.

5. **Customer Service** - Investors should always check their account statements and confirmations and immediately contact their adviser if there are any discrepancies.

An investor who has a complaint should take the following steps:

1. Contact the adviser directly – be sure to make detailed notes of any conversations.
2. Write to the branch manager with a copy to the firm's compliance officer.
3. Contact the provincial or territorial securities regulator in writing.
4. Finally, note that securities regulators cannot get investors' money back. Instead, investors should contact a lawyer and they have the option of going to small claims court or proceeding to civil court or an arbitration program.

Canadians may also consult the Financial Services OmbudsNetwork which includes the Ombudsman for Banking Services and Investments (www.obsi.ca) for help in resolving customer complaints in the banking, trust company, securities and mutual fund industries.

The CSA (www.csa-acvm.ca) offers a number of investor resources aimed at helping investors avoid many of the most frequent complaints listed above. In addition, most jurisdictions have print or web resources on how to file a complaint. Contact your jurisdiction for a free Investor Education Kit.

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