

Prepared for:

## CANADIAN SECURITIES ADMINISTRATORS Investor Education Committee

# 2007 CSA Investor Study: Understanding the Social Impact of Investment Fraud

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**Canadian Securities Administrators** | [www.csa-acvm.ca](http://www.csa-acvm.ca)

Tour de la Bourse  
800, Square Victoria  
Suite 4130  
Montreal, Quebec  
H4Z 1J2



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**Innovative Research Group, Inc.** | [www.innovativeresearch.ca](http://www.innovativeresearch.ca)

**Vancouver Office**

1055 West Hastings, 3<sup>rd</sup> Floor  
Vancouver BC | V6E 2E9  
*Main: 604.662.4022*  
*Fax: 604.684.6024*

**Toronto Office**

350 Bay Street, 3<sup>rd</sup> Floor  
Toronto ON | M5H 2S6  
*Main: 416.642.6340*  
*Fax: 416.640.5988*



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# 1. *Executive Summary*

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## 1.1 It's About Trust

The Canadian Securities Administrators engaged Innovative Research Group to explore the impact of investor fraud beyond the financial loss endured by victims. With the help of 5,868 individuals who participated in a Canada-wide online study, victims of fraud and friends and family who were close to a victim were asked their about experiences with attempted fraud and successful frauds. They were also asked to share their perceptions on the social impact of investment fraud. So what were some key findings?

The short answer is that investment fraud is about trust. Investment fraud depends on trust while also destroying trust. Most victims are introduced to an investment fraud through an existing relationship of trust. The first casualty of fraud is the victims' trust in other people, investments and financial markets.

The social cost of investment fraud doesn't stop there. Victims, especially victims who lose \$10,000 or more, frequently experience higher stress levels and feelings of anger. They often experience depression or feelings of loss and isolation. Less frequent, but still common among those who experience major losses, are panic or anxiety attacks, increased vulnerability to physical illness or extreme weight loss or gain. The friends and family of fraud victims tend to see greater impacts than victims like to admit.

Roughly one-in-twenty Canadians have been victimized by investment fraud. Almost one-in-five know a friend or a family member who has been victimized. Four-in-ten have been approached with an investment fraud. Given the extent of fraud, it is not surprising that Canadians take fraud seriously with nine-in-ten agreeing "The impact of investment fraud can be just as serious as the impact of crimes like robbery and assault."

Canadians are concerned the "system" takes fraud too lightly. Half disagree that authorities treat fraud as seriously as other crimes, seven-in-ten think people who defraud others tend to get away with it and the same proportion believe those who get caught receive a light sentence at most.

Despite this, most Canadians believe reporting fraud is worth the effort. However, few turn those beliefs into action. Just 17% of those who have been approached with an attempted fraud reported their most recent experience. Even more worrisome, only 22% of one-time fraud victims and 28% of repeat fraud victims reported their most recent fraud experience. Responses suggest that *attempted* frauds are not reported because they seem too common or it is not clear that they are fraud. Reasons for not reporting *actual* frauds are more fragmented and include being embarrassed, a waste of time or too much trouble, did not involve much money, lack of proof, or the fraud had already been reported.

While people who report *attempted* fraud tend to be satisfied with the way authorities handled their report, fraud *victims* were not happy with their treatment, most often citing perceptions of a lack of action from authorities as the reason for their dissatisfaction.

Several attitudes create a vulnerability to investment fraud. People who strongly agree they don't trust investment professionals, those who strongly agree you have to bend the rules to get ahead, and people who feel strongly that every investment is a gamble, are two to three times as likely to be victims as the average Canadian. Repeat fraud victims are more likely to fall victim to email and online appeals than one-time fraud victims.

In the end though, it comes back to trust. No one is immune to fraud because successful frauds present themselves through people who have their trust, whoever they are.

## 1.2 Key Findings

### 1.2.1 *The Social Impact of Fraud*

**The first and greatest casualty of fraud is trust.** Not just trust in markets and investments, but trust in people in general.

- Just over two-thirds (68%) of fraud victims say they are less willing to trust others after their fraud experience and 63% are less willing to make future investments.
- Among those who experienced fraud losses of \$10,000 or more, 84% are less willing to trust others and 75% are less willing to make investments.
- Friends and family tend to see the impact in the same light as victims who experience major losses with 81% saying the victim they know was less willing to trust others and 77% saying the victim was less willing to make investments.

**Experience with fraud also shakes the confidence of victims in the way markets are run.**

- Half of all victims agree that “After having someone convince me to invest in a fraudulent investment, I just don't trust the way investments are run and regulated in this country.”
- A majority of 54% also agree that “As a result of the way authorities handled the case after I reported the investment fraud, I just don't trust the way investments are run and regulated in this country.”

**The next greatest casualty of fraud, particularly among victims with losses over \$10,000, is health.**

- The most prevalent health issues are about emotional health; with 36% of fraud victims reporting that they experience higher stress levels and 32% experiencing increased feelings or displays of anger.
- Among victims who lost \$10,000 or more, 60% have experienced higher stress levels and 49% experienced increased feelings or displays of anger.
- Friends and family perceive an even higher toll with 68% perceiving that victims have experienced greater stress and 54% seeing increased feelings or displays of anger.

**A second tier of health impacts relates to mental health.**

- Just over one-in-five victims (22%) report experiencing depression (22%), or feelings of extreme loss or isolation (20%).
- Again, the impacts are more severe among victims who lost more than \$10,000 with 43% reporting depression and 38% reporting feelings of extreme loss or isolation.
- Friends and family report even higher impacts with depression at 48% and feelings of loss or isolation at 44%.

### **The third tier of health effects is more physical.**

- One-in-ten victims or more report extreme weight loss or gain (10%), more vulnerability to physical illness (12%) or panic or anxiety attacks (15%) as a result of their fraud experience.
- These impacts are felt more often among victims with larger losses with one-third stating they were more vulnerable to physical illness (32%) or panic or anxiety attacks (33%) and almost one-in-five reporting extreme weight loss or gain (18%).

**The final casualty of fraud is social connections.** A small but significant group of fraud victims pull back from their friends, family and the broader community.

- Between one-in-ten and one-in-five victims report less involvement in social activities (19%), loss of friends (16%), reduced involvement in family activities (12%) and less volunteer activities.
- Victims who lose \$10,000 or more are roughly 10 percentage points higher on each measure.
- Friends and family perceive the social impacts to be about 20 percentage points higher than the average for all victims and about 10 percentage points higher than major victims.

**Fraud victims are not necessarily helped to recover by friends and family.** After a fraud experience, support from the people closest to the victim is divided.

- 38% of victims agree that the people closest to them were supportive and helped them recover from their loss (26% of victims disagree).
- Among friends and family who know a victim of investment fraud, 42% feel the closest people to the victim were supportive and helped them recover from their loss, (31% of friends and family disagree).

