

# Working together: The 2007 Investor Forum

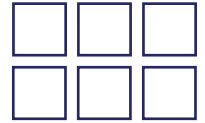
October 24, 2007



Ontario  
Securities  
Commission



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Choosing an adviser: getting helpful information

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Getting help with your investment complaint

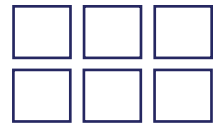
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## **Appendix D**

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## Message from the organizers

The Investor Forum, which took place on October 24, 2007, was designed as an opportunity for investors to learn, ask questions and provide input to representatives from the four sponsoring organizations:

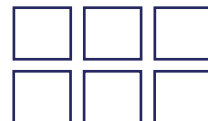
- Investment Dealers Association of Canada (IDA)
- Mutual Fund Dealers Association of Canada (MFDA)
- Ombudsman for Banking Services and Investments (OBSI)
- Ontario Securities Commission (OSC)

It also gave our four organizations a chance to tell investors about progress that we have made since the 2005 Investor Town Hall.

The Investor Forum is one example of how our four organizations are working together to address investors' needs. Our co-ordinated efforts have already produced significant results and have put in place a strong foundation for ongoing projects.

Since the 2005 Investor Town Hall, we have implemented the following initiatives:

- Collectively, we have taken steps to help investors navigate through the complaint process, including:
  - providing better communications materials for investors
  - co-ordinating our efforts to better serve investors
- We published a new, concise plain language guide on where investors can go for help if they have a complaint. The guide is available on each organization's website.
- We conveyed to the Ontario government concerns investors had about the two-year limitation period on starting legal action for an investment complaint. The government has made amendments that benefit investors who use the OBSI process.
- The IDA and MFDA proposed new standards on complaint handling, including time limits and improved communications.
- The OSC is participating in the Registration Reform Project, an initiative of the Canadian Securities Administrators (CSA). The project proposes requirements that would bring greater clarity and transparency to the client-adviser relationship.
- The OSC created an Investor Advisory Committee to enhance consultation with investors.



Working together, we have achieved much, but there is more to do. The Investor Forum was an important part of our joint efforts. We appreciate the participation of everyone who attended and the constructive attitude they displayed. We heard investors' views and we continue to work toward policies that address investors' needs. Moreover, our four organizations will continue to work together, with a focus on investor education, so that we can help investors make informed decisions and make sure they know what to do if they believe they've been treated unfairly.

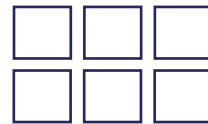
The materials that were used at the Investor Forum are attached to this report as appendixes. We hope you find it useful.

Susan Wolburgh Jenah  
President & CEO  
IDA

Larry Waite  
President & CEO  
MFDA

David Agnew  
Ombudsman  
OBSI

David Wislon  
Chair & CEO  
OSC



The format of the Investor Forum reflected the decision of the four sponsoring organizations to go a step further than they did at the 2005 Town Hall. Investors had the chance to provide input and ask questions, as they did in 2005, but they also had the opportunity to participate in educational breakout sessions on topics they have told us they are interested in. The outreach efforts and agenda described below reflect this approach.

## **Outreach: Getting the word out**

Our four organizations were determined to reach as many investors as possible to inform them about the Investor Forum. We conducted an extensive and energetic outreach program. As a result, 243 people attended the event at the Metro Toronto Convention Centre. Attendees included investors, government and industry participants, and staff from the four sponsoring organizations.

We posted notices of the event on several online event calendars, including:

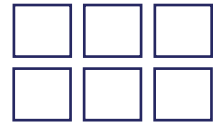
- Business News Network
- the Bulletin ([thebulletin.ca](http://thebulletin.ca))
- CityTV's What's On page
- [eventsdurhamregion.com](http://eventsdurhamregion.com)
- Investment Executive's online events calendar
- [Mississauga.com](http://Mississauga.com)
- [northpeelmediagroup.com](http://northpeelmediagroup.com)
- Toronto.ca community events page
- [towncrieronline.ca](http://towncrieronline.ca)

We issued a news release in mid-September, followed by a media advisory in mid-October. Articles on the Investor Forum appeared in the *Globe and Mail*, *Toronto Star*, *Toronto Sun* and *Investment Executive*. We also placed a quarter-page ad in the *Metro*, a free newspaper distributed to Toronto subway riders.

