SIPA
SMALL INVESTOR PROTECTION ASSOCIATION

**A Voice for Small Investors
Seeking Truth and Justice**

April 14, 2018

Letter to political leaders

The Right Honourable Justin Trudeau, Prime Minister of Canada, states on the Liberal Party website:

> *"Canadians deserve a secure and dignified retirement after a lifetime of hard work. Their economic security strengthens our entire economy."*

We agree. However, many Canadians are being deprived of that reward when their savings are decimated by the willful acts of an investment industry gone wrong.

For the last two decades SIPA heard from thousands of victims of industry wrongdoing and listened to their tragic stories of how these financial crimes impacted their lives. SIPA first wrote about this issue in 2004 as the "Iceberg Issue" as only a very small portion of the magnitude of this issue is known. This Voices Report outlines the issue of systemic fraud and wrongdoing that evades public exposure and asks that the Voices be heard.

Today widespread sexual harassment is being exposed because a few brave women had the courage to come forward and speak out. This has created a groundswell of allegations as the victims realize they are not alone and they are not wrong.

More recently the children of the Parklands shooting where 17 children were killed are speaking out and are receiving a groundswell of support. This is the beginning of a Great Awakening of the public. It's time for Government to listen to the people.

Fraud and wrongdoing by the regulated financial industry is costing Canadians the loss of billions of dollars of their savings each and every year. Individual stories are tragic. People are losing their life savings and the legacies for their families. Extreme financial loss is a life-altering event impacting future lifestyle as well as physical and mental health. It results in loss of income tax to Government as well as increased social benefit costs as many can no longer afford to be self-sufficient.

It is time that the leaders take action to stem the loss of Canadian savings. It is time that regulators are required to function as they should and ensure that those who will not exercise a fiduciary duty when they are responsible for citizens' savings are appropriately punished and made to reinstate the wealth of their victims.

There are those in the industry who would do what is right. As an example a quote from Christopher Dewdney reacting to the wrongdoing of an advisor:

> *Christopher Dewdney, principal at Dewdney & Co, said:*
> *"We, as advisors, have a very important responsibility to our clients.* ***One of the things there is a big dispute about is whether we are true fiduciaries. In my opinion***

> ***we have to be, it's not a matter of should we be, we have to be."***
>
> *"We are responsible for clients' financial wellbeing; not so different as a doctor is for someone's health. We shouldn't take that responsibility lightly."*
> *https://www.wealthprofessional.ca/tools/people/christopher-dewdney/222301/*

There can be no doubt that those who provide financial advice and look after citizens savings should have a fiduciary responsibility and should be held accountable by responsible regulators. There are too many examples of the industry further abusing victims by litigation defending the indefensible. Seniors cannot afford either the time or the cost of litigation.

The recent FCAC report findings are strongly supportive of the dire need for regulatory change.

Last year a series of programs by CBC Go Public resulted in thousands of bank employees speaking out. Also, in 2017 a report by the Globe and Mail following SIPA's earlier report on Unpaid fines disclosed that the amount now exceeds One Billion Dollars. As SIPA pointed out in our Web of Deception report unpaid fines are only one aspect to the fabric of deception that is used to deceive the Canadian public so their savings can be harvested.

There are many reasons victims do not speak out including Gag Orders. It is hoped that Canadians will follow the lead of the courageous women who spoke out about sexual harassment and speak out about their victimization by the investment industry.

The basic issue is that the financial services industry is based upon financial product sales rather than providing financial advice although marketing convinces Canadians otherwise. Reality is the industry is reluctant to accept fiduciary duty and responsibility for looking after clients' best interests. The status quo enables them to harvest Canadian savings without restriction.

A cursory review of regulators investigations reveals the systemic activities of sales persons (registered as dealing representatives as outlined in our report on titles) are effectively costing investors dearly as theses sales persons are focused on maximizing commissions without regard of the impact on their clients' savings. The CSA has now removed the word salesperson to further aid the deception of the public. Government must act to protect citizens.

SIPA is issuing a challenge to the Government of Canada to hold a bank inquiry to interview victims of industry fraud and wrongdoing.

Sincerely,

Stan I. Buell
President

SIPA

SMALL INVESTOR PROTECTION ASSOCIATION

A Voice for Small Investors
Seeking Truth and Justice

Listen to the Voices

Breaking the Silence of Financial Abuse

April 2018

Small Investor Protection Association – website: www.sipa.ca – e-mail: sipa.toronto@gmail.com

Executive Summary

This Small Investor Protection Association (SIPA) report looks at the systemic, country-wide problem of financial assault upon ordinary Canadians.

It looks at the evidence through the eyes and voices of the thousands of victims who have contacted SIPA over the years.

In 2017 CBC News was contacted by over 3000 bank employees, many who spoke of various forms of bank intimidation which caused the employees to feel as if they had to exploit customers, just to keep their jobs. It is news like this that speaks to a system-wide pattern of abuse, which SIPA believes to be of national significance.

At the base of many of those system-design traps, is the deceptive passing-off of thousands of commission sales-licensed agents, to a trusting public, as if these agents were fiduciary advisers, or as if they were duty bound to act in the client's best interest. This clever bait and switch can be found behind nearly all examples of investor financial assault.

This report visits the trauma and mental health effects upon victims of financial assault, when it is learned that they have little chance for fair and honest treatment by the industry and those who enable it.

The Small Investor Protection Association (SIPA) is now issuing a direct challenge to the House of Commons Standing Committee on Finance, "Reach out and listen to at least 100 victims of life-altering loss, as well as current and former bank employees before deciding on the way forward."

This is a major socio-economic issue, which is worsening over time and requires immediate attention of our elected officials.

Foreword

"Listen to the Voices" is a direct challenge to The House of Commons Standing Committee on Finance (FINA) and to the Government of Canada to listen to Canadians and what they are saying so the Government will comprehend the immediacy of implementing change in the financial service industry.

Canadians are saying that they are led to believe that:

- the financial services industry will help them save for the future
- the industry will look after their best interests with fiduciary care
- they will be safe when they place their trust in a financial advisor
- the regulators will protect them by ensuring the statutes and regulations are followed
- the regulators will investigate breaches of statutes and regulations
- if fraud or wrongdoing is found there will be mechanisms for restitution
- savers and investors will be treated fairly with courtesy

Canadians find out the truth only after they have been victimized:

- the industry focus is on selling financial products with commission sales persons
- there is no responsibility to look after best interests
- "Financial Advisor" is an unregulated business title used by sales persons to gain trust
- regulators investigate only to determine if rules have been breached and these rules have been set at a low level to allow products to be sold without sufficient accountability for the advice.
- regulators do not get victims money back
- mechanisms for restitution are industry controlled
- victims are not treated fairly or with courtesy

The net result is "Buyer Beware".

The public is being misled in many ways as outlined in our report "Web of Deception."
http://sipa.ca/library/SIPAsubmissions/WEBofDECEPTION_2017.pdf

It is time the Government of Canada steps up to the electorate's expectations of their elected representatives.

The Problem

Canadians are losing billions of dollars of their life savings due to misrepresentation, fraud and wrongdoing by regulated financial institutions every year. Conflicts of interest allow advisors to recommend products that may not be in their clients' best interests and this contributes to the amount of loss. This has not changed in decades. Consumers are in a buyer beware system but the regulators have allowed the system to pretend that it is not. This misleads consumers.