**One-in-six friends or relatives at least somewhat attribute a separation or divorce to investment fraud,** while only 4% of victims feel the same way. While there are multiple sides to every story, this staggering gap between the two perspectives is the most pronounced of all the social impacts.

**Despite negative effects, victims still hold a sense of optimism.** A majority of victims of fraud (75%) feel they'll recover from their most recent investment fraud. Under one-in-five (18%) feel they will never be able to recover from the investment fraud.

- This is especially true as time passes: victims within the last three years (71%) feel they'll recover less often than those victimized 20+ years ago (88%).

## *1.2.2 Canadians' Experiences with Investment Fraud*

### **Canadians feel authorities do not treat investment crime as seriously as they should**

- 91% of Canadians agree that the "the impact of investment fraud can be just as serious as the impact of crimes like robbery and assault". Agreement is extremely strong here, with almost seven-in-ten (68%) expressing strong agreement and only one-in-four (23%) saying they somewhat agree.
- However, the majority of Canadians (51%) disagree that authorities treat fraud as seriously as other crimes.
- Most Canadians (70%) feel fraud artists get away with their crimes, and even if they get caught they get off with a light sentence (71% agreement).

**Exposure to investment fraud is a common occurrence in the lives of many Canadians.**

- Two-in-five Canadians (41%) have been approached with what they feel was a fraudulent investment opportunity at some point in their lives.
- Almost, three-in-ten Canadians (28%) have been approached within the past three years.
- Among the group who has been approached within the past 3 years, 30% were referring to email spam.
- Therefore, aside from email spam, 1-in-5 Canadians (20%) have been approached with what they believe to be an investment fraud in the past 3 years.

**Although the occurrence of attempted investment fraud is relatively common, very few Canadians actually report these attempts to the authorities.** Only a small group of respondents (17%) reported what they thought was a fraudulent investment opportunity to the authorities (up 3 points from 14% in last year's CSA *Investor Index Study*).

- 42% of those who reported an attempted fraud said they were satisfied with the way authorities handled their report vs. 22% who said they were unsatisfied.
- The most common reasons for not reporting the *most recent attempted fraud* were "too common/assumed authorities were already aware (of it)" or it was a "benign solicitation" that was so clearly a fraudulent offer, no rational person would ever invest.

**Almost one-in-twenty Canadians (4.51%) have been victims of investment fraud.**

- Among the 41% of Canadians who have been approached at some point in their lives with an investment fraud, 11% have invested money (i.e. **4.51% of Canadians have invested in a fraudulent investment at some point in their lives**).
- When extrapolated to the Canadian adult population (approximately 22.5 million adult Canadians); an estimated 1,014,750 Canadians have fallen victim to investment fraud at some point in their lives.
- 3.96% of Canadians reported to have invested in a fraudulent investment in the 2006 CSA Investor Index Study.
- Among those who have been approached with an investment fraud, the highest rate of falling victim to the fraudulent offer is in BC at 14% whereas the lowest rate of falling victim to the fraudulent offer is in the Atlantic region at 4%.
- Among Canadians who have invested in scams, 25% are repeat victims.
- Among victims, 7% were scammed in the last 12 months (or 0.32% of Canadians); 37% were scammed since 2000 (or 1.67% of Canadians).
  - At 22.5 million adult Canadians, this number can be extrapolated to approximately 72,000 Canadians who have been victims of fraud in the last 12 months, or 375,750 Canadians who have been defrauded since 2000.

**Among victims of fraud, only 24% reported the fraud to the authorities.**

- The most commonly cited reasons for not reporting the fraud were:
  - Victim was too embarrassed
  - Not a lot of money involved
  - Too much trouble
  - Lack of proof
  - Fraudsters were based offshore or bankrupt



### **A relationship of trust was key to most successful frauds.**

- 65% of repeat victims would describe their level of trust with the person or persons who introduced them to the fraudulent investment as strong. This is higher with first time victims at 73%.
- Victims were most commonly introduced to their most recent fraudulent investment through a friend, neighbour, co-worker or family member (49%).

### **74% of victims did not recover any of their investment from the most recent fraud that they were involved in.**

- Reporting the investment fraud increased the likelihood of the victim recovering some of the lost funds, but did not guarantee recovery.

### **When Canadians invest in fraud, it has a significant impact on their personal finances.**

- The financial impact of fraud has serious ramifications with 32% of victims saying the most recent investment fraud had an **extreme or significant impact** on their personal finances.
- This is particularly true among repeat victims, as not only do they invest more than one-time victims (\$10,000 or greater invested: 34% vs. 21%), they also invest a more significant portion of their savings (repeat victims 43% vs. 30% of one-time victims).

## *1.2.3 Profile of Canadian Retail Investors*

### **One-quarter of adult Canadians do not have any savings for the future.**

- Similar to last year's telephone survey, 26% of Canadians, 18 years and older do not have any investments set aside for the future.
  - This is highest in Quebec at 36% and lowest in Ontario at 20%.
- Only 51% of adult Canadians own stocks, bonds or mutual funds outside of company pension plans – this is highest in British Columbia (56%) and lowest in Quebec (41%).

### **Canadians' confidence slips – in both their own decisions and in others.**

- Confidence in investment decision-making is down slightly from last year's study (48% vs. 51% respectively). However, confidence when it comes to making investment decisions is highest in Quebec at 51%.
- When asked if they "just don't trust investment professionals", BC respondents are the least likely to respond positively, with 29% agreeing with the statement.
- Two-in-three (66%) feel investments are a gamble, no matter how much homework you do. However, only 51% of Quebec respondents agree with that statement.

### **Financial education courses not the norm.**

Less than two-in-ten (17%) recall taking courses in personal financial management in grade school. However, exposure to courses in personal financial management is highest in Quebec (25%) and lowest in the Prairies (11%).



### 1.2.4 Attitude Towards Provincial Securities Regulators

**Majority of respondents (53%) don't know if there is a provincial agency responsible for regulating financial investments in their province.**

- This is virtually unchanged from last year, (54%), where less than half (45%) of respondents indicated they were aware of a provincial regulatory agency.
- This year, in terms of awareness, the highest level exists among Quebeckers at 55%, while the lowest level of awareness is among respondents in the Prairies at 32%.

**After being reminded of a regulator presence, only 32% of Canadians say they were either very familiar or somewhat familiar with their provincial securities agency.** This is down from last year when 35% of Canadians said they were familiar with their provincial securities regulator.

- Not surprisingly, the more active that individuals are in financial markets, the more familiar they are with their provincial regulator. The majority of active investors (51%) are familiar with their provincial regulator whereas only 16% of individuals with no savings say they are very or somewhat familiar with their provincial regulator.
- Ontarians are the most familiar with 41% saying they are very familiar or somewhat familiar with the Ontario Securities Commission.
- Respondents from the Prairies and Atlantic provinces are least familiar with their provincial regulators, with only 23% in both regions saying they are very familiar or somewhat familiar.

**24% of respondents who knew about their regulator say they have a favourable impression of their provincial regulator** vs. 45% who say they have neither a favourable nor unfavourable impression.

