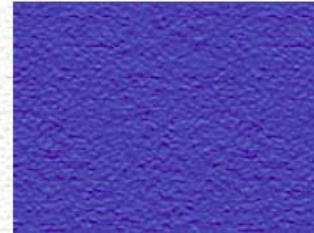


The National Pensioners & Senior Citizens Federation



Small Investor Protection Association

MEDIA RELEASE

April 26, 2007

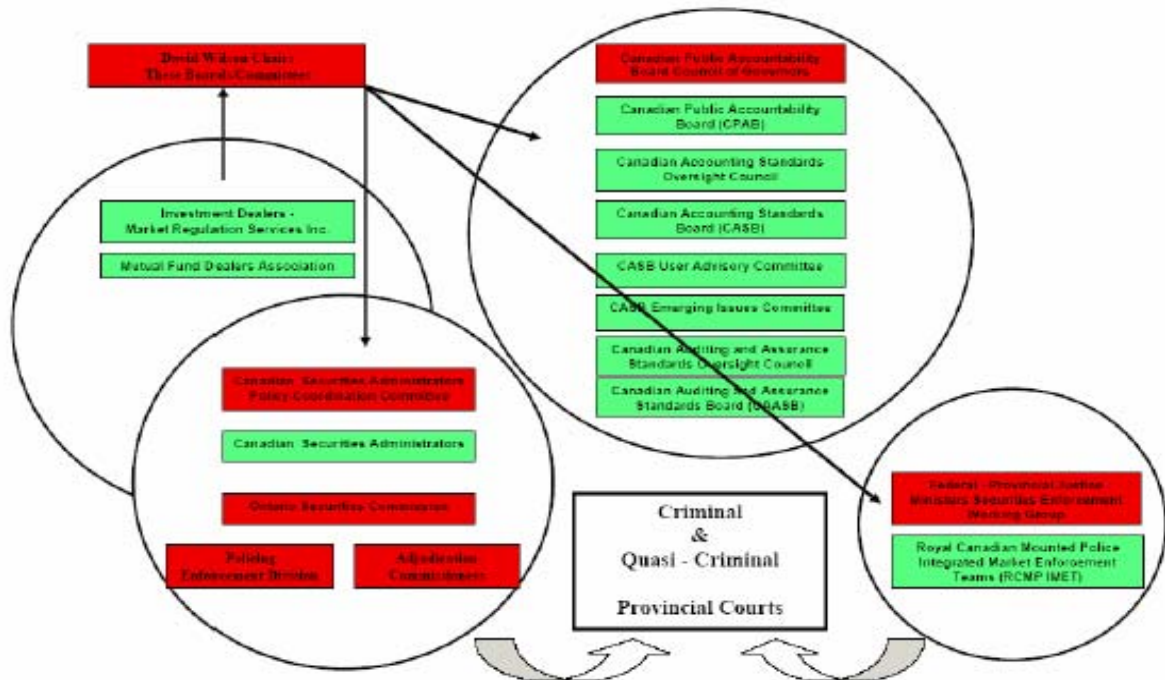
The National Pensioners & Senior Citizens Federation (450 clubs and chapters with 1,000,000 members), the United Senior Citizens of Ontario (1000 clubs with 300,000 members) and the Small Investors Protection Association are jointly requesting a national inquiry on the malfunctioning of Canada's securities and accounting regulation and white collar crime enforcement system.

- **Investor losses caused by white collar securities crime and excessive mutual fund fees are estimated to be \$18 billion annually.**
 - Over \$110 billion of aggregate damages since the mid 1980's due to white collar securities crime
 - Another \$55 billion of damages in the last 10 years from excessive mutual fund fees relative to the rest of the world, since Canadians do not have free trade in mutual funds with the U.S.
 - Of \$18 billion estimated annual investor losses, \$13 billion is due to white collar securities crime and \$5 billion is due to excessive mutual fund fees
 - \$18 billion of annual investor losses is 1% less annual investment return on total investment assets within individual RRSP's, RRIF's, pension plans and investment assets held outside of retirement plans
 - About 15% of expected investment returns are being skimmed by white collar securities crime and excess mutual fund fees every year!
 - Seniors suffering catastrophic losses from white collar securities crime suffer the second abuse of stonewalling by the financial industry Self Regulatory Organizations, provincial securities commissions and the RCMP, who address less than 5% of the complaints received.