More studies and reports will not change this deplorable situation.

There are industry and regulatory attempts to keep the current conflicted system afloat all while appearing to be concerned about investor protection. Disclosure as an attempt to pass responsibility to investors; constant debate about investor education, mutual fund fees, exempt markets, suitability, regulation, enforcement, fine collection and a host of other topics will not help to address the core issue.

Regulations are not enforced and headline grabbing fines are seldom collected. See the SIPA report SIPA Report: *Unpaid Fines: It's a National Disgrace*
http://sipa.ca/library/SIPAsubmissions/500%20SIPA%20REPORT%20Unpaid%20Fines%20A%20National%20Disgrace%20-%20April%202016.pdf

The regulators are not forthcoming to inform the public but bury significant information in their websites. It is only due to investigative journalists and NGOs that the public can learn of the devious practices of the regulators. In the recent past the Vancouver Sun has revealed information that indicates regulatory deception subsequent to the revelation of unpaid fines totaling more than one billion dollars.

> *http://vancouversun.com/business/local-business/b-c-securities-regulator-quietly-stays-penalties-of-more-than-35-million*

This latest report states:

> *The B.C. Securities Commission has stayed penalties of more than $35 million on nine cases as a result of a related B.C. Court of Appeal decision on a pump-and-dump scheme case.*
>
> *It wipes the penalties off the books for now, as they will only be re-visited, according to the securities commission, if a party makes an application to do so.*
>
> *The decision to stay the penalties comes as the province's market regulator is under scrutiny for its poor penalty collection record.*
>
> *The orders to vary the penalties — one dating back to 2009 — was not made public through any announcement. Documents outlining the measures were posted on the securities commission website in mid-January.*

What will help, is when all those who give Canadians financial advice, are properly held to a statutory fiduciary standard towards their clients. Many well-respected professions willingly adhere to putting their clients' interests first. Those giving financial advice to Canadians must now be required to as well.

So, what is the problem? Canadians have **not** been told the truth.

> *"Our question to the Ontario Securities Commission is: Does [Dealer name removed] not have a responsibility to their clients to see that their representatives act in the best interest of their clients? What kind of ethics does [Dealer name removed] have?"*
>
> *"Amongst other things I believe [Dealer name removed] have breached their fiduciary duty. At age 67, and retired, capital preservation is important for future security. Several complaints have been submitted to the compliance officer."*
>
> *"It is my understanding that [Dealer name removed] and my broker, [Registered Representative name removed], have a fiduciary duty to their clients to ensure that their financial interests are fully safeguarded. [Dealer name removed] and [Registered Representative name removed] both failed in that duty. In addition to the loss of inheritance, I have spent to date $30,000 in legal fees."*

Canadians believe, based on massive misleading industry advertising and common-sense decency, that their advice givers do have a fiduciary obligation towards them.

See the SIPA report "Lack of Truth in Advertising Deceives Investors"

> *http://sipa.ca/library/SIPAsubmissions/720_SIPA_Report_Deception_20150505.pdf*

and "Title Trickery"

http://sipa.ca/library/SIPAsubmissions/500%20SIPA%20REPORT%20-%20Advisor%20Title%20Trickery%20October%202016.pdf

Canadians continue to be misinformed and thus sadly set up to fail by a mass deception. This vulnerability is continually exploited by the industry and its culture of greed. A National Registration Search conducted January 12th 2018, yielded 118,521 total registrants in Canada. The majority, 114,362 are registered as Dealing Representatives who represent the Dealer's interests and are salespersons in their role with clients. Only 4,240 are registered as Advising Representatives across Canada who are registered to give advice and have a duty of care to act in your best interests. Two weeks after conducting this search, the word salesperson has mysteriously disappeared from the definition of a Dealing Representative. The duties have not changed, but the lack of clarity for Canadians continues to become more obscure. Why is that? Does not knowing the person you are working with is actually a salesperson, protect and serve you? No. Then who does it protect and serve?

> *"Investors deserve to know the standard under which advice providers operate when providing them with personalized investment advice." (Chartered Financial Analysts Institute)(CFA)*
> *https://blogs.cfainstitute.org/marketintegrity/2018/01/11/fiduciary-duty-cfa-institute-issues-a-call-for-action-by-sec/*

SIPA agrees with the Chartered Financial Analysts Institute (CFA) that it is absolutely essential for all Canadians to know the standard of care their advice giver operates under. After all, they are dealing with our hard-earned savings and our future. The bigger question we need to ask is, "Why are we not being told?"

With rapidly advancing technological changes in financial services, the time is ripe for major financial reforms. Also, due to Canada's changing demographics and increased longevity, the need for trusted financial advice has never been greater.

SIPA Issues a Challenge

On May 3rd 2017, the House of Commons Standing Committee on Finance adopted a motion to examine the practices of Canada's Schedule I banks in relation to the sale of financial products and services to their customers.

In particular, the Committee invited witnesses to discuss the four topics identified in the motion: sales practices and incentives for employees; opportunities for redress; codes of conduct; and penalties for breaches of codes of conduct. The ultimate decision was to wait for another review by the Financial Consumer Agency of Canada (FCAC) to be presented in 2018.

The newly released FCAC report findings are strongly supportive of the dire need for regulatory change. The report raises serious concerns over the impact sales targets and incentives have on Canadians.

The FCAC is the regulator for the banks and establishes guidelines for the banks to follow and then instructs the banks to self-regulate. The last review by the FCAC in late 2016 gave a glowing report yet within the next few months the CBC was flooded with messages from bank employees describing how the banks take advantage of clients.

The Small Investor Protection Association (SIPA) is now issuing a direct challenge to the House of Commons Standing Committee on Finance, "Reach out and listen to at least 100 victims of life-altering loss, as well as current and former bank employees before deciding on the way forward."

2018 regulatory decisions will have far-reaching impact on an ever-greater number of Canadians. Yet the distance between regulators, and the people that their decisions impact, continues to widen. In fact, many of the people most harmed or helped by our regulator's decisions, are those that they will never identify or meet. Numerous public consultations and requests for comments are overcrowded by those within the financial industry.

It is important to listen to the voices of ordinary Canadians. Their voices can help develop and refine policies that would assist in the prevention and intervention efforts so desperately needed.

> *"Seems to me that part of the problem is that too many people have been led to believe that an "investment adviser" is supposed to give them advice, while in reality most are just salesmen out to make money for their employer or for themselves, and they do not actually care about what is good for their clients."*

If you have never suffered the life-altering loss at the hands of someone you trusted with your hard-earned savings, you may have difficulty understanding. That is why SIPA believes it is so important to talk with the victims and hear what they have to say ... then decide on the best way forward.

Victims will need to be afforded in-camera protection in order to speak openly to the Finance Committee. The discussion held in-camera needs to protect these witnesses from public exposure, especially those who have signed Settlement Agreements or a Non-Disparagement clause in employment contracts.

Recently, on a CBC news Go Public expose, a bank Branch Manager was examining and asking himself a difficult but very relevant question.