- Quebec residents have both the highest favourable and unfavourable impression of their provincial regulator (30% and 20% respectively); however this is likely due to the relatively high level of awareness of the *Autorité des marchés financiers* in Quebec.

#### **Current role of provincial regulators unclear**

- When it comes to beliefs about what provincial regulators can and cannot do, ambiguity surrounds the role of enforcement. Just under half of respondents (46%) believe their regulator can ban fraud artists from selling investments in their province vs. 42% who do not know whether their regulator has such authority or not.

#### **Canadians support a strong role for regulatory agencies**

- Although Canadians are largely unfamiliar with their provincial regulators, they overwhelmingly support the importance of enforcement and anti-fraud policies.
  - 93% of respondents feel it is important for the regulators to ban anyone who breaks the rules from selling investments (95% in the Atlantic region).
  - 86% feel it is important for the regulators to set the rules for the province's investment industry (89% in Ontario and the Atlantic region).

## 2. Introduction

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### 2.1 About this Study

The *2007 CSA Investor Study: Understanding the Social Impact of Investment Fraud* ('the study') is a mixed methodology study combining a random digit dialing telephone study with an in-depth online study. A 2,000 person telephone study was used to provide an incident rate for weighting purposes of Canadians' investing profile. The online study was used to develop a profile of Canadian investor segments and provide a large sample of fraud victims and close friends and family of fraud victims to better understand social impacts of investment fraud.

The study was conducted by Innovative Research Group, Inc., a national public opinion research firm, between July 16 and July 31, 2007. Results from the survey are based on 5,868 completed online interviews of Canadians, 18 years of age or older.

The sample used has been weighted according to telephone data on Canadian investing behaviour and 2001 Census data to accurately reflect a representative cross-section of Canadians. With a sample of this size the aggregated results are considered accurate to within  $\pm 1.28$  percentage points, 19 times out of 20 (margin of error will vary among regional segments).

*Note:* Graphs may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers.

#### 2.1.1 Research Foundations of the Study

The study is founded on pre-existing research, from Canada and abroad, on what happens to individuals who are victimized by fraud. One of the goals of this study was to build on previous academic research, providing new and meaningful insights on what it means to be a victim of fraud, while at the same time, using the knowledge gained from previous works to inform the questionnaire design. Highlighted below are the findings of the literature INNOVATIVE surveyed which helped to form the background and questionnaire used for this study.

The *Investor Profile* section of the report contained many tracking questions that were used in last year's study, the *2006 CSA Investor Index*. For new knowledge index questions, the questionnaire sourced the consultation process that took place between CSA representatives and INNOVATIVE, as well as articles such as Baker and Faulkner (2003) and those of the Consumer Fraud Research Group (2006) which indicate that victims often had higher levels of intelligence. As a result, we asked a range of knowledge questions ranging from the basic (diversification's benefits) to the more involved (bond prices).

As well, to get a good idea of what investors' attitudes toward investing were, we used articles such as that of Grunseit, Marlin, and Kell (2002), who found that some victims viewed *all* investing as a gamble. As well, articles from the US Department of Justice, which profiled victims of fraud, were used to inform our statements on *getting ahead in life* as well as trust in investment professionals.

The second section of the report, which was comprised of a combination of tracking questions and new questions, was informed by both the research of Grunseit, Marlin, and Kell (2002), who used “cold calling” as an indicator of fraud as well as Titus (1999).

Walsh and Schram (1980) in GEIS (1980) noted that individuals often associated fraud with other crimes against the person such as assault because of their similar after-effects. As well, Moore and Mills (1990) suggest that victims of investment fraud who choose to report the crime receive unsatisfactory responses from police or regulatory bodies. As a result, both conceptual questions about the effectiveness of reporting a fraud, and *de facto* questions about reporting an incidence of fraud were asked.

Through sections 3 and 4 of the survey, questions separating the experiences of those who had only been approached versus actual victims of fraud were used, as it was discovered through background research that the experiences are not one and the same. For starters, not all persons who are approached with fraud actually invest. Some articles (Such as those by Titus) estimate the rate of victimization to be about one-third of those who had been approached by fraud. Our numbers show differently, as one can see below.

For questions concerning the victim experience, INNOVATIVE consulted such works as those of Moore and Mills (1990), who suggested that a lowered confidence in institutions was a result of fraud. As well, Shichor, Doocey and Geis (1996) and Titus (1999) informed questions concerning the circumstances of the victim at the time of fraud: their suggestion that persons nearing retirement were especially susceptible prompted INNOVATIVE to seek information on this and other related variables.

In asking how much the victim lost in the fraud, INNOVATIVE addressed the concerns of Copes and Kerley (2002) who found that “the strongest and most robust predictor for first and second victimization is the amount lost in the fraud”. The questionnaire also included questions concerning the victim’s social situation at the time of fraud, as information found in Mason and Benson’s article (1996) suggested that social support “buffers the detrimental physical and psychological effects of stressful and crisis events such as criminal victimization (from the Mason and Benson literature review; content discussed in Greenburg and Ruback, 1992; Cassel, 1976 and Cobb 1976).

As for questions concerning social impact, INNOVATIVE’s intentions were threefold: first, to address the concerns of the CSA, who were highly motivated to discover the social impact of fraud; second, to compare Canadian results to those found in previous studies in other nations; and third, to increase the sample size of those reporting social impacts, such that results of significance could be reported.

As a result of these intentions, questions were asked of victims, friends and families of victims to discover the effects that investment fraud has on victims, as well as those around them. To shape these questions, INNOVATIVE consulted works stemming from the US Department of Justice which has published primers on the emotional impacts of fraud; Moore and Mills (1990); Shichor, Doocey and Geis (1996); and Mason and Benson (1996); who, specifically cover a number of questions pertaining to the social impacts of fraud.

In addition, Gray and Acierno’s (2002) work on older-adult crime victims helped shape INNOVATIVE’s questioning of the health impacts of investment fraud, after reading that they had found actual experiences of panic or anxiety attacks. Further in their article, Gray and Acierno

discuss how nearly half of the victims they surveyed experienced a sleep deficit, two in five a “depressed mood”, and a similar number cited fatigue and concentration difficulties. Just over one third cited a decreased interest in “activities” generally. As well, the National Victim Assistance Academy (a branch of the US Department of Justice) suggests in their texts that victims experience higher rates of stress, guilt, shame, depression, and a sense of betrayal.

In the final section of the survey, tracking questions were used to develop and monitor the benchmarks established by the *2006 CSA Investor Index*.

As a result of the extensive literature review, the meetings held between the CSA and INNOVATIVE, and the use of questions of the previous study, the 2007 CSA Study questionnaire is both comprehensive and groundbreaking. The study is both comparable to particular research findings, and unique in the sense that it targets *Canadian* victims of *investment* fraud, a target group that to INNOVATIVE’s understanding has not received much in the way of research attention. What’s more, the study breaks new ground in surveying the effects of investment fraud by asking those who are closely related to or close friends with a victim to describe that person’s response to being victimized. As has been highlighted both above and by the full report, many of the results of this 2007 CSA Study are both startling and interesting.

