

QUEBEC CRACKS DOWN ON INVESTMENT FRAUD

The world of investing can be a jungle at the best of times. It's not easy protecting your wealth and growing your savings with the dazzling choice of stocks, bonds, mutual funds and other investments out there. Amid those enticing options, many dangers lurk for unsuspecting investors. There are some strange creatures prowling the financial jungle ready to hunt down the greedy, the fearful and the ignorant with the lure of easy money, fast money and big money. ...

In recent years, Quebec has seen some spectacular frauds with investors separated from their wealth - sometimes hundreds of thousands of dollars - and left standing in line at food banks. But the **Autorité des marchés financiers**, Quebec's regulatory body which oversees financial markets in the province, has moved in on some of the predators, shutting down illegal operations and prosecuting them before the courts, which have handed out large fines and lengthy jail terms. In fact, Quebec leads the way in Canada in cracking down on stock-market fraud and other illegal activities, according to the AMF, which was established in 2004 to regulate financial markets including insurance. A third of all judicial decisions rendered in securities-related cases in Canada last year were handed down in Quebec. The best known decision last year was the 11-year jail term for West Island's Earl Jones, a Ponzi scheme operator and fraudster. He was sentenced in February 2010 for defrauding 158 investors out of \$50 million.

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The AMF says that sterner sanctions were doled out to the guilty last year than in previous years, with longer jail terms and bigger fines for securities offences committed in Quebec. Distribution (promotion and sale of securities) is by far the biggest problem and in many cases the relationship between investors and the individual offering the investment is very strong, said **Jean-François Fortin, head of investigations** in the enforcement and legal affairs section of the AMF. ...

Fortin directs several teams of specialists, which include lawyers and accountants collaborating with representatives of the RCMP, Sûreté du Québec and Crown prosecutors investigating complaints from investors. In a recent case, members of Fortin's group worked with police officers on the Integrated Market Enforcement Team (IMET) to bring charges of fraud and

market manipulation against 11 residents of Montreal and Toronto. They are alleged to have persuaded 120 holders of locked-in registered retirement plans to transfer the contents to self-directed accounts without tax liabilities giving control to the accused. The latter then used the funds to inflate the value of stocks listed on the TSX-Venture in transactions totaling \$3 million. Investors were initially attracted by newspaper advertisements over 18 months in 2008-09. But cyber crime is becoming a huge playing field for fraudsters who use websites and email messages to attract their victims. As a result, specific resources have been allocated to cyber surveillance by the AMF as of April 2010. Since then, 46 cyber-crime files have been opened, resulting in 28 warnings issued, 14 investigations launched, and four cases taken to court. ...

"The CSA's enforcement actions confirm that Canadian investors have been victims of fraudulent online investment schemes," says a statement from **Bill Rice, chair of the Canadian Securities Administrators and chair and CEO of the Alberta Securities Commission**. "We want to remind investors to look beyond slick, professional looking websites and unsolicited emails, do more research and seek a second opinion before investing in any opportunity." He says securities regulators - including the AMF, which is a member of the CSA - are using social media and blogs to warn investors about schemes. ...

Fortin said that most cases begin with an investor filing a complaint, which is recommended for further investigation depending on the extent of an alleged crime and its urgency by one of the AMF teams. If an investigation turns up illegal activities, the AMF then seeks to issue orders to block and freeze accounts to protect investors. "Block-and-freeze orders stop accused fraudsters from moving funds out of the accounts for their own use," Fortin explained. He advises investors to check the AMF website to determine whether someone selling securities is registered. "If the seller is registered, then it's a good sign that he is legal and operating in an honest manner," he said.

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