

# MFDA Investor *Bulletin*

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MARCH 2018 FRAUD AWARENESS MONTH

March is Fraud Awareness Month and the Mutual Fund Dealers Association of Canada (the “MFDA”) is promoting fraud awareness and prevention among Canadian investors. In this edition of the MFDA Investor Bulletin you will find information to help you avoid becoming a victim of investment fraud.



## Know the Red Flags of Investment Fraud

Would you know how to spot a fraudulent investment if you were offered one? Below are some red flags to watch out for when investing. You should be very cautious if you encounter any of these situations. Never invest your money in an investment that you do not fully understand and feel comfortable with. **Remember if it sounds too good to be true it probably is!**



Mutual Fund Dealers Association of Canada  
Association canadienne des courtiers de fonds mutuels

### GUARANTEED AND RISK FREE INVESTMENTS

**There is no such thing as a low-risk high-return investment.** This is because risk and return are directly related – the higher the return the higher the risk – this is always the case when it comes to investing. Deposit instruments such as a GIC from a chartered bank are low risk investments and typically provide for returns that range from less than 1% to just over 2% per year depending on the term of the investment. If you are offered an investment with a significantly higher rate of return and are told that it is risk free or guaranteed, you should consider this a serious red flag.

## HIGH PRESSURE SALES TACTICS

**Do not invest money if you feel that you are being pressured to invest.** Fraudsters often use high-pressure sales tactics in order to coerce individuals into investing in their fraudulent products. One technique used to pressure individuals involves limiting the time that an investment is available for purchase. This creates pressure on a person to purchase and limits their ability to think things through and make a considered decision. A time-limited investment should be considered a red flag, especially if the time limit is very short. For example, if you are told that an opportunity to invest is only available for a few hours it is highly likely to be fraudulent.

## SOLICITATIONS BY PHONE AND EMAIL

Receiving a telephone call or email from a person attempting to sell you an investment that you do not know is a red flag. When making an investment you should only deal with an advisor that you are familiar with, or a representative from a dealer where you already have an account or business relationship. Always check the registration of an individual before you open an account and invest. You can check whether a person is properly registered to trade in securities such as mutual funds, stocks, and bonds at [www.aretheyregistered.ca](http://www.aretheyregistered.ca). A person whose name does not appear in the search cannot trade or advise on securities, and you should not deal with such a person for these purposes.

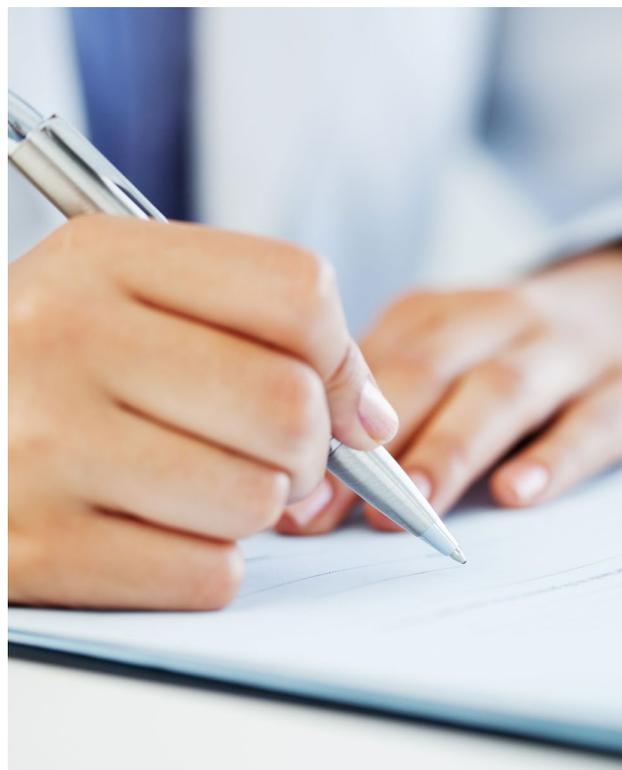
## \$ Securities Sold Outside the Dealer

### A REGISTERED ADVISOR CAN ONLY SELL SECURITIES TO THE PUBLIC THROUGH THEIR REGISTERED DEALER

**All securities related business must be conducted by an advisor through their dealer.** Do not invest your money if you believe that an advisor is offering you securities outside of the dealer. Some signs that you are being offered securities outside the dealer are:

- ✓ Being presented with documentation that you feel is unusual or does not appear professional.
- ✓ Being told that an offer is a "special deal" or "side deal" or similar statements that indicate that an investment is "special" and "secret".
- ✓ Being asked to write a cheque payable to a person or unknown company.
- ✓ The advisor promotes the investment as something that "those in the know" (e.g. the wealthy, Bay Street bankers, etc.) invest in or typically have access to.