### *2.1.2 About the Canadian Securities Administrators*

The CSA, the council of securities regulators of Canada’s provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets. Their mandate is to protect investors from unfair or fraudulent practices through regulation of the securities industry. Part of this protection is educating investors about the risk, responsibilities and rewards of investing.

### *2.1.3 About Innovative Research Group*

Innovative Research Group Inc. (INNOVATIVE) is a national public opinion research and strategy firm that provides critical information needed to assess and overcome public affairs and corporate communications challenges. INNOVATIVE provides public and private companies, governments and non-governmental organizations with high-level strategic counsel, communications research, reputation management, program evaluation, performance assessment and public affairs advice.

## 2.2 Methodology

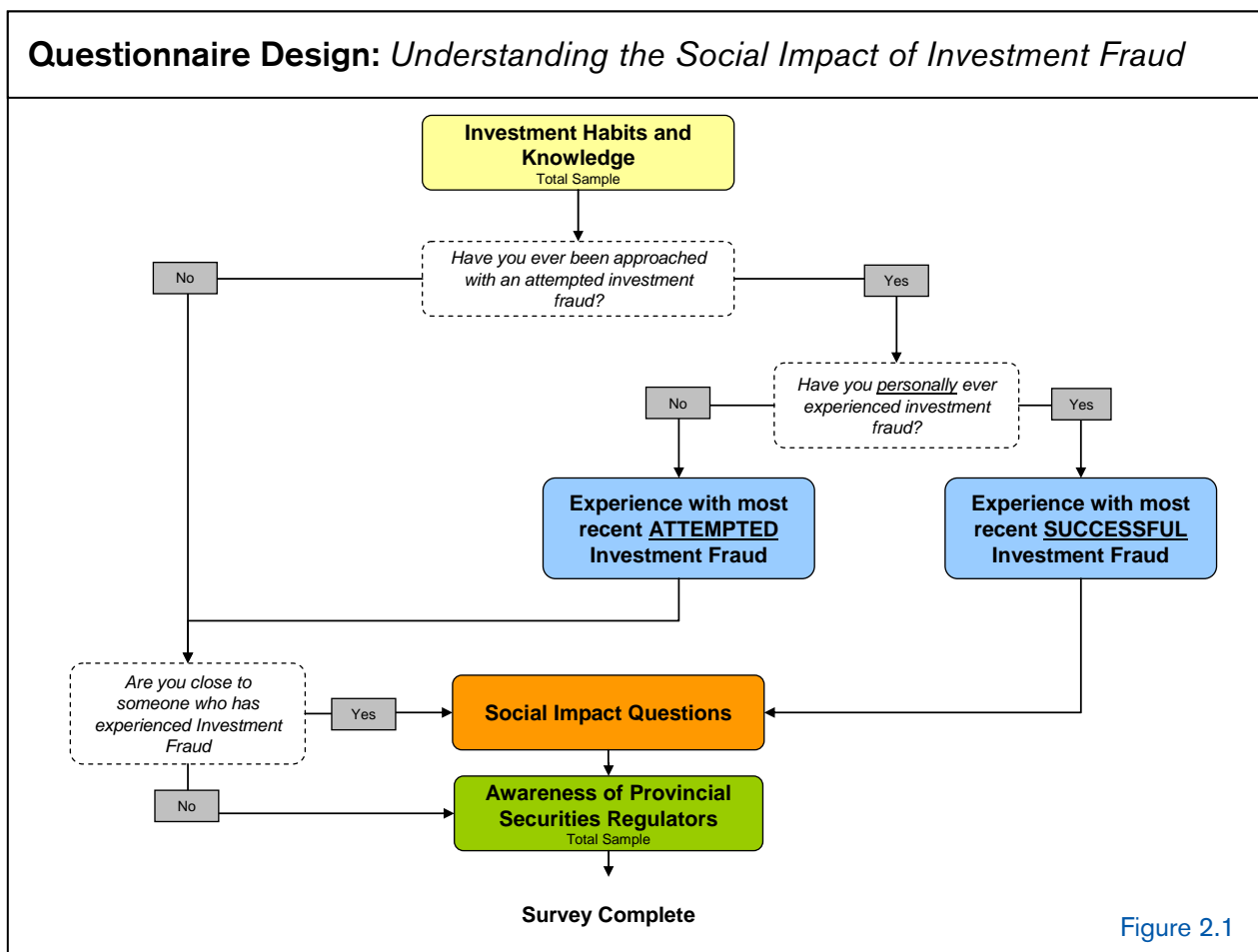
### *2.2.1 Questionnaire Design*

The study’s questionnaire was developed in collaboration with CSA Investor Education Committee representatives through a series of workshops conducted in Toronto and Montreal in the spring of 2007.

The main body of the questionnaire was designed to profile Canadians’ investment habits and knowledge and to track public awareness of the provincial securities regulators (based on questions asked in the 2006 CSA Investor Index Study).

An in-depth section of the questionnaire was also designed to identify the sub-sample of individuals who have been victims of fraud, and others who have close friends and family who have been victims of fraud. The in-depth questions relate to the social impact that the investment fraud had on them and those around them.

Figure 2.1 below illustrates how the sample was divided between the various sections of the questionnaire. The complete questionnaire is included under Appendix A of this report.



### 2.2.2 Questionnaire Pre-test

A survey pre-test was conducted to ensure the wording of the questionnaire was designed in a way that removed any possible ambiguity with the question wording *and* to ensure the flow and layout of the questionnaire was easy for respondents to follow.

INNOVATIVE randomly recruited six respondents experienced in completing online surveys from its panel, Canada 20/20 ([www.canada2020.com](http://www.canada2020.com)). Three of the randomly selected respondents were Francophone, while the other three were Anglophone. Testers were sent emails containing hyperlinks to the online survey and online testing instructions. Testers completed the online survey testing while being interviewed by telephone.

To get as much feedback as possible on the fraud victim section, respondents who did not go through this section were asked to go through the survey again as a hypothetical victim of fraud.

Interviews were conducted as outlined below:

## **Pre-Test Methodology**

### **Interviewer explains survey (5 minutes)**

Moderators reviewed the following with online questionnaire testers:

- Investor education is a key priority for securities regulators across Canada. The key element of this year's study is the social impact of investor fraud beyond the financial loss endured by victims.
- To understand the impact of investment fraud, the study asked Canadians how fraud has affected them personally *and* how investment fraud has affected their friends and family.
- The CSA would like to measure public awareness of provincial securities regulators across the country. Understanding what Canadians know about their provincial securities regulator is important in order to design relevant and effective investor education programs both regionally and nationally.
- To protect the privacy of respondents, testers completed the online survey through an anonymous link (i.e. online responses were not recorded) and telephone responses were not recorded.