All four organizations posted event information and a registration page on their websites.

The IDA promoted the Investor Forum in the September issue of its quarterly publication, which was sent to all IDA member firms, corporate executives, government and media. It followed up in October with e-mails to IDA Member firm Chief Compliance Officers.

The MFDA promoted the event at its bi-annual member regulation forum sessions. It followed up with e-mails to its members.

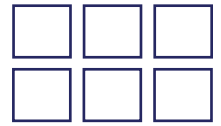


OBSI promoted the Investor Forum in its September e-newsletter to more than 2,000 stakeholders.

The OSC posted event information on the main page of the Investor Education Fund website. It also included information in its spring and fall newsletters. The OSC sent an e-mail about the Investor Forum to its investor alert list. It also promoted the event at outreach events such as the Global Chinese Financial Forum and Orillia Seniors Day.

Investors who couldn't attend the event could listen to the plenary sessions and the breakout session on complaint-handling through a live Internet audiocast. Archived audiocasts of all sessions, as well as a transcript of the question-and-answer session, are available on our four organizations' websites.





## **The Forum: An opportunity to learn**

The agenda for the Investor Forum reflected the event's educational and informational focus. It included:

- an update from our four organizations on how we are addressing issues raised at the 2005 Investor Town Hall
- breakout sessions with expert panels on:
  - the client-adviser relationship
  - the complaints and restitution process
  - risky products, and how to avoid frauds and scams
- a question-and-answer session with the heads of the four sponsoring organizations

All attendees were given a registration package that included *Getting help with your complaint*, the new, plain language guide for investors.

Attendees also received introductory material on our four organizations. Each organization had an information booth at the event, with staff available to answer questions and provide information.

### **Opening plenary session: Much accomplished, more to be done**

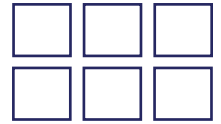
The Forum's opening plenary session was moderated by business reporter Mike Hornbrook of CBC National Radio.

The session focused on a report by a special working group consisting of the heads of the four sponsoring organizations. The report was delivered by Susan Wolburgh Jenah, President of the IDA and initial chair of the working group.

Ms. Wolburgh Jenah pointed out that at the 2005 Investor Town Hall, investors had many questions and concerns about:

- how to navigate the regulatory system, including where to go to find the track record of a potential financial adviser, broker or firm
- how to get information in plain language that is clear and easy to understand
- where to take problems or complaints
- the potential time and cost involved in making a complaint
- how to obtain compensation

These issues made it clear that there was work to be done—by our four organizations working together. This led to the formation of the special working group. Co-operation and co-ordination has been, and will continue to be, a hallmark of this initiative.



The special working group met frequently and has made considerable progress in a number of areas. Several improvements for investors were described at the opening plenary session and are highlighted below.

### **Navigating the complaint process**

We have made it a priority to make the complaint process smoother for investors. It is now standard practice for our four organizations to transfer calls to each other so that investor complaints get to the appropriate organization more quickly and easily. OBSI now makes direct call transfers to most participating firms for clients who have to be referred. This is a small step that makes a big difference for investors seeking assistance, lessening the frustration of trying to deal with several different regulators.

### **Streamlined complaint process explained in plain language**

Our four organizations created a new, concise plain language guide to help investors assess their options for making a complaint, identify the best organization to turn to for help and know the steps they might want to take along the way.

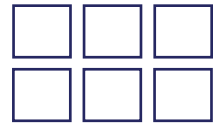
The guide also provides more information about OBSI, which some investors had asked for. A web-friendly version of the guide is available on each organization's website. [A Guide for Investors - Getting help with your complaint](#)

### **Improve complaint-handling at the firm level**

Investors have expressed considerable frustration with the complaint-handling process at the firm level. They felt the process was too slow, difficult to access and not always fair.

We have taken a number of steps to respond to these concerns.

The IDA and MFDA issued Member Regulation Notices in December 2006. The notices provide guidance to firms on how to communicate more clearly and consistently with investors who file complaints. The IDA and MFDA followed up by issuing proposed new standards on complaint handling for their member firms.