> *"If this was one of my own family members or friends, would I actually tell them to do this?"*
> *http://www.cbc.ca/news/thenational/banks-prioritzing-sales-quotas-over-customers-1.4073318?autoplay=true*

Good question, because even though they're not a family member, they are someone's family member, parent, grandfather, friend…

Our regulators need to be examining the situation at hand in a similar light: "Does the existing conflicted sales culture protect vulnerable Canadians who need financial advice?

Is this atmosphere safe:

- for my elderly parent?
- for someone whom English is not their first language?
- for a vulnerable widow?
- for any Canadian busy with career and family and limited knowledge of investments?

It is extremely difficult for victims to come forward and speak. The issue is complex and many do not understand what has happened or why it has been allowed to happen. People are very private about their finances. Shame and embarrassment are part of the emotional upheaval that results from feeling duped. Being taken advantage of by someone you placed your confidence and trust in to help you and to whom you laid bare your personal intimate financial details to, is a terrible betrayal.

It is interesting to note that from what authorities referred to as the largest Ponzi scheme in Canadian history involving over 2,400 investors from around the world, only 600 (25%) of them chose to file victim impact statements. Out of that 600, only 1 showed up to give a statement at the hearing. Think about that for a minute, <u>only one.</u> (0.000146%)

> *"It's all been a very demeaning, humiliating experience," said Knopp, who lives in Enderby, B.C. "At 69, I face debt for the rest of my life."*
>
> *http://www.theglobeandmail.com/news/alberta/crown-wants-14-years-for-calgary-men-who-stole-millions-in-ponzi-scheme/article25185883/*

Both the Mutual Fund Dealers Association (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC) enforcement websites indicate an ongoing, unabated pattern of financial abuse.

> *"The government keeps warning everyone to save for retirement and then they allow our money to be handled in such a deceptive fashion."*

Victim Impact

> *"When I finally learned of my loss I felt devastated, especially after the death of my spouse. It was a terrible let down and breach of faith. I feel I cannot trust anyone in this industry anymore. It has had an adverse effect on my health."*

This Voices Report is not about another symptom of the broken system but more about the casualties of the present system, too often forgotten and ignored.

Mental health professionals are studying the impact of financial stress. Financial stress can have pathological effects on a person's thoughts, feelings, behaviours and overall health. When financial stress arises from a situation where a person has been taken advantage of by someone they trusted, the impact is huge and life altering. The stress can become all-consuming both physically and emotionally and it can be long lasting. Listen to the fear, anguish and despair in this elderly widow's voice.

> *https://unpublishedottawa.com/sites/unpublishedottawa.com/files/letter/41555/victim%20audio_3.mp3*

Over the past two decades SIPA has observed profound problems emerging in victims' lives. Feelings of stress, failure, isolation and paralyzing fear keep surfacing in our conversations with victims with alarming regularity.

> *"This has left me at my weakest, most vulnerable and depressing time of my life without proper funds. The Ontario Securities Commission could not help, which has further deepened my depression. When I tried to resolve this problem I was in pain, sick, low in funds and saw no way out. Suicide seemed to be my only solution*."

Mental health professionals are noticing strong similarities to Post Traumatic Stress Disorder. A traditional diagnosis of PTSD requires meeting a number of criteria. Often reliving the event through nightmares or flashbacks, the disorder brings on avoidance of any situation that reminds a person of the trauma. Additionally, one's beliefs and feelings change, the world feels more threatening and relationships become difficult, leading to depression and isolation. Perhaps most important, PTSD results in hyperarousal, in which it's chronically difficult for people to fully calm down, even in sleep. The mind and body are always prepared for trouble, leading to chronic stress that wears down all of the body's systems, hastening the natural processes of aging the body and mind.

> *"It (the financial loss) has caused much stress because of the way it has forced us to live both from the enjoyment of retirement plus ability to pay our bills. There is the constant mistrust of people with whom we deal, most of whom are probably honest and hard-working but … I have always been cynical of government but my cynicism is now much more widespread and deep. We have developed a healthy total disrespect for lawyers and our legal/judicial system. I consider them leeches on society. I consider any financial investment or advisory agency totally incompetent, dishonest and self-serving. I consider any regulatory agency all of the above plus ineffective and toothless parasites – a total waste of money. Their very existence constitutes a false sense of security to investors."*

Mental health professionals have coined a new term, Acute Financial Stress (AFS). AFS is defined as "a pattern of intrusive thoughts, disordered feelings and avoidant behaviors related to your finances."

> *https://www.payoff.com/financial-wellness/stress/*

> *"These symptoms include dysfunctional thoughts, particularly: repetitive negative thoughts about the stressful situation, emotions characterized by avoidance of the*

> *stressor as well as closeness with others and behaviors demonstrating anger and irritability. While there is an ongoing debate as to whether there is any clinical difference in PTSD if it develops subsequent to a trauma versus a chronic stressor, the biological implications of PTSD secondary to chronic stress is increasingly recognized as identical to that which develop after a trauma. Our position is that until there is clear evidence that symptoms of PTSD secondary to chronic stress are less severe than trauma-related PTSD, we as mental health professionals are obligated to treat AFS in exactly the same way we would treat PTSD. When observed, we need to recognize AFS as a significant mental health disorder that requires professional care and systematic treatment."*
> https://www.alternet.org/payoff-financial-stress-index

We believe a significant number of financial assault victims appear to experience AFS as a result of what they go through. Seniors who do not have the means to replace what was lost can be particularly vulnerable. The shame, secrecy, obsessive worrisome thoughts, can be debilitating to a person's health. Dr. Galen Buckwalter, Ph.D. is an acclaimed research psychologist and an internationally-recognized expert. He has served on a Scientific Review Panel for the National Institutes of Mental Health since 1999. You can read more in the following articles about Acute Financial Stress.

> https://www.alternet.org/economy/we-have-face-major-problem-acute-financial-stress
> https://www.psychologytoday.com/blog/in-therapy/201605/letter-therapists-beware-financial-stress

A variety of research conducted in the wake of the 2008 Great Recession showed significant associations between negative wealth shocks and short-term clinically relevant health changes, including: increased risk of depression and anxiety, suicide, impaired cardiovascular function, and substance abuse.

A very recent research report published in April 2018 in the journal JAMA called "Association of a Negative Wealth Shock With All-Cause Mortality in Middle-aged and Older Adults in the United States" examined how losing financial stability impacts a person's health over time.

They found a sudden loss of wealth which they referred to as—a negative wealth shock—can even lead to a higher risk of death.