- **Our securities enforcement system is malfunctioning, and Canadians can no longer accept the usual excuses of inadequate budgets, lack of expertise and lack of co-ordination between the self-regulatory organizations, the thirteen provincial and territorial securities commissions and the RCMP. The securities enforcement system appears to be designed to fail.**
- **Senior executives of the SRO's, provincial securities commissions and the RCMP provide rhetoric on strong white collar crime enforcement, but weak enforcement records and recent investigations and audits speak volumes about the intent to be lenient.**
 - Current Investigation of RCMP Corruption
<http://www.investorvoice.ca/regulators/LAW/IMET.htm>
 - 2005 Investigation of Alberta Securities Commission Corruption
<http://www.investorvoice.ca/regulators/PI/ASC/ASC.htm>
 - Two new reasons to probe the OSC
www.investorvoice.ca/Regulators/PI/2977.htm
 - 2000 Scathing Audit of Investment Dealers Association Enforcement
www.investorvoice.ca/regulators/IDA_Scandal.htm
- **The enforcement agencies are not accountable to the public or subject to regular independent audit on the thoroughness or integrity of their white collar crime investigations. Their political bosses operate on a hands off basis, espousing the impropriety of political interference.**
 - The Commission for Complaints Against the RCMP is the only civilian oversight body in the white collar securities crime enforcement system and its Chairman is hardly a civilian watch dog. Chairman Paul Kennedy had a 25-year career with the Federal Justice Department, including roles as General Counsel for the Canadian Security Intelligence Service and Senior General Counsel in the Federal Prosecution Service.
- **Canada is the only industrialized country where accounting and auditing standards are self regulated and as a consequence these standards are permissive to materially misleading activities, such as the deceptive yields in income trusts.**
- **Two men have excessive control on what white collar securities crime investigations are done, who is charged and how the system works - the Chairman of the OSC and the Commissioner of the RCMP.**
 - The current Chairman of the OSC, David Wilson, supervises both the OSC's investigations and adjudications. The dual role of the OSC Chair

position is considered to be the cause of the malfunctioning of the OSC in the [2004 Osborne Report](#).

- David Wilson is also Chairman of the Canadian Securities Administrators Policy Coordination Committee, the Canadian Public Accountability Board Council of Governors and the Federal-Provincial Justice Ministers Securities Enforcement Working Group



- The RCMP IMET Unit only conducts investigations on white collar securities crime cases that are referred to it by one of its participating agencies - the OSC or another provincial securities commission, the newly merged Investment Dealers Association Enforcement Division and Market Regulations Services Inc. and the Mutual Fund Dealers Association.

➤ **White collar securities crime and offences are rampant in Canada:**

- Over 2,880 or 12% of all investment advisors appear in the ComSet database of registrants with serious investor complaints against them. It appears none of these complaints have been forwarded to the RCMP. For more details see:

<http://www.investorvoice.ca/Regulators/IDA/Comset/Comset.htm>

- The investment banks in Canada are doing unauthorized and unnecessary FX transactions in RRSP's and RRIF's. Not the subject of any SRO or provincial securities commission investigation. For details see:
http://www.investorvoice.ca/regulators/PI/RRSP_FX/RRSP_FX_Index.htm
- \$8 billion of investor losses on 46 income trust IPO's and secondary offerings down more than 30%, where investment bank marketing materials gave deceptive yields and assurances of low risk to seniors seeking income and preservation of capital. Not the subject of any SRO or provincial securities commission regulatory restrictions or investigations. For details see:
<http://www.sipa.ca/>
- Corporate fiascos: Hollinger, Nortel, Phillips Services, YBM Magnex, Livent, Corel, Cinar, Cartaway, Golden Rule, Castor Holdings
- Investment fund fiascos:
 - a. Mutual fund market timing
<http://www.investorvoice.ca/Regulators/PI/1056A.htm>
 - b. Norshield
http://www.investorvoice.ca/regulators/PI/Norshield/Norshield_index.htm
 - c. Norbourg
http://www.investorvoice.ca/regulators/PI/Norbourg/Norbourg_index.htm
 - d. Portus
http://www.investorvoice.ca/regulators/PI/Portus/Portus_Index.htm
 - e. Crocus Funds
http://www.investorvoice.ca/regulators/PI/Crocus/Crocus_index.htm
- CIBC's conduct was "reprehensible" and "cruelly failed" in its duty to protect its investor clients, retirees Haroutioun and Alice Markarian. For details see:
http://www.investorvoice.ca/regulators/PI/Markarian/Markarian_index.htm
- Canada exhibits illegal insider trading before 63% of its acquisition announcements, compared to 41% in the U.S. and 25% in the U.K.. For details see:
<http://www.bloomberg.com/apps/news?pid=20601082&sid=aWEkKs084ISM&refer=canada> & <http://www.measuredmarkets.com/favicon.ico>

➤ **The key features of a restructured securities and accounting regulation and white collar crime enforcement system should be:**

- creation of a new national securities regulator (with mechanisms for collaboration with the Quebec securities regulator, if Quebec refuses to support a national securities regulator)
- separation of the national securities regulator's policing and adjudication functions, through the creation of a new national securities court;
- the new national securities court has a simplified procedure for individual investors seeking remedies for investment losses caused by unsuitable investment advice, securities offences and crimes;
- public oversight mechanisms to ensure that the investor protection mandate of both policy-making and enforcement are executed thoroughly and fairly;
- elimination of the full delegation of investor protection functions to the current self-regulating organizations, such as the newly merged IDA & MRS and MFDA;
- creation of a new national government-based independent accounting standards board;
- complete separation of the RCMP, provincial and municipal police investigations from the enforcement arm investigations of the national securities regulator (and from the current SRO's and provincial securities commissions in the meantime);
- individual public input into the development of the national securities regulator's investor protection activities:
 - a. individual investor representatives directly involved in the design of the newly restructured securities enforcement system
 - b. an investor advisory committee for published recommendations by individual investors to the policymaking functions of the national securities commission, with public minutes and open public access to the investor advisory committee meetings;
 - c. a requirement for public town hall meetings to be held regularly at major cities of Canada, with internet web broadcasting and a mechanism for e-mail enquiries from the public unable to attend these town hall meetings in person;
 - d. no high fee conferences held for the financial industry that do not have a mechanism for public participation on the internet.

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