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## Small Investor Protection Association - A voice for small investors

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The SIPA Sentinel is issued bi-monthly. From time to time articles and re-prints are included that offer opinions on subjects related to investment and regulation. These are meant to help increase investor awareness, and SIPA may not share these opinions.

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### CBC GO PUBIC OPENS PANDORAS BOX MARCH 29<sup>TH</sup>, 2017

Erica Johnson, investigative journalist with CBC Go Public has opened the investment industry's Pandora's Box. The investing public will be shocked to learn what has been hidden from them for so many years. 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 made it difficult if not impossible for the public and even financial journalists to understand and accept the truth. This fact was probably best illustrated by this comment from Jim Roach in an article for the Sentinel in May 2004. Jim had been victimized and in the process of seeking the truth he became an investor advocate to try to help others from suffering the same fate.

He talked of suicides, hundreds of harmed Canadians, the fallacy of a few bad apples, unknowing business reporters (not CBC Go Public - they know and have the witnesses to prove it), and the Brits finding it hard to believe Canadians were trusting the system.

It seems some things never change. Although we thought we had coined a new expression by applying "Web of Deception" to the investment industry it was in fact coined by the British in 2004!

See [http://www.investorvoice.ca/Presentations/PDFs/SIPA\\_May\\_2004.pdf](http://www.investorvoice.ca/Presentations/PDFs/SIPA_May_2004.pdf) and Jim's comments:

*"Investors would have to have been holidaying on another planet for the last decade not to know that the stock market is no place for anyone who is not an insider to put their money. **I know of four suicides myself.** During the time when I was an investor advocate – so dubbed by the media – **I was in contact with literally hundreds of people coast to***



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***coast who had been financially seriously damaged or totally ruined by the financial services system.***

*I use the term system deliberately. Too many times I was told that what happened during the decade – to the markets themselves, to shareholders, to employees and to creditors – was the work of "a few bad apples". **It was even suggested by business reporters that I should not be individually critical or some businessmen and senior finance executives because "they were nice people".***

*Initially, I thought that the problems, which need no detailed recounting here were, in fact, brought about by the behaviour of a relatively few people who had failed to study or absorb the moral, ethical or religious content of their formative years. I simply could not allow myself to believe that a whole system and the mechanisms put in place purportedly to police it was corrupt. Inept maybe – corrupt – **I just could not make that leap from everything I had been conditioned to believe about Canada to what I was seeing unfold right before my eyes.***

*A conversation with a senior reporter from the Financial Times of London changed everything for me. It was at a time when a well-known Canadian bank CEO had "washed up" on the shores of the British Isles. In anticipation of what to expect, he was interested in (possibly) doing a feature on what had gone so wrong for so many investors in Canada under the executives tenure and why. The second part of his inquiry was most interesting.*

*This seasoned journalist did not want to know what was wrong with the financial services sector in Canada. He wanted to know why so many Canadians could be so ignorant, so gullible or so greedy as to be drawn into such a clear **web of deception** in the months previous and, when the inevitable happened, plead ignorance. **He asked me – don't you people know that the Canadian stock markets are the most manipulated and controlled in the civilized world and that the only reason any experienced foreign investor puts money into Canada is to launder it???** I was "gob struck" – to use their term - by what he said, and he was gob struck that I was gob struck."*

Nothing much has changed yet but we remain optimistic that the CBC Go Public will be a great help to raising awareness and we are already seeing a new greater awareness.

### WEB OF DECEPTION MAR 29<sup>TH</sup>, 2017

SIPA published another report in our series on deceptive practices on March 29th to coordinate with the CBC Go Public blockbuster TV program on the national that did so much to raise awareness and announced the Web of Deception report now available on SIPA's website at [http://www.sipa.ca/library/SIPASubmissions/WEBofDECEPTION\\_2017.pdf](http://www.sipa.ca/library/SIPASubmissions/WEBofDECEPTION_2017.pdf)



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### **"FOREWORD**

*The title "Web of Deception" is based upon the analogy of the spider creating a web to catch his prey. Likewise, the industry uses optics and deception to engage clients in order to sell them products to maximize their profits. Unfortunately, it can be without regard for what is best for the client.*

*The fundamental issue is that the industry generates an image of advice and service when in reality it is based upon selling product. There are no doubt exceptions to this behavior, especially when there is fiduciary responsibility involved. However the deception appears to be systemic and has many facets.*

*The financial services industry and the regulatory system in Canada are complex. The provinces have responsibility for securities regulation but the federal government has responsibility for regulating federally incorporated banks and insurance companies.*

*One of the facets of the web of deception is selling products created by banks and insurance companies that are similar to securities at least to the average Canadian. Since they contain an element of insurance they are not classified as a security and therefore not subject to the regulations of the provincial Securities Acts.*

*The federal regulators seem to be less effective than the securities regulators even though the latter are also failing to effectively protect investors.*

*This report is meant to provide an overview of some of the deceptive practices with concentration on the sales of investment products. The same practices prevail throughout the financial services industry from the up-selling of bank services and selling insurance products to the selling of securities that include shares and mutual funds.*

*The CBC Go Public program has been important to expose the behavior that does exist in the financial services industry and is at variance with the image created by the industry.*

*The harm done to Canadians by the financial industry is huge in magnitude and there are countless personal tragedies.*

*Can you trust your financial institution?*

## THE IMPACT OF CBC Go Public TV PROGRAM on MARCH 29<sup>TH</sup>

Since CBC Go Public has revealed to the public the deception practiced by the investment industry and its regulators we have seen a marked improvement in public awareness.