> *"With limited years remaining to regain lost wealth in older age, the health consequences of these negative wealth shocks may be long-lasting. Sudden loss of wealth in middle or older age may also be a risk factor for all-cause mortality."*
> https://jamanetwork.com/journals/jama/fullarticle/2677445

Association of a Negative Wealth Shock With All-Cause Mortality in Middle-aged and Older Adults in the United States - Lindsay R. Pool, PhD1; Sarah A. Burgard, PhD2,3,4; Belinda L. Needham, PhD3; et al

> https://www.marketwatch.com/story/the-risk-of-dying-earlier-jumps-50-when-you-have-a-sudden-loss-of-wealth-2018-04-04%E2%80%8B

> *"This is my retirement. I am now 60 yrs. old. I was a financial ignorant. I can't take any more lawyers or their costs. I am so exhausted."*

> *"I am a city bus driver and earn about $35,000 a year. My wife works at a store and earns about $18,000 a year. We are both in our fifties and our dreams of early retirement have been lost along with our faith in the system, whatever the system may be. Who can one trust?"*

> *"I know I will not let my guard down and have vowed at age 75 to be completely in GICs! The impact of this experience is long lasting."*

> *"I am getting very tired of worrying about my funds as I told them with health needs that are not covered, funds can be depleted quickly."*

> *"The pressure and the losses and uncertainty of the future were too much for us at the time. … The irrational and probably illegal handling of my portfolio has cost myself and my wife great damage financially and psychologically. I hope this can be taken into account somehow. … Unfortunately, his irrational and illegal trading has pretty well ruined my life savings. I am now almost 46, basically unemployed with serious back problems. This is a very unfortunate circumstance that should never have happened. … I attempted to solve this problem by meeting with the firm. To say I was laughed out of the office would not be an over exaggeration. I realized at that time that I had been taken in and a large percentage of my life savings were gone for good. … The law is there to protect these people from doing this. It is small people like me who work and save and then are led to trust and believe that these pros will work to invest our savings for our best interests, not theirs. My wife and I have been through a terrible three years and have serious doubts about our future now."*

One emerging theme that stands out in talking with victims' time and time again is the total sense of abject despair that so many people feel. It is heart-rending to listen to their stories.

> *"As a result of the activities of this broker, I not only lost my entire life savings, I lost the savings of my company and I found myself in debt to the tune $1.8 million. I can tell you there was the day when I stood on the deck of my boat with a 50-pound weight tied around my waist because I had to put an end to it all, and it is only because of the intervention of my wife, a very timely intervention, and the subsequent support of my two children that I am here before you today."*

Many who contact SIPA express feelings of being overwhelmed, confused, puzzled and unsure of whom they can trust. They see no clear path or remedy for resolving their issue.

> *"I am so confused that I don't know where to go. And yes, I have been manipulated, railroaded and cornered and I don't think any of my concerns were addressed. I feel extremely helpless about the situation."*

"This is not protecting the investor; it's more like intimidating them to protect the industry. I was left in tears."

"I have spoken to a lawyer and he thinks our case is a strong one and he would be willing to take it on a contingency basis. I am very cautious after our experience with our investments and I could not endure yet another round of betrayal and potential loss. My trust in many institutions has been severely challenged because of our ordeal."

"We had been placed in 13 DSC funds without disclosure, a PPN (DSC) which made 0 and not explained, an overweighting of rate set preferred shares that lost a substantial amount of money, no rebalancing etc. We sent letters to compliance. We had said we had limited knowledge on KYC form. What should we do? We have lost all trust and confidence."

They find the problem to be completely consuming their thoughts, resulting in a high level of distraction as they try and go about their day to day life. They often tell us they feel alone, ashamed and embarrassed about the whole situation. They question themselves and feel a lack of confidence in their ability to assess people and situations accurately. They feel deeply betrayed.

"My wife and I own a medium to small sized business and have contributed to our RRSP portfolio for many years as a means to look after our retirement needs. Since the beginning we began to entrust a financial advisor to look after our portfolio. Many times, we stressed the importance of low to medium risk in the choice of investments. This can be verified by the "know your client form" which we completed each year. Contrary to these investment objectives we believe that extremely high-risk investments were chosen on our behalf. Within a short time, most of the investment money was lost."

They find themselves ignorant of the financial and regulatory system with so much to learn and become obsessed with trying to figure it out. They desperately need affirmation that what was done was wrong. They are astonished to learn they are not alone and are both relieved and horrified to learn it is happening daily all over our country to people of all walks of life.

The Canadian Securities Administrators (CSA) published a study in 2007 on Understanding the Social Impact of Investment Fraud. They found:

"The first and greatest casualty of fraud is trust. Experience with fraud also shakes the confidence of victims in the way markets are run. The next greatest casualty of fraud, particularly among victims with losses over $10,000, is health. A second tier of health impacts relates to mental health. The third tier of health effects is more physical. The final casualty of fraud is social connections.
Fraud victims are not necessarily helped to recover by friends and family.
One-in-six friends or relatives at least somewhat attribute a separation or divorce to investment fraud."
http://www.mbsecurities.ca/about-msc/pubs/2007_csa_invest_exec.pdf

This study was limited in scope in that it dealt only with outright fraud and did not draw the necessary correlation to those who have been financially assaulted by registered representatives. We believe the findings would be similar. In fact, the anger and betrayal might even be higher. Many have expressed to SIPA feeling equally assaulted by the system they thought was in place to protect them.

Financial victimization is a frightening and unsettling experience for many Canadians. It is happening far too often, and is most certainly unexpected by those who are victimized. It is debilitating and demoralizing. Its effects can be often long-term and extremely difficult to overcome. Victims often tell us they are confused, fearful, frustrated and angry. They want to know why this happened and why seemingly there is no one to help remedy their situation.

> *"I'm a 69-year-old widow. After what I've been through with an IIROC investigator, I would be the first to support a return to public hanging. I lost my life's savings but no investigation!"*

Victims often have no knowledge of who to turn to in the aftermath. They feel insecure and do not know who to trust or rely on for support, understanding, and help.

> *"My situation changed drastically. My husband had a good income and I was successful in Real Estate for many years. Now being divorced and on CPP disability only, my goals and needs clearly are not the same. I was completely confused by the whole process and what happened. I was crying as I found myself overwhelmed and, in a situation, I was clearly not in control of."*

Not only do they suffer physically, emotionally, psychologically and financially from their victimization, they are also often burdened by the complexity of the complaint process, the regulatory system and the civil justice system.

> *"There is no surprise that a big corporation like (Dealer name removed) will deny any wrongdoing and find innovative ways to manipulate the truth and get away with almost anything in spite of the obvious evidence. While the average person is left fighting an uphill battle with little chance of success and admission of wrongdoing and can only shake their head in disbelief and losing their trust/faith in financial institutions and their governing bodies.*
> *I cannot express how violated and manipulated I feel and on a personal note, the last time I have felt like this, was throughout my divorce proceedings."*

> *"The frauds are very widespread, much more so than we know. Unfortunately, people are very reluctant to admit they have been taken, myself included, and most also do not want to make public their private lives and financial situations. However, as we progressed through our action, my attitude changed. I became aware that we are in very elite company … our group includes doctors, lawyers, other financial advisors, etc., all of whom were duped. That revelation allowed us and others in our group to get together, open up and take action."*

When Silence is not Golden

Culturally, we tend to perceive financial difficulties as personal failure, leading people to remain in silent shame about what they're going through. This compounds the victims' problems with a sense of powerlessness. Stress isolates people, which leads to weakened relationships, more isolation, depression and often, avoidance of the source of the problem. Silence is the enemy of overcoming this problem, change starts with being able to have an open conversation.

Time magazine has named "the Silence Breakers" - women and men who spoke out against sexual abuse and harassment - as its "Person of the Year" for 2017.

> *"The women and men who have broken their silence span all races, all income classes, all occupations and virtually all corners of the globe."*
>
> *http://time.com/time-person-of-the-year-2017-silence-breakers/*

Whether it's physical violation or financial, its impact is devastating on people. SIPA has spoken with many hundreds of victims over the past twenty years. Victims span all our provinces, all races, all ages, all income classes, all occupations and all levels of education.