### **Part One (10-15 minutes)**

- The format involved the participant going through the online survey independently.
- The length of time it took participants to complete the survey was recorded.

### **Part Two (10-15 minutes)**

- Testers went through the survey - question by question -with the interviewer. The interviewer asked whether each question and section of the survey made sense and was easy to understand. Were terms or words difficult to understand? Do questions flow in a logical order?

### **Part Three (5 minutes)**

The interviewer probes for general feedback (i.e. was the questionnaire too long? Were sections of the questionnaire difficult to understand?)

After the interviews were completed with the online testing group, INNOVATIVE provided recommendations to the CSA Investor Education Committee. Final revisions to the questionnaire were made.

## **2.2.3 Sample Design**

The study audience consisted of a proportionate sample of the Canadian general public. While there are specific sub-audiences that receive additional attention, anyone with the ability to raise money for an investment is a potential target of fraud.

An online survey approach was used to ensure the largest sample size possible. This allowed the CSA to profile small sub-samples in more detail and with more confidence. This was particularly important in profiling the victims of fraud and the points of view of their families.

The online results were weighted both by Statistics Canada demographic data obtained from the 2001 Census and by key investment measures (*Q1 in Appendix A*) generated through a telephone survey of 2,000 Canadians conducted in June 2006.

The national survey was weighted down to a sample of n=5,000. This allows for an in-depth evaluation and comparison of the four provinces and two regions. These subgroups consist of the following regions:

- British Columbia
- Alberta
- Prairie Region (Manitoba and Saskatchewan)
- Ontario
- Quebec
- Atlantic (PEI, New Brunswick, Nova Scotia, and Newfoundland and Labrador).

The statistical significance (19 times out of 20) for the national sample and the regional sub-samples is described below:

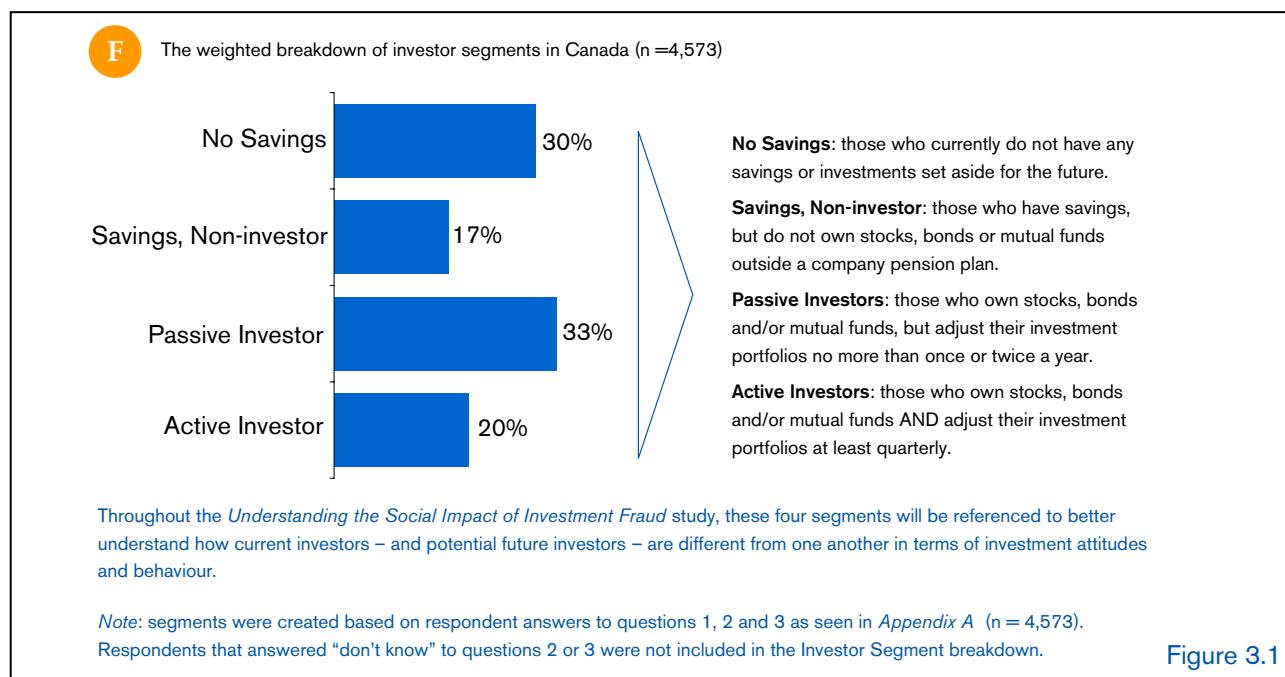
Region	BC	Alberta	Prairies	Ontario	Quebec	Atlantic	Canada
Unweighted Sample	868	498	374	2,359	1,339	430	5,868
Weighted Sample	660	465	335	1,885	1,255	400	5,000
Margin of Error	±3.33	±4.39	±5.07	±2.02	±2.68	±4.73	±1.28



### 3. Profile of Canadian Retail Investors

#### 3.1 Investor Profile

In the first section of the survey, we created a general profile of the Canadian investor, from the way in which Canadians invest or save to the frequency of investing. We also tested their knowledge of investments, and their own confidence in investing. Finally, investors were profiled by four attitudes towards investing and life. This is not an attempt to repeat the comprehensive attitudinal questions included in the 2006 CSA Investor Index, but an effort to supplement that work by testing some additional attitudes identified in other recent reports as likely predictors of vulnerability towards fraud. These attitudes will be considered again in the fraud section of the report.



#### Three-in-four Canadians currently set aside savings or investments

One-in-four (27%), or about 5.85 million adult Canadians, have no savings or investments set aside for the future. Only one-in-three (31%) have savings or investments in an RRSP or pension plan, while one-in-ten (9%) have savings or investments *outside* an RRSP or pension plan. One-in-three (32%) have both savings in and outside an RRSP or pension plan.

Quebeckers (36%) are the most likely to have no savings for the future, while less than one-in-four (23%) Ontarians and Albertans (23%), and two-in-ten British Columbians (21%) have no savings for the future.

