



SIPA

SMALL INVESTOR PROTECTION ASSOCIATION

A Voice for the Small Investor

February 25, 2010

copy by e-mail

Honourable James Flaherty
Minister of Finance
House of Commons
Ottawa, Ontario, K1A 0A6

Sir;

Once again Canadians are reminded of the failure of the current regulatory system to protect small investors.

In Montreal, Judge H el ene Morin sentenced Bertram Earl Jones to 11 years in prison after he pleaded guilty to defrauding 158 clients out of \$50 million in a Ponzi scheme he operated for more than two decades. The courtroom in the Palais de Justice was filled with reporters and victims of Jones.

However, because white-collar crime is considered non-violent, Jones could serve only one-sixth of his sentence with good behavior, and could be out of prison in 22 months. On the other hand the victims will suffer endlessly.

Before sentencing Judge H el ene Morin stated "The accused not only robbed the victims of their money, he robbed them of their freedom and self-esteem and of a decent life they expected in their retirement. All of them trusted him. For many, this word has no meaning anymore. He is responsible for irrevocable changes in all the victims' lives and this has left them all humiliated."



Ginny Nelles who saw her family's entire savings wiped out by Jones is quoted by the Canadian Press "*Earl Jones preyed on us in the most intimate and basic way. We trusted him; we put our trust in him. Earl Jones was our friend, he was our uncle, he*

was somebody who was there for us. And he ended up violating me, my mother and every single member of our group."

This whole process is unfair to small investors. It must change as soon as possible. Perpetrators of financial crimes against small investors, particularly when the victims are seniors without hope of recovery unless they receive restitution, should never be allowed to accumulate wealth again unless and until they have paid restitution to all of their victims or reimbursed the funds used to pay restitution.

A few months in retention does little to discourage psychopaths from repeat activity.

We congratulate Government and the Canadian Securities Transition Office on their well intended initiative to reform regulation. Existing regulators could be integrated provided mandates are revised and new authorities and watchdog agencies are incorporated. The power to order restitution and the fund to pay the restitution are welcome advances to enhance investor protection and must be implemented.

It is worth noting the Earl Jones fiasco, where there is concern the fraud was to some extent facilitated by the bank though inaction, precipitated small investors forming another action group, the Earl Jones Victims Organizing Committee.

It was similar small investor action in the ABCP fiasco that led to a favourable decision for small investors.

Canadians are fed up with the failure of the regulatory regime to protect investors and their cavalier attitude towards investors' savings and retirement security. Those who have spent a lifetime saving so they may enjoy their retirement do not have the luxury of time for long deliberations to provide restitution. This fact must be recognized by Government in the establishment of a national regulator.

As million of Canadians become more aware and involved there can be little doubt that this activity will show up in voting polls.

We urge Government to proceed with haste to formulate revised legislation to address the lax approach to white collar crime and make provisions to recognize the calamity caused to victims and prevent the predatory perpetrators from escaping appropriate punishment and suitable future limitations on wealth accumulation until reparations are made.

Very truly yours,

Stan I. Buell
Founder & President

Cc Mr. Douglas Hyndman, Chair CSTO