The abuse of the powerless, by the seemingly untouchable, powerfully protected. The number of protective resources, who surround and feed off the powerful, allows them to commit their crimes in secrecy sometimes for decades.

Erica Johnson, investigative journalist with CBC Go Public was able to begin to pry open the investment industry's Pandora's Box, when three brave bank workers came forward and told their story. SIPA and other investor advocates have been trying to raise public awareness for a couple of decades but without the help of mainstream media it was not possible to reach the public at large. The truth is so far removed from the perception created by the industry and its regulators that it was difficult if not impossible for the public and even financial journalists to understand and accept the truth. Using huge amounts of advertising dollars the industry can either reward, or punish with, can create enormous pressure for journalists.

People often find an enormous sense of relief from discussing their experience with a SIPA volunteer. Many tell how helpful it is just to feel heard, not judged, relieved that they are not stupid or crazy and that they are not alone. They are unfortunately, and most certainly, not alone in their experience.

The impact of this type of victimization is serious, often throwing victims into a state of shock, fear, anxiety and anger. The emotional, physical, psychological and financial ramifications can be devastating to victims and their families. Coping with and recovering from this experience is a long, complex process. Sadly, some victims are never able to fully recover.

> *"Another person that I got to know, well two people were reported in the media, one was a suicide from subprime mortgage collapse, and the other was a farmer, who told me afterwards that he had found alcohol was the only way he could deal with what happened to him. I have since had an opportunity to talk with him five or eight years*

after that, and he candidly told me that he is still a full-blown alcoholic and has not gotten over, or beyond the moral injury injustice."

Victims of financial mistreatment by a registered financial advisor or firm find searching for justice, a tedious and mostly unsatisfactory journey. Many cannot afford to pursue their case through the judicial system. Even when they venture in that direction, most cases will end prior to ever entering the courtroom with a Settlement Agreement and some form of the traditional non-admission of liability and confidentiality clause attached to it.

"The parties understand and agree that neither the payment of any sum of money nor the execution of this Agreement by the parties will constitute or be construed as an admission of any wrongdoing or liability whatsoever by any party."

https://www.lawinsider.com/clause/non-admission-of-liability

Settlements are often agreed to in order to avoid a lengthy and expensive trial. However, confidentiality agreements or "gag orders" are requested by defendants as part of any civil settlement. It is a standard industry practice to use a "boiler plate" confidentiality clause in the typical settlement agreement, which includes a provision that the parties agree to keep the terms of the settlement confidential. Unfortunately, many investors assume these agreements prevent them from ever again disclosing or discussing their experience.

It is important that those who have been abused financially keep their voice. Not just for their own healing, but for society as a whole. We could learn so many ways to improve the system, just by listening to investor voices and their experiences.

Listen to some of the voices, from our SIPA files. Clients assume their advice giver has a fiduciary duty to them. As they should since that is what all industry advertising does imply. Sadly, the industry can dupe their clients.

"I guess I was under the delusion that my investment would be backed up by [FundCo]. In reality a serious crime has been committed and it seems like the policing agencies don't care. Should someone not be doing their fiduciary duty or is the crime not important enough to be investigated?"

"This Financial Advisor needs to assume responsibility and accountability for his inappropriate actions. I would willingly let other people know so they don't fall victim to these ruthless predators."

Chris Robinson holds a PhD CFP CPA, CA and is a Fellow of the Financial Planning Standards Council shared this with SIPA:

"I have a long history as a finance professor at the School of Administrative Studies, York University. I specialize in personal financial planning, but I have taught many other courses as well, including Ethics for Investment Managers and Security Valuation. In my professional opinion the educational and ethical standards and the culture of the

investment industry are seriously deficient. More rigorous government regulation is the only solution, because the participants make so much money that they are unwilling to allow meaningful improvements."

What makes the stress worse, is that the abuser is being supported by the rules of the system not just those who abuse power within it. Most other abuses of personhood are not, at least once the abuse is made public. The abuse is the abuser, the system that is set up to benefit financially from the abuse and the rules and laws that are actually designed to allow it to happen. Only those in the know understand what is really going on. This has to change.

Comment on the Industry

Trust, good faith, fidelity, fiduciary etc. should be the hallmarks of the relationship between a financial institution and its clients. Fraud and its synonyms, "dishonesty, infidelity, faithlessness, perfidy, unfairness etc..." are the direct antithesis of what this relationship should be about.

"Everyone I speak to assumes that if an advisor has the title Vice President this indicates stellar attention to clients. They have somehow obtained the services of an outstanding individual who has risen the ranks due to his diligence. These false titles need to be removed. It is very important to know the "perks" for selling a product or products."

The title of Vice President in reality might, just indicate the best smooth-talking salesperson in the office! In 2015 The Ontario Securities Commission (OSC), Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) issued the results of their mystery shopping experience. Just within the scope of that limited research they found 48 different titles being used on the four platforms they shopped.
http://www.osc.gov.on.ca/documents/en/Securities-Category3/20150917-mystery-shopping-for-investment-advice.pdf
Yet the OSC, MFDA and IIROC all state at the beginning of their reports that they *"are committed to advancing regulatory reforms that put the interests of investors first."*
Are they? Then why do deceptive, misleading titles continue to exist in 2018?

A CIBC financial advisor says he spends his day selling investments that may not be in his customers' interests, even though they think they're getting impartial advice. "The term financial advisor is bank jargon for salesperson," he said. "At least in other industries they are more open about it. You sell cars? Well, you are a car salesperson. We are not advising people on anything. We are just trying to make sales."
http://www.cbc.ca/news/business/bank-s-deceptive-titles-put-investments-at-risk-1.4044702

The financial advisor, whether employed by a bank or trust company, an insurance or stock broker or an insurance agent, is in a unique position because he is presenting products to which the client cannot accurately attach a value and oftentimes the client may not fully understand. This information asymmetry leaves the client particularly vulnerable to the advice, recommendations and actions of this person.

> *"We had bought into the [FundCo) mission statement on investing and were convinced that we should trust the rep sitting in our living room. Why shouldn't we trust him? [FundCo] had used our rep as the "face" of (Mutual fund Co.) reps everywhere that should be trusted in their national advertising campaign. In addition, numerous other [FundCo] staff and clients were involved which bolstered credibility. Needless to say, the money disappeared."*
>
> *"He wanted me to sign some more blank forms. He assured me these were just for his files, and that once he had drawn up the proper documentation, he would review them with me and explain them before proceeding. … He told me that the way mutual funds work is very complicated – that I don't have to understand it all. I just have to trust him."*
>
> *"We naively assumed we were dealing with people who were totally open, moral and ethical. We assumed that the accountants and lawyers involved would protect our interests and warn us of the pit-falls. After all, I was a busy preacher; my wife was a busy teacher. Our religion taught us to have faith and trust in people. I now know this is false teaching."*
>
> *"This fund was purchased December 18, for $150,000 and sold next July 9, for $99,978.20 … a loss of more than $50,000. As a senior of 78 years I don't feel this was the right type of investment for me, as I cannot afford this type of loss."*

Often the compensation structure established by the financial institution provides an impetus for intermediaries to engage in misconduct or fraudulent behaviour.

