

Alberta Securities Commission

*ASC Investigative Powers & Tools
Canadian Pension and Benefits Institute
Professional Development Day - Investments
May 29, 2014*

Today's Topics

- Who we are
- What are we dealing with
- What tips we offer investors
- How we investigate
- What you can do to help

Who we are

The ASC is the regulatory agency responsible for administering the province's securities laws. It is entrusted to foster a fair and efficient capital market in Alberta and to protect investors.

Start searching in ASC Investors

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 (?)



Q: How do I protect our money from investment scams?

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[Investing tips and trends](#)

Jan
23

Canadian securities regulators propose changes to the prospectus-exempt distribution of short-term debt and short-term securitized products

The Canadian Securities Administrators (CSA) today published for comment proposed ame... [Read more](#)

[See all news & updates →](#)

Who we are

- Approx. 180 employees
 - 45+ enforcement employees
- Regulate the second largest capital market in Canada
- 27,000+ registered individuals
- 800+ registered firms

Who we are

**Office of
the Chair**

**Executive
Director**

**Corporate
Finance**

**Office of
the Chief
Accountant**

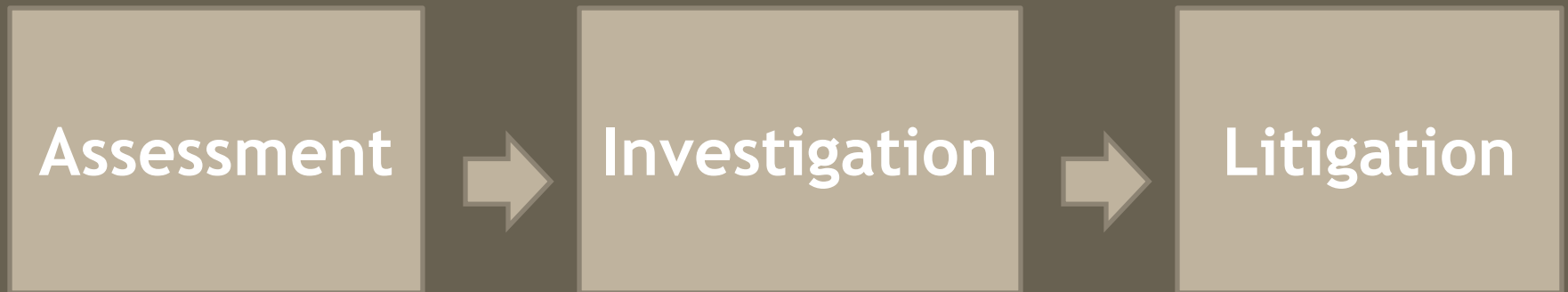
**Corporate
Resources**

Enforcement

**Financial
Services**

**Market
Regulation**

The Enforcement Division consists of:



+ Market Surveillance Investigation Department

Enforcement Division

Focus:

Protect the investing public and Alberta capital market through the investigation of complaints and the enforcement of the Securities Act.

What is a security?

Definition (Sec 1(ggg))

- Any document or certificate that entitles the holder to profit from the efforts of others is likely a security.
- Examples:
 - Stocks
 - Shares
 - Bonds/Debentures
 - Profit-sharing agreement
 - Promissory notes, loans, etc.

What percentage of Albertans have been approached with a fraudulent investment?

- a) 23%
- b) 42%
- c) 34%
- d) 58%

Investment fraud happens

- What percentage of Albertans have been approached with a fraudulent investment?

a) 23%

b) 42%

c) 34%

d) 58%



The size of the problem

- More than one million Canadians defrauded in their lifetime.
- 31% of victims have been victimized more than once.
- 13% invested more than \$25,000

Impact of investment Fraud

- 91% of Canadians agree that the impact of investment fraud can be as serious as the impact of violent crimes
- 70% of Canadians agree that fraud artists get off lightly.

Enforcement numbers - F2013

- 708 complaints received
- 772 concluded investigations
- 362 summons issued
- 323 formal interviews conducted
- 198 Production Orders issued
- 208-234 active files on any given day
- \$546,000 in settlements agreed to
- \$6,169,000 administrative penalties levied

Caveat Emptor

JIM LEARNS ANOTHER
HARD LESSON IN
SELECTING A
BROKER...



