

January 2007

Standing Committee on Finance

Sixth Floor, 180 Wellington Street
Wellington Building
House of Commons
Ottawa ON K1A 0A6
Canada

Dear Sir,

The Income Trust Probe will hear from organizations and individuals that represent the interests of seniors and other small investors as well as representatives of the investment industry.

We have made presentations to the Standing Senate Committee on Banking Trade and Commerce, and the Ontario Standing Committee on Justice Policy. We have also participated in a Coalition for Investment Protection to make recommendations to the Quebec Government.

Granted, many seniors have lost money with income trusts and the losses appear to have been precipitated by the Finance Minister's announcement of a change in the tax treatment of trusts.

However, the fact remains that many seniors had already lost money when the business income trusts that were sold to them reduced or suspended distributions causing a precipitous decline in unit values. The facts show that business income trusts can be risky investments and many are not suitable as investments for seniors.

The income trust issue is only one symptom of a much greater issue. Small Investors, and in particular seniors, are being deceived and sold products that are eminently unsuitable for most of them. The proposed hearing should also examine the broader issue of seniors losing their savings due to inappropriate action and outright wrongdoing by the investment industry.

Most seniors are reluctant to speak out for a variety of reasons. They trust their advisors, the regulators, and Government agencies. They do not understand why they are losing their savings. Yet there is no Federal Government Authority responsible for investment protection or the prevention of financial elder abuse.

While we recognize that securities regulation is a provincial jurisdiction, we believe the Federal Government must provide Consumer/Investor protection particularly for seniors.

We also recognize that the investment industry and those associated with the investment industry are blaming Government for a situation that is the result of industry practices. An examination of the facts reveals that income trusts have been a problem for investors for a number of years because of inadequate accounting, and failure to disclose pertinent facts, with resultant failure to perform as promised and the loss of seniors' savings.

You should not accept the industry assertion that the Finance Minister's announcement on taxation caused investors to lose. The fault lies squarely with the investment industry developing and selling unsuitable products that place trusting investors at risk.

The extent of wrongdoing resulting in investor losses is being covered up. The recent inadvertent revelation of ComSet data by the IDA on its website and the subsequent removal of the data is but one illustration of the ongoing cover-up by the industry and regulators.

It's time that an inquiry is held to determine the extent of this problem of investors being fleeced by an industry that is largely unregulated, if that is what is needed prior to establishing an authority to provide investment protection for all Canadians.

Yours truly

Stan Buell, President

Cc Hon. James Flaherty, Minister of Finance
John McCallum, Liberal Finance Critic
Pierre Pacquet, Bloc Quebecois Finance Critic
Judy Wasylycia-Leis, NDP Finance Critic