> *A recent IIROC Hearing Panel on Jan. 4, 2018 accepted a settlement between IIROC staff and advisor Graeme Robert Kirkland, who admitted to recommending new issues to clients, partly to boost his own earnings while working at BMO Nesbitt Burns Inc. in 2014. Kirkland earned approximately $477,000 in net commissions in 2013 and 2014 solely due to his trading in new issues, according to the settlement agreement, and Nesbitt Burns earned more than $1.9 million in commissions on his trading activity. In the settlement, Kirkland "admits he placed himself in a potential material conflict of interest when he engaged in numerous purchases of new issues influenced, at least in part, by the fact that he received a percentage of the commissions paid to BMO by the issuer on such purchases."*
> *In addition, both Kirkland and Nesbitt Burns failed to identify or address the conflict, the panel says.*
> *https://www.investmentexecutive.com/news/from-the-regulators/iiroc-fines-advisor-90000-for-conflict-of-interest/*

The Canadian Securities Administrators (CSA) recently published CSA Staff Notice 33-318 "Review of Practices Firms Use to Compensate and Provide Incentives to their Representatives." The review found a wide range of practices being utilized to compensate advisors including: direct tools such as commissions, performance reviews and sales targets, as well as indirect tools such as promotions and valuation of representatives' books of business for various purposes (for example, retirement and awards). The survey highlighted the many potential conflicts of interest that arise from these practices. These conflicts have been allowed to persist for some time.

> *https://www.osc.gov.on.ca/documents/en/Securities-Category3/csa_20161215_33-318_incentives.pdf*
> *http://mfda.ca/bulletin/review-of-compensation-incentives-and-conflicts-of-interest/*
> *http://www.iiroc.ca/Documents/2016/4dd98e70-f053-4980-bc75-10ceb6f3940d_en.pdf#search=16%2D0297*
>
> *"They should never allow themselves to be befriended by a broker or advisor but treat them simply as a sales person who has their own best interests in mind and in many cases, because the laws and regulators are essentially impotent, are not above lying and defrauding them using numerous, devious schemes, all carefully designed to separate them from their savings."*
>
> *"There is absolutely no doubt that the losses outlined in the attached schedule are as a direct result of the inactions and actions of both [Bank] and [RR]. You are in breach of the agreement between the parties. You are in breach of common decency and quite frankly, these damages are without equivocation resultant from the activities of your [RR] and yourselves. I find it extremely distressing that the bank's customers have been so shabbily treated and so badly considered when they are both significant and have had such a long-term relationship with your institution."*
>
> *"I have been advised that [Dealer] has a terrible history of just keeping things in court until the victims' can't afford it anymore. I have been told that our complaint is almost exactly the same as the other victims. One of the main differences is that I am 41 and apparently a lot younger than the majority of [RR]'s targets. It appears the majority of the victims are well over 70 years old and one may be in his 90's! My mother's and my Know Your Client forms were jokes. He had wrong information on the forms; he changed our objectives from long term growth to high risk, my mother is a 71-year-old widow living on a small pension, and increased both our net worth's by $200,000 to $300,000. My sister-in-law, who is also a complainant, had the wrong places of employment for her and her husband on two successive KYC forms and their assets over stated by about $300,000."*
>
> *"Investment firms such as [Dealer] will fight the lonely investor even when this much evidence is stacked against them. One has to ask, "How can an investment firm let a broker get away with such conduct and then allow him to keep working?" This is much bigger than the Broker. The Branch Manager and the Compliance are implicated by letting this misconduct go on. This is more than just a case of discretionary trading and lack of suitability … we have evidence to prove that this guy traded for himself and then dumped the stock on clients like me when the stock price went in the other direction."*

CBC Go Public aired and wrote about a number of very disturbing stories about the financial industry throughout 2017. Thousands of employees told Go Public about the pressure they are under to deceive customers. This issue extended well beyond just front-line staff, to those in wealth management advice giving roles.

> *"Financial investment insiders are speaking out about what they say are weak regulations that allow the industry to ignore clients' interests, steer them into expensive products and collect billions from people's savings every year."*
>
> *http://www.cbc.ca/news/business/financial-investment-rules-client-interests-1.4069847*

CBC Go Public has heard from well over 3,000 bank employees since the initial program aired. Due to increasing sales targets many complained about how the sales pressures have led to a toxic work environment, unethical behaviour where clients' interests come last and some employees no longer being able to cope are either quitting or requiring stress leave.

> *'I have invested clients' savings into funds which were not suitable, because of the ... pressure.'*
>
> *A former TD financial adviser in Calgary says he would downplay the risk of products that gave him a big boost towards his quarterly goal."*
>
> *http://www.cbc.ca/beta/news/canada/british-columbia/td-bank-employees-admit-to-breaking-law-1.4016569*

The investment industry has created a culture in which advisors who want to act in the best interest of the investor are shunned for trying to do the right thing. Incentivized by embedded commissions, bonuses, travel perks and titles such as VP, invitations to the President's Circle based on sales etc., it is obvious the interests of the advisor and company come first. It takes a very strong and ethical person to put the interests of their client first when under the pressure to meet incentivized targets.

John Kalos CFP states:

> *"But we have not heard the most disturbing practice the banks use to generate profits. The advisor, whether it be in a branch or the bank's investment firm (Nesbitt Burns, RBC Dominion Securities, ScotiaMcLeod...) get paid more money for certain products that they sell and less for others. This easily leads to a conflict of interest, somethings that I have been preaching for years. It's incredible to watch salespeople gloating after the fact that they sold mutual funds to an 83-year-old. Good employees going on burnout because they can't handle the pressure of having their managers ask them about their sales numbers 4 times a day. It's all about reaching objectives. Let's say a banker has to sell $5million of GIC's per year and $10million dollars of mutual funds. If they are at 130% of their GIC objectives and at 70% of their mutual fund objectives, guess what product will be pushed to the next client that comes to their office?"*
>
> *https://www.linkedin.com/pulse/canadian-banking-scandal-most-disturbing-fact-has-been-john-kalos/*

This high pressured, present culture of greed is neither good for the client or the worker. Yet it has been allowed to persist. Why is that?

FINANCIAL CONSUMER AGENCY OF CANADA (FCAC)

SIPA referred to the FCAC website to determine what their role is and how they perform in that role. The FCAC website states:

> *"The Financial Consumer Agency of Canada (FCAC) ensures federally regulated financial entities comply with consumer protection measures, promotes financial education and raises consumers' awareness of their rights and responsibilities."*
> *https://www.canada.ca/en/financial-consumer-agency.html*

However, the FCAC simply establishes rules and guidelines and then instructs the banks to self-regulate.

Regulator's calling on Canadians to become better financially educated to protect themselves from the big banks is unfair. Regulators must be required to respect their mandate to protect consumers. It must not be Caveat-Emptor when Canadians are placing their life savings and their trust in our financial institutions.

Higher level decision makers responsible for the banking side are also responsible for the securities and the two tend to cross sell. The sales first culture transcends the regulatory silo. The fact that we are having quite strong criticism of the sales culture in banking from the newly released FCAC investigation is significant. https://www.canada.ca/content/dam/fcac-acfc/documents/programs/research-surveys-studies-reports/bank-sales-practices.pdf

The recently published FCAC review in response to the FINA bank inquiry gave five key findings:

1. Retail banking culture is predominantly focused on selling products and services, increasing the risk that consumers' interests are not always given the appropriate priority.
2. Performance management programs—including financial and non-financial incentives, sales targets and scorecards—may increase the risk of mis-selling and breaching market conduct obligations.
3. Certain products, business practices and distribution channels present higher sales practices risk.
4. Governance frameworks do not manage sales practices risk effectively.
5. Controls to mitigate the risks associated with sales practices are underdeveloped.