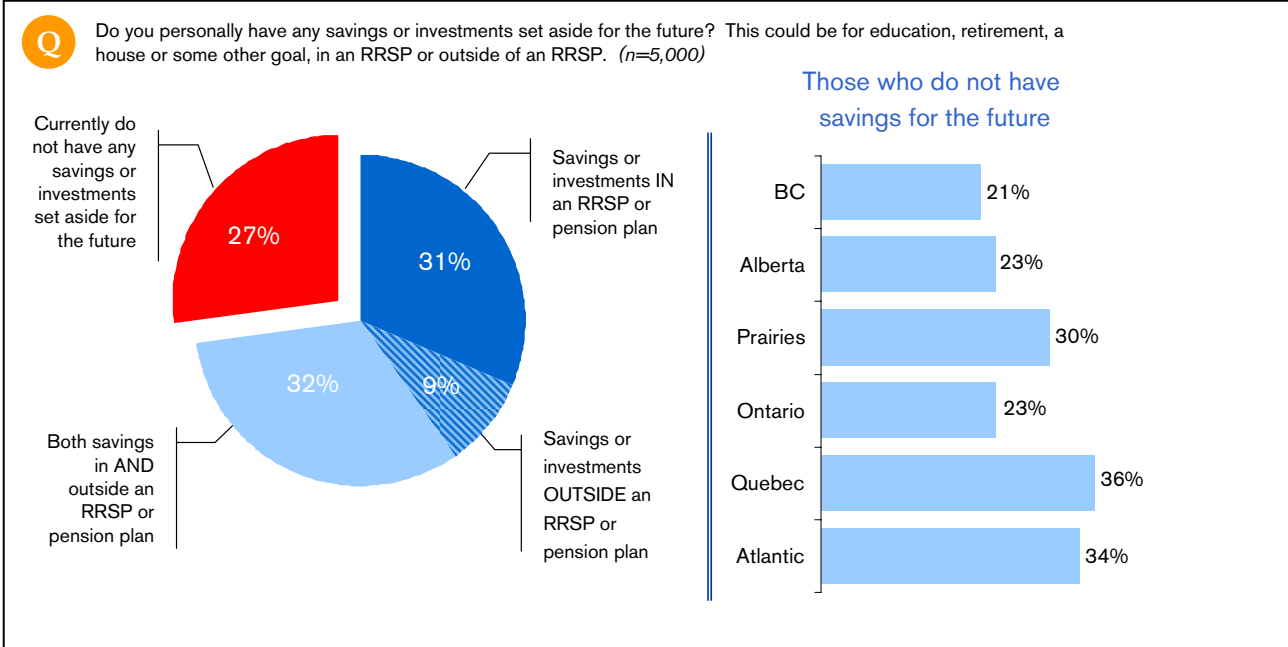


Figure 3.2

Those who rent homes (50%) are much more likely not to have set aside any savings or investments for the future than those who own (16%).

### Half of Canadians own investments, but are not actively trading

Half (50%) of Canadians own stocks, bonds or mutual funds outside of a company pension plan, but appear less active when it comes to buying and selling these investments: only one-in-five buys or sells stocks, bonds or mutual funds on at least a monthly basis (21%).

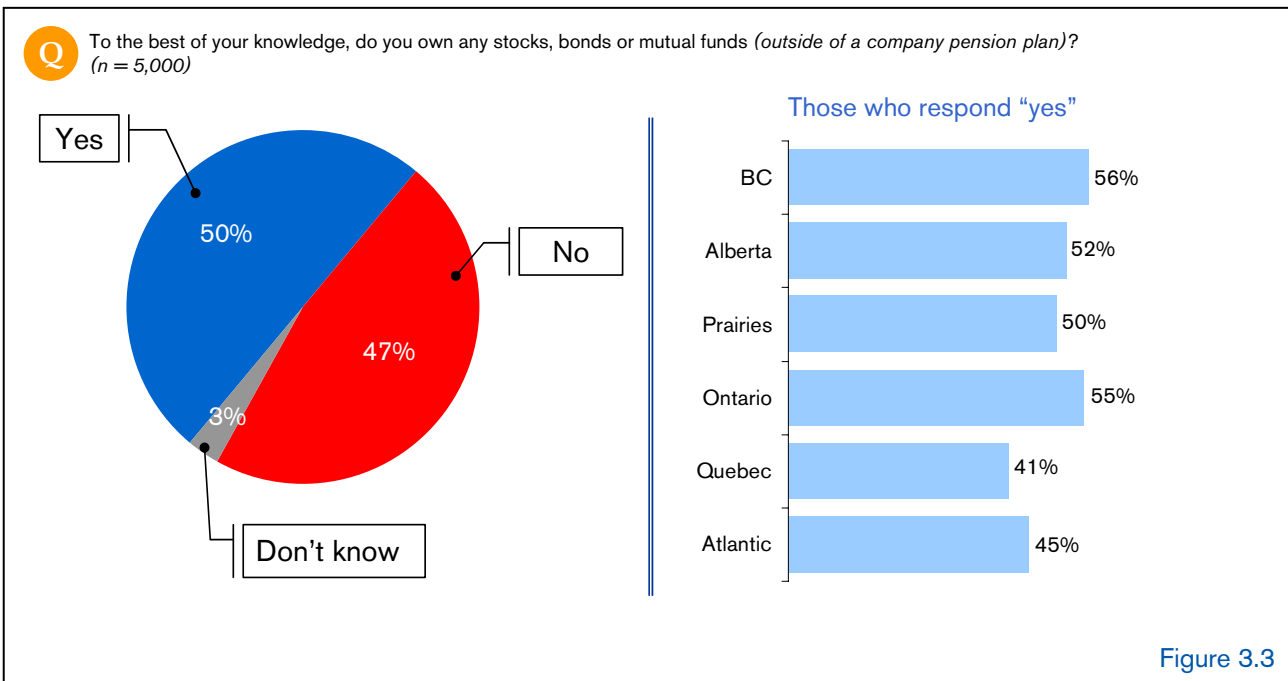


Figure 3.3



In general, how often do you buy or sell investments like stocks, bonds or mutual funds in the financial markets? (n = 2,952)

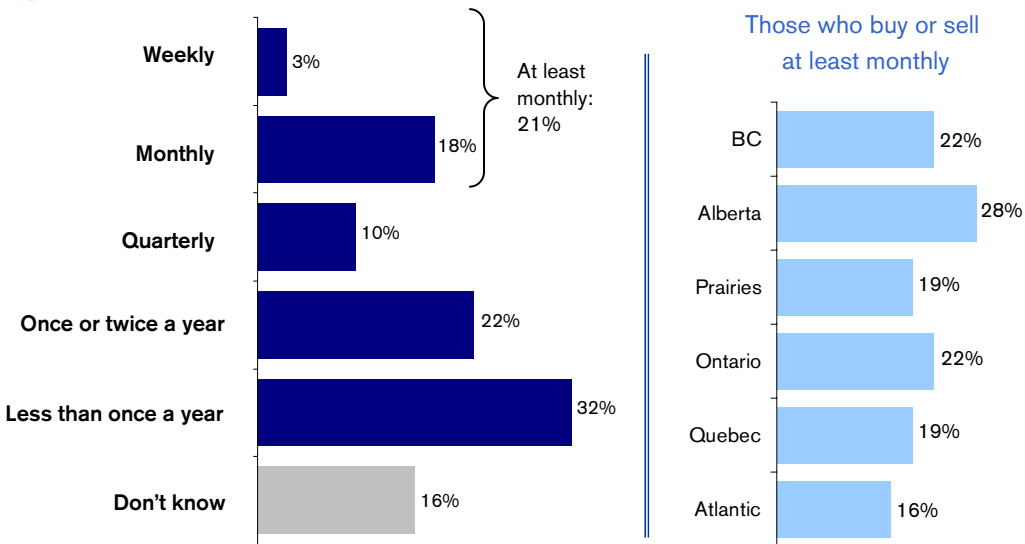


Figure 3.4

Only four-in-ten (41%) Quebeckers own stocks, bonds or mutual funds outside of a company pension plan, compared to a majority in every other region except Atlantic Canada (45%) and half in the Prairies (50%). Albertans (28%) are the most likely to buy or sell these investments on at least a monthly basis, with Atlantic Canadians (16%), those from the Prairies (19%) and those from Quebec (19%) as the least likely.