If you believe that you are being offered a security outside the dealer, or if you are generally unsure about the investment, do not invest and contact your advisor's dealer to inquire whether the particular security is approved for sale by the dealer.





## Investor Alerts and Notices

### POWERS OF ATTORNEY AND EXECUTORS

MFDA rules prohibited mutual fund advisors from acting upon any power of attorney or similar authorization. **You should never name your mutual fund advisor as your power of attorney or an executor** in your will because it is contrary to MFDA rules, and may put your advisor in an irreconcilable conflict of interest. When selecting a person to act under a power of attorney or as an executor, it is best to consult with a lawyer, notary or another professional who deals in estate matters.

### BLANK SIGNED FORMS

**You should never sign a blank form.** When a blank form is signed it affects the integrity and reliability of documents and destroys necessary audit trails. Signing a blank form poses similar risks to signing a blank cheque, which is something most Canadians would never do. The MFDA has prosecuted cases where blank signed forms were used in unauthorized trading, fraud and misappropriation of funds from investors. While investors who travel frequently or reside out-of-country for large portions of the year may be concerned about processing any necessary trades while away, signing a blank form is not the solution. If you are concerned

about processing trades while you will be away, speak to your advisor about the proper procedure that can be used so that trades can be accepted with your verbal instruction.

### PROTECT YOUR PERSONAL INFORMATION

You should never provide confidential or personal information to someone over the phone unless you know the person you are dealing with. In particular, you should never deal with individuals who call you and use high pressure sales tactics and ask for information such as your name, date of birth, social insurance number or credit card number. Additionally, you should never provide confidential or personal information over unsecure email. Unsecure email can be intercepted by third parties or redirected to unknown individuals without your knowledge. A good practice to protect yourself when providing personal information to your advisor is to use secure methods such as by providing the information in-person at a business location, over the phone where you have initiated the call, or over a secure digital portal.



## REVIEW THE DOCUMENTATION YOU RECEIVE

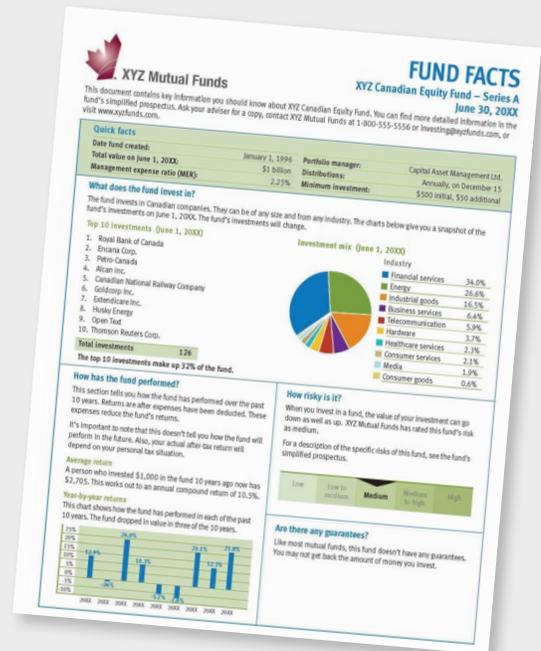
Review all the documentation that you receive from your advisor and dealer, such as account opening documentation, Fund Facts, trade confirmations and account statements.

Pay special attention to any documents that you are required to sign, and never sign a document without reading it in its entirety. Make sure that any personal information on a document is correct, and do not sign any document that you do not fully understand. If you do not understand a document ask your advisor for clarification before you sign.

“do not sign any documentation that you do not fully understand”

Review your account statements and trade confirmations. You should receive an account statement at least quarterly and a trade confirmation for every purchase or redemption of an investment product. Account statements tell you valuable information about the investments you are holding, their performance and the costs you pay for the investment. Contact the dealer’s compliance department directly if you do not receive account statements or trade confirmations, or if the information on a statement or confirmation is inconsistent with your records.

When you make a new mutual fund purchase you will receive a Fund Facts document before your advisor processes your trade. Fund Facts is an important document with key facts about the fund’s holdings, its performance, and the risks and costs of buying and owning the fund. You should review Fund Facts when you purchase a mutual fund and discuss any questions or concerns with your advisor.



» Learn more about Fund Facts at [www.aboutfundfacts.com](http://www.aboutfundfacts.com)



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