Under the proposed new standards, member firms would have to:

- make their complaint-handling process clear so that clients know how to file a complaint
- make information about how to file a complaint easily available
- provide specific contact information for complaints or questions about the firm's complaint handling process
- send an initial response to anyone who files a complaint within five business days of receiving the complaint
- follow up on each complaint with a detailed response within a specified timeline, which must include:
  - the firm's reply
  - a reminder that the person who filed the complaint has the right to take their complaint to OBSI

As well, the OSC is participating in the CSA's Registration Reform Project. The Registration Reform Project proposals include recommendations on complaint handling, including expanding the use of independent dispute-resolution services. All registrants, whether or not they are members of the IDA or MFDA, would have to participate in an independent dispute-resolution service, such as OBSI. The goal is to allow investors to seek compensation without having to go to court, which can be expensive and time-consuming.

### **Better access to disciplinary records**

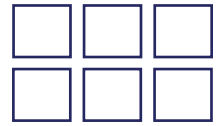
Many investors have voiced concerns about how hard it is to access the disciplinary records of firms and registrants. We believe that access to disciplinary information is essential to being an informed investor.

To help investors find disciplinary information more quickly and easily, the IDA, MFDA and OSC have created a handout that tells investors how to search for this information on their websites. This information is available online on the organizations' websites and in Appendix A.

The IDA also has a project underway to improve its investor information service. The association is working to develop a fully automated electronic information service that will provide more information about the qualifications and background of registrants.

The MFDA is developing a disciplinary records search function, accessible from the MFDA website, allowing investors to easily access disciplinary records of members and their approved persons.

The OSC has done considerable work on its website so that it is now possible to search for registration information by firm or by individual.



As well, the CSA is working toward a central registry that would contain all of the decisions by securities regulators and self-regulatory organizations across the country.

### **Addressing the limitation period on court action**

One of the most common concerns expressed by investors was the shortened limitation period under the *Limitations Act, 2002*. A person who wishes to launch a complaint in Ontario must generally do so within two years of discovering the problem. Otherwise, they may lose their right to take legal action.

We conveyed these concerns to Ontario's attorney general, and the Ontario government has since amended the Act. Changes have been made that benefit investors who make use of the OBSI process. Under the Act, the time limit stops running while a dispute is in resolution with an independent third party. The changes clarify that OBSI is considered an independent third party dispute-resolution service.

Further, we revised our brochures and information materials to tell investors about the two-year limitation period. Our contact centres also tell investors about it. This assists investors by letting them know they must act in a timely manner to preserve all of their options.

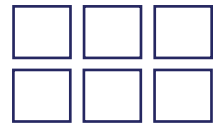
### **OSC Investor Advisory Committee**

Many investors expressed a desire for clearer avenues to offer input and feedback on the issues that matter to them. In November 2005, the OSC established the Investor Advisory Committee to enhance consultation with investors, based on extensive discussions with current and former OSC Commissioners, Canada's Association for the 50 Plus, the IDA, MFDA, OBSI and the Small Investor Protection Association.

The Investor Advisory Committee has provided valuable input and advice about regulatory policymaking. The OSC is currently examining how best to continue to obtain this valuable, constructive input from investors.

### **Looking forward**

Our four organizations have made considerable efforts to address investors' concerns. We are all committed to working together on initiatives that will enable investors to get educational support, information and help when they need it.



## **Breakout sessions: Educating investors**

After the opening plenary session, attendees moved to breakout sessions, where they could focus on specific issues and ask questions of expert panellists. These breakout sessions addressed three issues that we frequently hear about from investors:

- getting help with an investment complaint
- understanding investment products and risks
- working with an adviser

Each of these sessions featured lively discussions, including questions and comments—positive and critical—that were thoughtful and helpful.

### **Getting help with your investment complaint**

This session was designed to give investors better information on:

- making a complaint about investment products, services or advice
- what to expect when bringing a complaint to a regulator and to OBSI

The session provided an overview of the options for consumers who have a complaint. It also offered an in-depth guide to the four sponsoring organizations' complaint-handling processes. The presentation can be found in Appendix B.

The session was chaired by Eric Kirzner, Professor of Finance and the John H. Watson, Chair in Value Investing, Rotman School of Management, University of Toronto.

The panellists were:

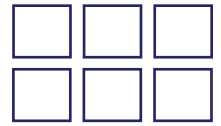
- Alex Popovic, Vice-President of Enforcement, IDA
- Shaun Devlin, Vice-President of Enforcement, MFDA
- Rob Paddick, Senior Deputy Ombudsman for Investments, OBSI
- Joanna Fallone, Manager, Case Assessment, OSC

Each panellist described:

- their organization's role in the complaint process
- how to initiate a complaint at their organization
- the types of information and documents required

### **Understanding investment products and risks**

This session aimed to educate investors on higher-risk products and investment scams. It outlined the risks of investing in exempt market securities and gave an overview of the most common types of frauds and scams.