An important voice from a SIPA 2007 Power Point Presentation to the CAW retirees in Brampton Ontario: John E. Cleghorn, Chairman and CEO of the Royal Bank of Canada stated:

> "*I would like to apologize to you for this situation*" … "*We have built our business over the past 130 years based on trust, integrity and putting the interests of our customers first.*"

Fast forward a decade later and five of our biggest banks have now all entered into No Contest Settlements with regulators for overcharging clients, sometimes for more than a decade!

The Bank Act is the primary legislation governing banks and federal credit unions in Canada. The Financial Consumer Agency of Canada (FCAC) is responsible for administering sections of the Act designated as consumer provisions, in addition to monitoring the financial institutions' compliance with ***voluntary*** **codes of conduct and public commitments**.

The FCAC has very limited punitive power. They can fine wrongdoers up to a maximum of $500,000. This is a pittance to banks that have consecutive quarterly profits in the billions. If the FCAC finds a very serious allegation, they can also name the institution. This is commonly referred to by regulators as "Name and Shame". Since all five major banks have already been named by CBC, there is no meaningful investor protection impact with either of these measures at the FCAC disposal. They're neither sufficient to effectively sanction, nor to act as a deterrent.

How is it reasonable, that the FCAC in October of 2016 released a very positive report on our banks?

> *"The FCAC's report indicates that the agency has observed, "Strong market conduct" among federally regulated financial services firms, such as banks and insurers. Specifically, the FCAC's compliance efforts uncovered 'no major or systemic concerns."*

http://www.investmentexecutive.com/-/fcac-finds-strong-market-conduct-among-banks-insurers

Remarks made by the Commissioner of the Financial Consumer Agency of Canada, Lucie Tedesco at the Annual Industry Session 2017, lead Canadians to believe they can trust the banks:

> *"Consumers can be confident that, in Canada, their interests are safeguarded by the laws, regulations and frameworks in place to protect them."*

Yet CBC's Go Public investigations and the thousands of employees and frustrated consumers coming forward tell us Canadians' interests are not safeguarded and are actually being betrayed!

How can there be such disparity between what Canada's financial regulators state and what people's voices are actually telling us?

> *"This year, FCAC continued to solidify itself as Canada's financial consumer watchdog– ready for any challenge on the road ahead. The future is now and FCAC is ready."*
> *http://www.newswire.ca/news-releases/excelling-as-a-regulator-an-educator-a-partner-fcacreleases-2015-2016-annual-report-596642721.html*

Why wasn't "Canada's financial consumer watch-dog" ready and pouncing and protecting consumers when this ongoing scandalous behaviour was occurring in all our major banks? Why is it that CBC was the one to actually warn and tell Canadians? Exactly what was the FCAC ready for? How exactly were they enforcing market conduct when in 2015-2016 zero fines were levied?

Time Magazine's article on The Silence Breakers wrote:

> *"She recalls one screenwriter friend telling her that Weinstein's behavior was an **open secret** passed around on the whisper network that had been furrowing through Hollywood for years. It allowed for people to warn others to some degree, but there was no route to stop the abuse."*
> *http://time.com/time-person-of-the-year-2017-silence-breakers/*

Interestingly, on the air, Wendy Mesley of CBC, also referred to the unethical conduct occurring in our major banks as an "open secret", something right out there for anyone looking or asking a few questions to discover.

Why wasn't the FCAC looking and asking those questions? How could the FCAC have missed this obvious out there in the open secret? Respected economist, asset/liability portfolio focused, CFA designated, investor advocate Andrew Teasdale wrote a compelling piece on this titled, "The FCAC & The Canadian Banking "Scandal": how could they not see it coming?"

> *http://blog.moneymanagedproperly.com/?p=5841*

Why is This Happening?

This is a major socio-economic issue that is worsening over time and requires the immediate attention of our elected officials.

SIPA thinks it's time the public start asking, ***why*** is this happening in Canada? Is this deception by design?

- **Why** has this been allowed to go on for so long?
- **Why** it is that a thousand well paid regulators, and more self-regulators and industry stakeholders, continually allow the violation of investors without making the necessary changes to prevent and stop it?
- **Why** is it regulatory discussions about investor protection measures needed, give the public 'appearance' to be progressing, yet they never get past discussing things to actually implementing them?
- **Why** establish the Wise Persons Committee who suggests needed changes in a report called, "It's Time" and then not listen to what they say?
- **Why** repeatedly invite advocates comment and then ignore them?
- **Why** develop the Fair Dealing Model and then water it down?

- **Why** is Canada being left behind when other countries have long since moved to higher standards?

- **Why** is it that in other countries the legislature has become involved in helping the consumer by introducing higher standards and greater protections?

- **Why** are Canada's legislatures silent on systemic financial abuse?

Those who profit from the present system and their interests seemingly come first in Canada. This must change.

Conclusion

Canada is in dire need of an ongoing informed, independent and thorough assessment of financial regulation. Our hope is that a National Public Inquiry will determine exactly what is going on here.

There are just so many deficiencies in our current system that it is essential that our Government also act to revise Statutes to ensure that all firms and individuals offering investment advice are held to a fiduciary standard.

An Independent Consumer Protection Agency is needed to greatly improve the governance of financial regulation in Canada. It will need the power to compel regulators to act in the public interest. A viable voice must be given to public concerns.

> *"A failure to address these long emerging issues by regulators is also a de facto breach of their own duties of care as regulators." Andrew Teasdale CFA*

A Statutory Financial Ombudsman is needed to look into complaints and systemic issues impacting Canadians. Seniors are particularly vulnerable. There is a rapidly growing issue of seniors being financially abused by the present investment industry system. This must be addressed.

Canadians are entrusting their hard-earned money, savings and futures with what should be trusted institutions and individuals. The expectation that Canadians need to increase their own financial literacy in order to better protect them, is both unfair and unrealistic. It must not be Caveat-Emptor in a relationship that is based solidly on trust.

The FCAC report raises serious concerns for Canadians over the impact of sales targets and incentives on the risks of mis-selling, these very same issues the CBC's Go Public first brought to light in the spring of 2017.

Banking today is extensively involved in the sale of various products and services and this 'sales-first' culture transcends and permeates all of these other areas as well, putting Canadians' life savings and retirements at serious risk.

The FCAC Report points to the dire need for tougher financial services conduct standards and robust regulatory enforcement in Canada. Unfortunately, neither are present at this time.

> *"In general, the day-to-day operations and decisions of federally regulated entities, including external complaint bodies, are not regulated by FCAC.*
>
> ***These entities determine their own internal policies and guidelines with respect to the servicing of customers, accounts and the products and services they offer. This includes determining their own standard of service*** *but excluding those set out in legislation, if any." Source: Supervision and Promotion Branch Financial Consumer Agency of Canada*

When we look further into the regulatory framework and the business imperative that courses through the banking industry, the FCAC report is unsurprising.