WILEY
Kenna 9-9

WILEY@NON-SEQUITUR.COM

WWW.NON-SEQUITUR.COM

DIST. BY UNIVERSAL PICS SYNDICATE

What to watch for

Common ways of being approached:

- Affinity Fraud
 - friends, family, colleagues
- Cold Calls
 - over the phone, boiler rooms
- Advertisements
 - newspaper, radio, internet, seminars

Common scams: Ponzi Scheme

- Promises high rates of return with little or no risk to investors.
- Returns are paid to early investors from their own money or money paid by new investors, rather than from profit
 - There is no legitimate investment.
- Early investors usually get promised returns, as long as new investing occurs.

Common scams: Pyramid Scheme

- Participants actively promote the scheme and try to make money solely by recruiting new participants
- Participants move up the “pyramid” as new investors buy in.
- If participants expect a profit- this not a gift exchange and not legal.

Rogue promoters: unregistered exempt market securities

- Usually raise capital from investors by circumventing securities regulation
- Often improperly divert investor funds for their own use
- Often involve nonexistent or delayed projects
- Use investor funds to pay for their continued marketing and promotion efforts of these (usually) fraudulent schemes

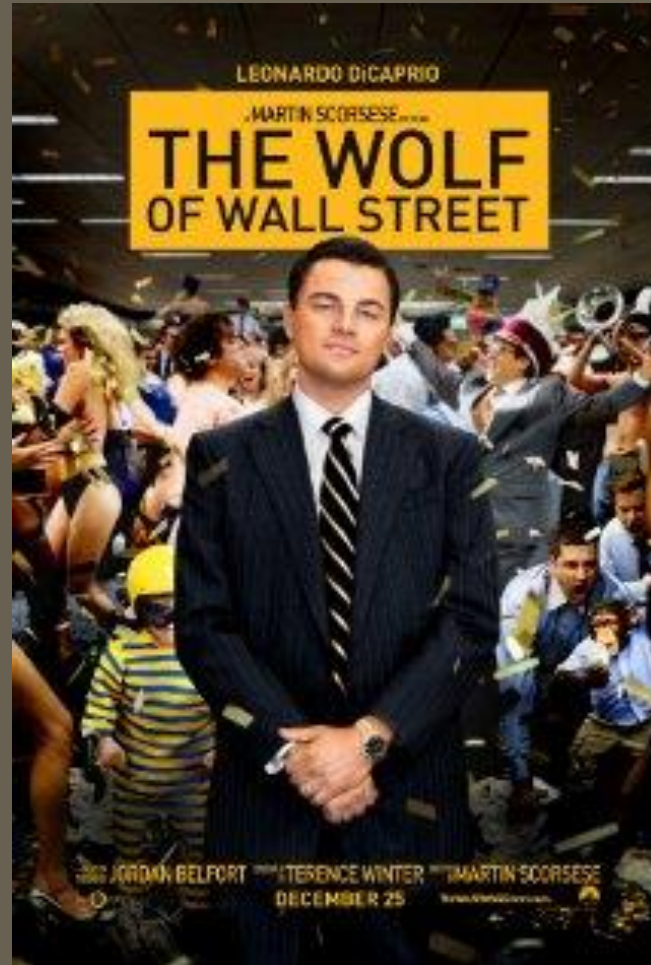
A|S|C

Alberta Securities Commission

Boiler Room



The Wolf of Wall Street



Tips to avoid scams

- Ignore promises of “guaranteed” high returns with little or no risk
- Be wary of the latest trend
- Check registration

Tips to avoid scams

- Check enforcement history
- Resist blindly following friends and family
- Get independent, unbiased second opinion

BlueHedge Investments

En Français

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BLUEHEDGE
INVESTMENTS

INVESTING IN YOUR FUTURE. COAST TO COAST

BlueHedge Investments ensures the success of our clients while helping build the financial stability of our portfolio through green energy and resource allocation – fuelling environmentally sustainable and future energy and resources.