The session was moderated by Hugh Corbett, Director of Litigation, MFDA.

The panellists were:

- Steven G. Kelman, President and Designated Compliance Officer, Steven G. Kelman & Associates Limited
- Scott Boyle, Assistant Manager of Investigations, Enforcement Branch, OSC

Steven G. Kelman talked to investors about the additional risks of investing in exempt market securities, including:

- hedge funds
- principal protected notes
- promissory notes
- limited partnerships
- other investments such as land developments

Scott Boyle discussed common types of frauds and scams and how to recognize them. Some of the warning signs of fraud to watch out for include:

- unsolicited phone calls and e-mails
- unregistered sellers
- promises of high returns with low risk
- loans to access locked-in retirement funds
- promotion of offshore tax havens
- opportunities to invest in a company that is about to go public

The presentation on exempt products is available in Appendix C. The presentation on illegal distributions, misrepresentations and fraud is available in Appendix D.

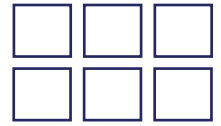
### **Working with an adviser**

This session provided an overview of how to choose a financial adviser. It also talked about how to build a good working relationship with your adviser by outlining the roles and responsibilities of both the investor and the adviser.

This session was chaired by financial commentator Glorianne Stromberg. The panellists were:

- Jim Rogers, Chair, Rogers Group Financial
- Bruce Cohen, personal finance author and lecturer

Jim Rogers discussed the reasons for choosing an adviser or firm that is regulated by the OSC, IDA or MFDA. He also talked about why registration matters, how the National Registration Database (NRD) works and its value to investors.

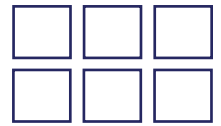


Bruce Cohen outlined the roles and responsibilities of the investor and the adviser in building an effective working relationship, including setting out clear expectations.

Attendees were given a handout on using the IDA, MFDA and OSC websites that demonstrated how to access information on:

- whether a firm or adviser is registered
- if there's a history of disciplinary action

This handout is available in Appendix A.



## Closing session: Responding to investors

After the breakout sessions, attendees returned to the main room for the closing plenary session, moderated by Mike Hornbrook. The session provided an opportunity for investors to ask questions of the heads of the four organizations:

- Susan Wolburgh Jenah, President and Chief Executive Officer, IDA
- Larry Waite, President and Chief Executive Officer, MFDA
- David Agnew, Ombudsman, OBSI
- David Wilson, Chair and Chief Executive Officer, OSC

The panel answered 12 questions during the hour-long question-and-answer session. As well, senior staff from each of the four organizations were available in case the audience had additional questions.

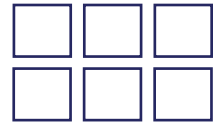
The questions from investors covered a range of topics, including whether investor complaints are documented by the organizations. The IDA and MFDA both maintain electronic databases, and members must provide a record of every complaint received. OBSI provides case studies on its website.

Attendees also asked about the reason for the two-year limitation period for investor legal action. Another question was about protecting the confidentiality of whistle-blowers. Three questions dealt with whether fraud insurance should be available to make it easier for victims of fraud to get compensation.

Many questions, both in the plenary session and in the breakout sessions, underscored investors' desire to learn more about investing and their rights and responsibilities.

In their comments during the question-and-answer period, the panellists noted that education is one of the best ways to protect people against fraud. All four organizations reiterated their commitment to helping investors learn more about investing and how to protect themselves.





## **Working together**

The IDA, MFDA, OBSI and OSC are grateful to all who participated in the 2007 Investor Forum. The views expressed there will help shape our policies and procedures.

Based on the views expressed at the Investor Forum, three critical points became clear:

1. We must continue our work to ensure a fair environment for retail investors.
2. Clear communication, robust investor education and strong consumer protection help investors make informed investment decisions and protect their money.
3. Our four organizations must continue to work closely together on behalf of investors.

Investor confidence is vital to the success of capital markets. And regulatory co-operation and investor education are key to building that confidence. Our four organizations are committed to working together and to making investor education and protection a priority. We want to continue to hear investors' views so that we can set policy that addresses investor needs.