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In the past most Canadians did not understand fiduciary duty nor did they realize their Financial Advisor was only a commission motivated sales person. Now we are hearing from small investors who finally know the facts and are wondering what they should do now. There are many alternatives once you begin to understand the fundamental facts and no longer say "I'm O.K. I trust my Financial Advisor".

It was refreshing to read an advertisement by a Realtor in a Real Estate magazine after he had obviously heard the CBC Go Public programs.



**Keith MacLean**  
"PEI ReMax Guy"  
c: 902-940-7151  
Call or Text

**Q:** I have been hearing about "fiduciary duty" in the news in regards to banks and financial planners, what does it mean and does it also relate to real estate?

**A:** Basically fiduciary duty means a legal obligation of one party to act in the best interest of another. A fiduciary duty is the highest standard of care. The second part of the question is where it can become a little grey; just like there are financial advisers and financial "advisors", with the latter many times being just salespersons, in real estate there can be sales or marketing companies, but a REALTOR® is obligated to provide a fiduciary duty.

If you have a question or would like the advice of a REALTOR® give me a call, text or email and I will represent your best interests in your next real estate transaction.

## MEDIA PICKS UP ON NEWS RELEASE FOR WEB OF DECEPTION REPORT

SIPA issued a News Release March 29<sup>th</sup> to coordinate with the CBC Go Public March 29<sup>th</sup> TV program that also announce the Report's release. This resulted in some press coverage.

<https://ca.finance.yahoo.com/news/sipa-report-analyzes-ways-canadians-120000626.html>



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### ***SIPA report analyzes ways Canadians are deceived by financial institutions***

*TORONTO, March 29, 2016 /CNW/ - Small Investor Protection Association (SIPA) publishes a shocking report "Web of Deception – Opening Pandora's Box". The report reveals many of the ways the public is deceived by financial institutions which results in great financial harm to Canadians.*

*The report is timely and on the heels of CBC Go Public's programs exposing how employees in our major banking institutions are required to use unethical, deceitful, questionable or possibly illegal selling techniques, due to ever increasing pressures to reach unrealistic sales quotas.*

*CBC Go Public is helping to reveal the bigger contextual problem of an industry that has lost its moral compass due to an out of control culture of greed that is endangering Canadians.*

*SIPA is calling on the Government Canada to hold a public inquiry calling private individuals for their testimony and not rely upon reports by industry or regulators that rely upon guidance and self-regulation.*

*The report "Web of Deception – Opening Pandora's Box" reveals irrefutable facts to substantiate that this problem is widespread across the financial industry and must be dealt with by our elected officials.*

## INVESTMENT PROFESSIONAL PUBLISHED WEB OF DECEPTION ARTICLE

Louie Bacani provided an excellent summary of the main points of the Web of Deception

### **SIPA report questions industry practices**

By Louie Bacani 04 Apr 2017



Following up on revelations made by CBC Go Public regarding questionable banking practices, the Small Investor Protection Association (SIPA) has released a new report, Web of Deception, which outlines what it calls broad-scale "strategic insidious deception" of Canadian investors.



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“Although there are some good people selling financial products, they are limited in what they can do for clients,” the group said in its report. “[T]here [are] a great number who are driven by commission grids.”

According to SIPA, players in the financial industry are motivated by a desire to get more money from Canadian investors. To this end, the group said, they are using various tactics to maintain the perception of trustworthiness without actually acting in the public’s best interests. These tactics include:

- Exploitation of exemptions by Canadian companies to bypass requirements for financial disclosures and other consumer protection laws, allegedly costing Canadians tens of billions of dollars;
- Firms’ use of misleading advertising to make people believe they will get financial planning and holistic advice when, in the end, firms will claim they have little to no obligation to protect clients’ interests;
- Institutions using titles such as “financial advisor” and “vice president” to make certain representatives and employees seem more qualified and credible than they actually are; and
- Errant firms using confidentiality agreements, non-disparagement agreements, and no-contest settlements to avoid damage to their reputation

The group also called out regulators, saying that the actions they have taken to protect investors are not enough. In particular, it said that while regulators would occasionally release news of huge fines, hundreds of millions of dollars’ worth of penalties remain unpaid. The group describes the Financial Consumer Agency of Canada’s (FCAC) call for Canadians to protect themselves from big banks through education as “unfair” and that current punitive tactics at its disposal — the power to impose fines up to \$500,000 and “name and shame” serious offenders — are not enough to punish or deter violators.

“We demand that trust be brought back into our lives and back into our financial service relationships,” the group wrote.