## 3.2 Investor Knowledge

### Half of Canadians pass basic investment knowledge test, shaky on bond prices

Respondents to the study were asked three true-or-false statements measuring investment knowledge: the first on whether bond prices go up when interest rates go down (true); the second on whether mutual funds pay a guaranteed rate of return (false); and the third asking if, when an investor diversifies his or her investments, the risk of losing money increases (false). We combined these results with two questions from the provincial regulator section – “Is there a provincial agency responsible for regulating securities investments in your province” (true) and “True or false: the provincial regulatory agency can ban fraud artists from selling investments in this province” (true) – to create an investment knowledge index out of five questions.

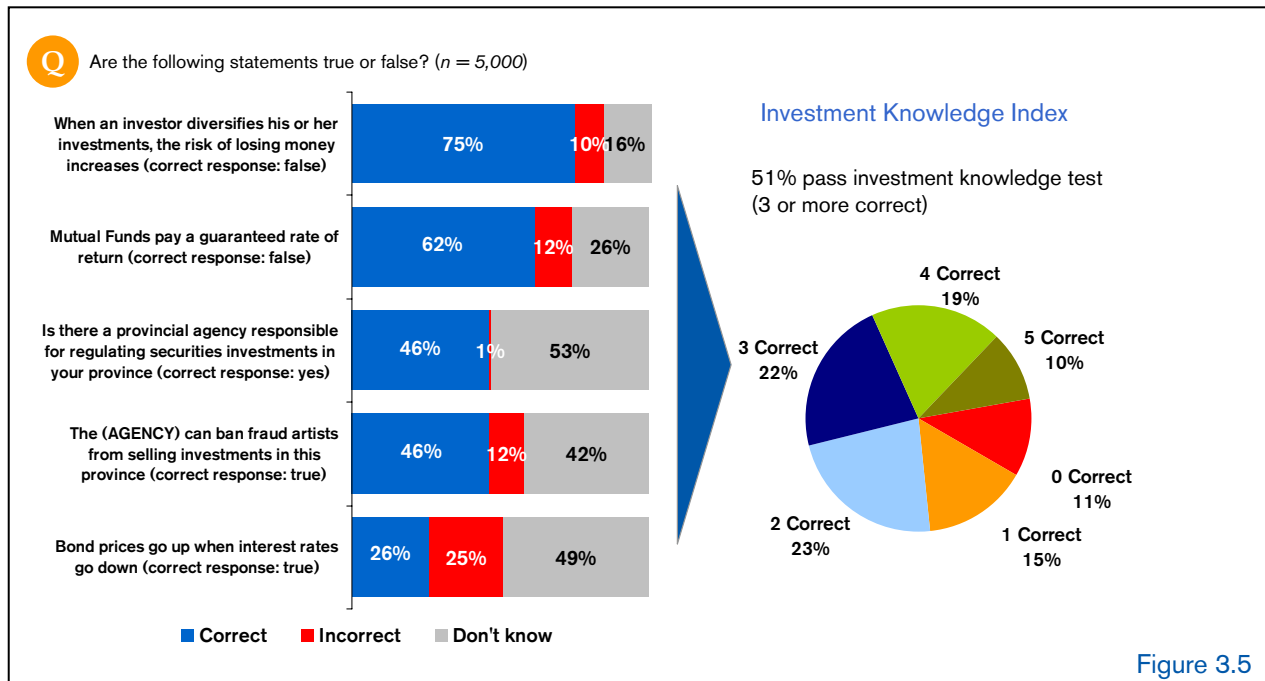
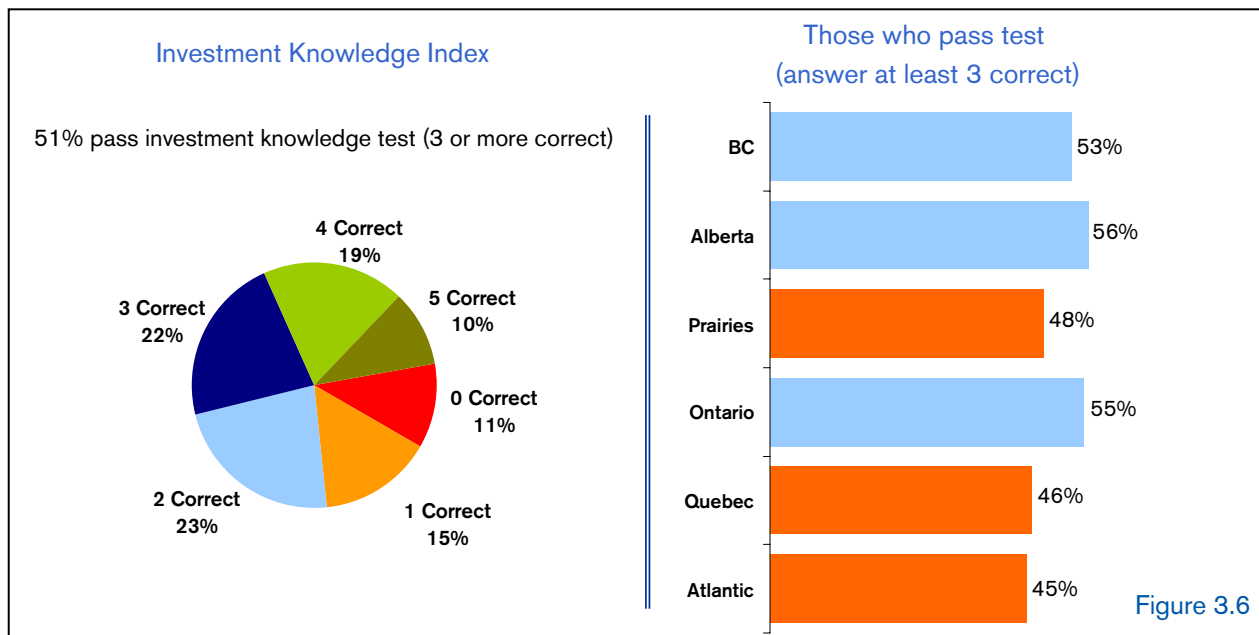


Figure 3.5

Just over half (51%) of Canadians pass the investment knowledge test, answering three or more questions correctly. One-in-ten (10%) Canadians answer all five questions correctly, two-in-ten (19%) answer four correctly and slightly more than one-in-five (22%) answer three correctly. Almost one-in-four (23%) choose two correct answers and 15% give only one correct answer. One-in-ten (11%) Canadians answered every question incorrectly on the investment knowledge test.