> *"Canadian banks talk the talk, with senior management advocating "selling the right way and acting in the interests of their customer," the report finds. In practice, however, they tend to reward whoever sells the most. Employees who meet and exceed sales targets enjoy anything from pay bonuses to perks like small-value gift cards and all-expenses-paid holidays.*
>
> *In general, employees who fall short of achieving sales goals receive additional coaching and training. Those who do, tend to move up, according to FCAC."*
> *https://globalnews.ca/news/4093817/big-banks-sales-practices-fcac-canada/*

Bank regulation in Canada, in terms of consumer protection, focuses a) on consent (signature) and disclosure via the "consumer provisions" of the Bank Act and b) on education via the FCAC. These are not only insufficient measures but they are grossly inadequate to protect Canadians. To allow this state of affairs to continue in light of both the FCAC and CBC GP's findings, would be negligent on the part of our government.

It is time to act.

The implications here for Canadians are enormous. Given the potential extent of the continuing financial assault and harm happening to Canadians, it is essential that our Government takes positive action without undue delay. Government should not simply rely upon a FCAC review but instead should hold a public inquiry and listen to the voices of the public before deciding on needed action.

A Message from SIPA

If you or someone you love have experienced being a victim of financial abuse, we want you to know what happened is wrong. You are not alone.

Things need to change. If we can break the silence around this issue we can create awareness and help protect others from this terrible experience. Speaking out will also assist in bringing about needed changes.

Let your voice be heard.

Contact the Small Investor Protection Association on Facebook to share your story:

https://www.facebook.com/groups/240100382792373/about/

Thanks to every brave person who steps forward.

Appendix I

Voices from Across Canada

SIPA has heard from people all across Canada, in every province with the exception of the territories. In closing here is a small sampling of some of those voices we have heard from, in just the past year.

"I was given poor financial advice from my financial advisor, his advice has cost me over $25,000 in losses." Kirkland, Quebec

"It gets worse OBSI, IIROC, OSC are not even comparing questionable contracts inked by TD dealer broker with self-directed investors against what the statutes actually say. The broker cannot shift its obligations via a flawed contract over to an investor. They are not checking the contract wording, or if TD is actually fulfilling its obligations re: compliance as a dealer broker." Oakville, Ontario

"I'm among those losing." Markham, Ontario

"I have first-hand experience. It's a crime, done out in the open, under an official conspiracy of silence. To say that it's shocking and appalling is barely scratching the surface." Toronto, Ontario

"The financial advisor I was dealing with at a major bank did not have my best interests at heart." Montreal, Quebec

"Consumers are having their retirements cut in half, by simple deception, and financial victimization, by people proclaiming to be financial professionals." Lethbridge, Alberta

"This entire industry is the largest gov't approved unregulated Ponzi scheme still operating. It puts the investors' interest secondary to the companies' well-being and profit. Total scam" Winnipeg, Manitoba

"Elected members of government and civil service employees should put measures in place to protect investors." Kitchener, Ontario

"I lost money due to them charging hidden fees that I was never told about until another outside financial advisor looked over my portfolio." Winnipeg, Manitoba

"We don't allow people to call themselves "Paramedical Doctors" and write prescriptions, so why would we allow this? We won't allow someone to call themselves a "Poleece Officer" and wear a uniform, carry a gun, and drive a car with a lightbar, so why this? All of those would be "impersonation" charges - WHY NOT THIS?" Charlottetown, PEI

"I want Canada to be in control of creating Canadian money, not just an accounting entry in a bank ledger." Edmonton, Alberta

"Misleading titles are part of the financial industry's ongoing procedures of misleading ordinary people - in other words lying. Not good enough." London, Ontario

"I personally know of people in Canada and the United States who were misled and lost their life's savings by people who deceived them." Windsor, Ontario

"I have experienced financial abuse at the hands of Financial Advisor/Vice President I hope our Government will take action to set up an authority independent from the investment industry. They only made matters worse for me." Burlington, Ontario

"My husband and I have been friends of SIPA for many years and know the struggles that the members have gone through to change the regulation of financial investments in Canada. Georgina, Ontario

"Disgusted by sales agents who could care less about Canadians and instead only want the money. They are "advisors" and not advisers. It is ludicrous!" London, Ontario

"I want the truth!" Lac Du Bonnet, Manitoba

"There needs to be a complete reassertion of the rule of law in the investment field, deregulation needs to be replaced with public regulation ASAP." Kelowna, British Columbia

"Because in my experience I have learned that those called "financial Planners" are nothing more than sales people. I have learned that financial institutions have no regard for helping people only getting their money and using it to benefit their shareholders first, themselves second and the client third. They have no legal obligation to act on the client's best interests." Winnipeg, Manitoba

"It's about time the fed govt got off it's fat ass and started to look after Canadian investors by holding all investment industry employees to a tightly regulated behavior with full compensation to investors injured by misbehavior, through a totally independent authority." Elliot Lake, Ontario

"I've been wronged by the Investment Industry. And had "no help" from existing venues, supposedly set up to protect us." Gonor, Manitoba

"I ended up losing my retirement savings to a very good sales person claiming to be a top financial adviser." Winnipeg, Manitoba

"Checking your advisor's registration gives clients false security. Our registered advisors were shady, deceiving us even when we discovered the state of our affairs. The manipulation tactics were a cover up for their incompetence, greed, and lack of attention. Government has to do a better job of warning people. There is false security in checking a registration. The client needs to do more and unfortunately many do not have the tools to do this." London, Ontario

"I believe my previous Financial Advisor was not completely honest with his changes and non-disclosure of all fees and changes made to my account." Winnipeg, Manitoba

"People need to trust the advice of their financial advisors in order to make an informed decision about their hard-earned money." Brackley Beach, PEI

"I have seen first-hand how investors have been sold unsuitable investments that have caused them significant losses to their retirement savings. This has been admitted to by the Investment Advisor in a Settlement Agreement with the Investment Industry Regulatory Organization of Canada. The investments were made in 2006, 2007 and 2008 and the vast majority of these investors who suffered losses have yet to receive any restitution regardless of the complaints that have been filed with the regulators and mediators who are supposed to protect investors in Canada. The company who was responsible for supervising the Investment Advisor and therefore could be considered to be most responsible for the losses made hundreds of thousands of dollars in commissions but was never investigated by the self-regulatory organization responsible for protecting Canadian investors." Winnipeg, Manitoba

"More regulation of 'Financial Advisors' needs to be put in place." Toronto, Ontario

"I want to understand my ADVISOR costs with CIBC." Laval, Quebec

"The titles Financial Advisor and Vice President are meaningless. Worse they are deceitful. I will say more on this subject later." Ottawa, CANADA

"I was a victim of fraud." Courtenay, Vancouver Island

"After almost 40 years acting as a financial intermediary serving the interests of others, I believe the financial services industry is systemically flawed due to its treatment as a profit generating business and not a fiduciary service. This must change." Thornbury, Ontario

"We have been scammed 3 times by people we trusted who were just advisors." Charlottetown PEI.

"I have been ripped off by a Financial Advisor, and regulatory agencies refused to do anything about it." Fergus, Ontario

"Stop giving financial advisor's a license to steal. They must be regulated by the government -- and strictly." Toronto, Ontario

"I have experienced significant losses due to an unscrupulous advisor." Stouffville, Ontario