### ***Related stories:***

[Legislative push for fines collection commended](#)

[Bank clients baited using title trickery: SIPA](#)

## FEDERAL STANDING COMMITTEE ON FINANCE (FINA) HEARINGS:

FINA is holding hearings on the banks in response to the CBC Go Public revelations. The Committee will hear from the banking regulators, banking associations, the big banks and a few witnesses



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representing consumers. The following is a link to the hearing for consumers for anyone interested in hearing the committee.

There were three witnesses including Sally Watson, Larry Elford and Stan Buell.

[http://parlvu.parl.gc.ca/XRender/en/PowerBrowser/PowerBrowserV2/20170607/-1/27600?useragent=Mozilla/5.0%20\(Windows%20NT%2010.0;%20Win64;%20x64\)%20AppleWebKit/537.36%20\(KHTML,%20like%20Gecko\)%20Chrome/58.0.3029.110%20Safari/537.36](http://parlvu.parl.gc.ca/XRender/en/PowerBrowser/PowerBrowserV2/20170607/-1/27600?useragent=Mozilla/5.0%20(Windows%20NT%2010.0;%20Win64;%20x64)%20AppleWebKit/537.36%20(KHTML,%20like%20Gecko)%20Chrome/58.0.3029.110%20Safari/537.36)

## PARADIGM SHIFT COMING FOR INVESTMENT IN CANADA

There are many things happening that lead us to believe that a Paradigm Shift is approaching with the primary indicator being the new awareness precipitated the CBC Go Public revelation. Some of the other factors are:

- Advances made in other national regulatory systems
- The Advent of DOL legislation in the USA requiring Fiduciary Duty for retirement savings
- The disarray in the Canadian regulatory system as they try to cobble together a Capital Market Regulatory Authority with only some of the provinces and they are failing to agree
- Disclosure that the FCAC that is supposedly responsible for consumer protection with regard to banks and insurance companies simply prepares rules and guideline and expects them to self-regulate – CBC Go Public witnesses indicate this does not work
- The CSA NRD no longer functions properly to enable Canadians to check a representatives registration easily and the CSA indicates the complexity of the system
- The SROs themselves are revealing the weaknesses of the regulatory and exposing the extensive wrongdoing
- The SIPA series of reports revealing the many facets of an overall Strategic Insidious Investment is adding to greater investor awareness
- The House of Commons Finance Committee will hold a Public Inquiry into bank regulation even though the Prime Minister announced in the House of Commons there is no need for an inquiry because he has confidence in the FCAC
- The mainstream media is beginning to pick up on the deception and there are articles appearing as they never did in the past
- More consumer agencies are becoming more aware of the deceptions and are taking action – CARP is one of the more active and has a large membership.
- The internet age is making it possible to reach more people and making information more available
- New alternative methods are now available and drawing Canadians away from widely accepted fund investments – ETFs, Discount Brokers, Robo-Advisors
- The move from DB Pensions to DC pensions is making Canadians aware of their need to know more about investing

This has been precipitated by the CBC Go Public series of revelations.



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### INVESTMENT INDUSTRY IS TAKING NOTE OF THE "WEB OF DECEPTION"

It appears that there are some in the investment industry that do support the need for a fiduciary responsibility.

There is no doubt that most Canadians do need a Financial Adviser they can trust. There is no way that the average Canadian can learn enough about the complex array of financial products to be able to select the best approach for their situation.

Currently it seems the safest way is to Do It Yourself and keep it simple with Bonds, ETFs, and dividend paying shares. The investment of a few hours time should be enough to start on this path. Investors need to know that it is the compounding effect over time that provides good investment results.

The day of investing in funds is over. Although the initial concept was good, the industry milked the system by loading the funds with excessive fees resulting in less than satisfactory performance for most fund investors.

The new Paradigm will include fee only qualified Advisers with fiduciary responsibility and Robo-Advisers as well as more D.I.Y. investors. As Canadians become more aware they will shy away from mutual funds and segregated funds. They will also learn that the system of self-regulation does not protect investor and they will be at less risk by depending upon those who declare they will work with fiduciary responsibility although there may not yet be any statute with this requirement.

The following is an example of this new breed.

<http://familywealthmanager.blogspot.ca/2017/04/responsibility-to-clients-if-you-have.html>

*If you have not yet read the Small Investor Protection Association (SIPA) report: "Web of Deception" [http://www.sipa.ca/library/SIPAsubmissions/WEBofDECEPTION\\_2017.pdf](http://www.sipa.ca/library/SIPAsubmissions/WEBofDECEPTION_2017.pdf) please take the time. It is such an important document and it will hopefully catapult the issue of fiduciary responsibility to the forefront. You definitely want to pass it on.*

*We started High Rock Capital Management's Private Client Division <http://highrockcapital.ca/private-client-division.html> to lead the industry forward as far as our responsibility to our clients is concerned.*

*To this day we still meet with prospective clients who are under the false impression that their advisor has to put their interests (as client's) first (ahead of their own, as advisors), when that is not the case.*

*As the "Web of Deception" reports, only 3% of all licensed advisors do. So what are the odds that your advisor does not?*