- Earn 9% interest per month
- Invest with professional market leaders
- Earn money risk free!

INVEST NOW!

A Public Education Initiative From **CSA/ACVM**

BlueHedge Investments will only be open for an additional 30 days as sustainable projects are selected to be listed on the exchange. Be a part of this truly once in a lifetime opportunity.

CSA/ACVM
Canadian Securities Administrators / Autorités canadiennes en valeurs mobilières

RED FLAGS
LEARN THE REAL SIGNS OF SCAMS

TOO GOOD TO BE TRUE?

SEE THE SCAM
BLUEHEDGE INVESTMENTS

5 ALL YOU NEED TO KNOW IN UNDER **5 MINS**

Did you think BlueHedge was real?

YES
 NO

View Results

BLUEHEDGE INVESTMENTS ISN'T REAL.

Canadian securities regulators created BlueHedge Investments, a fictitious company, for a reason. To demonstrate just how easy it is to fall for investment fraud.

Did you know that BlueHedge was a scam? If not, you aren't alone. In fact, over a million Canadians have become victims of investment fraud. Don't let it happen to you. Take a few minutes now to learn how to protect yourself.

Spread the word.

Investigations

- The Executive Director (ED) may, by order, appoint a person to make any investigation that the Executive Director considers necessary in respect of the following:
 - the administration of the Alberta securities laws
 - any matter relating to trading in securities or exchange contracts in Alberta;
 - any matter in Alberta relating to trading in securities or exchange contracts in any other jurisdiction.

Powers of Investigators

- The person appointed to make an investigation under section 41 has the same power as is vested in the Court of Queen's Bench for the trial of civil actions
 - to summon and enforce the attendance of witnesses
 - to compel witnesses to give evidence on oath or otherwise
 - to compel witnesses to produce documents, records, securities, exchange contracts, contracts and things

Powers of Investigators

- The failure or refusal of a person summoned as a witness to do any of the foregoing makes that person, on application to the Court of QB by the person making the investigation, liable to be committed for contempt by the Court of QB in the same manner as if that person were in breach of an order or judgment of that court

Investigative Tools

- On an *ex parte* application the investigator may apply to the Court of Queen's Bench for an Order permitting the investigator to enter, search, and seize any documentary evidence of the person or company

Investigative Tools

- Production Order
 - used for registrants, brokerage houses
- Summons
 - used to bring people in for interview
 - can also direct the party to bring docs or records to the interview
 - used for banking and business records

Investigation to be Confidential

- Anything acquired and all information or evidence obtained pursuant to an investigation is confidential and shall not be divulged except
 - by a person or company to the person's or company's counsel
 - where authorized by the executive director, or
 - as otherwise permitted by Alberta securities laws

Information

- If the ED considers that it would not be prejudicial to the public interest to do so, the ED may provide information to and receive information from
 - other securities or financial regulatory authorities, exchanges, self-regulatory bodies or organizations, law enforcement agencies and other governmental or regulatory authorities in Canada and elsewhere

Order to Freeze Property

- The ED may make an order to freeze property such as bank accounts and trading accounts

Proceedings / Hearings

- If sufficient evidence exists, file is forwarded to enforcement counsel
- Requires approval from the Manager, Litigation and Director, Enforcement to proceed
- Notice of Hearing issued, which is essentially a charge been laid
- Opportunity for settlement agreement

Proceedings / Hearings

- Currently two hearing rooms in Calgary
 - occasionally hold hearings in other communities
- Panel of two or three consisting of Vice Chair and two others adjudicate.
- Hearing
 - impose administrative penalties (fines) of up to \$1 million per contravention of Act, lifetime market bans (selling, director/officer, exemptions)
- Court
 - fines of \$5 million per offence and sentences of five years less a day

What to do if you encounter a problem

- Information
 - Website - www.albertasecurities.com
 - Registration database
 - Disciplined Persons List
- Who should you contact?
 - General Inquiries
 - 1-877-355-4488
 - inquiries@asc.ca

Contact Information:

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- **Public Inquiries**
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- **File a Complaint**
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File a complaint online