Regionally, we see Alberta (56%), Ontario (55%) and British Columbia (53%) as the only regions with a majority passing the investment knowledge test. The Atlantic region (45%) and Quebec (46%) score the lowest and just under half (48%) of those from the Prairie region answer at least three correctly.



Canadians showed a general understanding of the reduced risk of diversification and the risks involved with mutual funds, but had difficulty understanding bond prices. When asked if diversifying an investment increases the risk of losing money, three-in-four (75%) correctly answer 'false'. Similarly, when asked if mutual funds pay a guaranteed rate of return, more than six-in-ten (62%) Canadians correctly answer 'false'. Yet when asked if bond prices go up when interest rates go down, half (49%) responded 'don't know' and one-in-four (25%) incorrectly answer 'false'. Only one-in-four (26%) correctly answer 'true' on this statement.

Regionally, we see a knowledge deficit in Quebec on mutual fund and bonds knowledge compared to the rest of the provinces, particularly Alberta and Ontario. On mutual funds, only 44% of Quebecers answer correctly, compared to at least six-in-ten in every other province, ranging from 58% in Atlantic Canada to the highest in Alberta (71%) and Ontario (69%). Quebec is also virtually tied for the lowest knowledge on bond prices: only two-in-ten Quebecers (21%), Atlantic Canada (21%) and those from the Prairies (20%) answer 'true' on the bond prices statement, compared to one-in-three (32%) in Alberta and three-in-ten (29%) in Ontario and British Columbia.

### 3.3 Investor Confidence

#### Quebeckers most confident with most grade school education on personal financial management

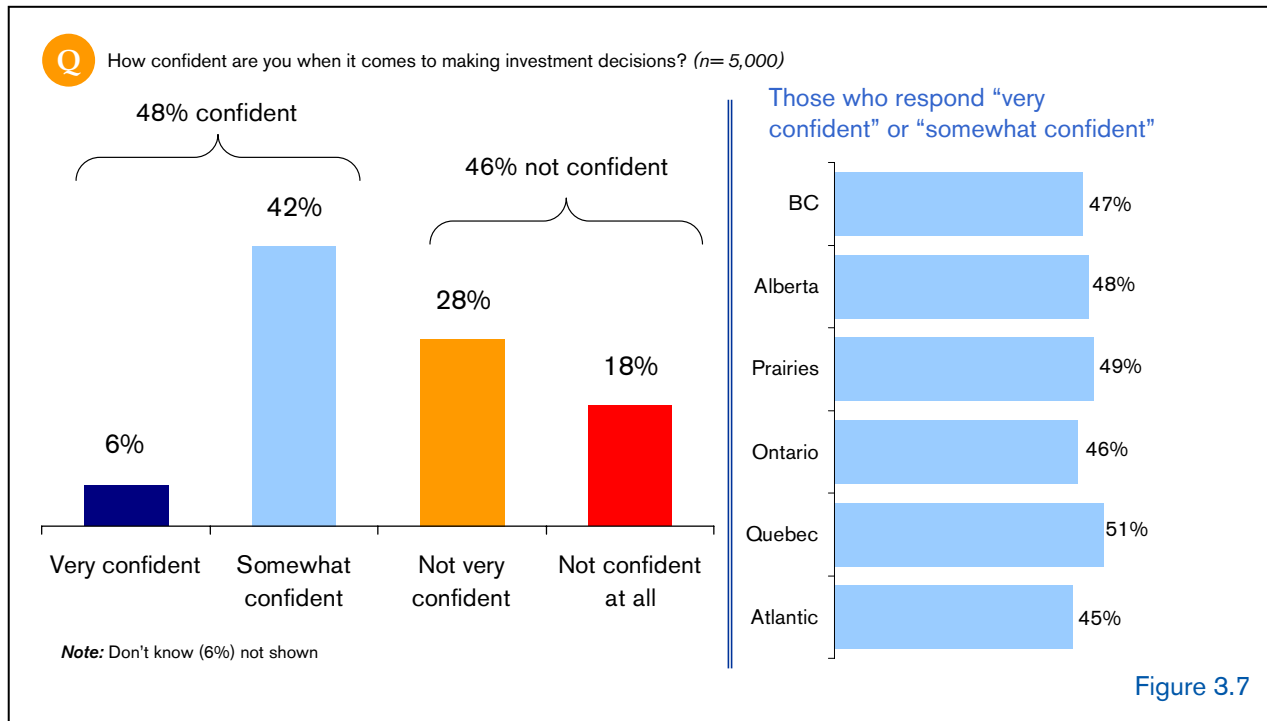
When it comes to making investment decisions, Canadians are divided on confidence. Less than half (48%) are confident in their own investment decisions, with only 6% who are “very confident” when it comes to making investment decisions. About the same amount are not confident (46%) with nearly three-in-ten (28%) who are not very confident and almost two-in-ten (18%) who are not confident at all.

Overall confidence is also down three points since the 2006 CSA Investor Index study (51%).

Quebeckers (51%) are the most confident with the only majority, compared to under half (45-49%) in other provinces.

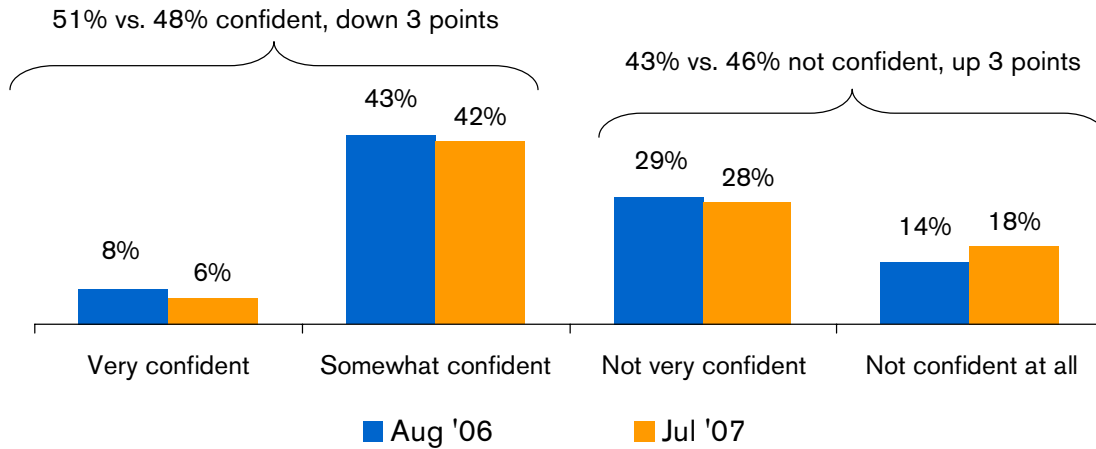
Interestingly, those who are repeat victims of investment fraud (62%) are more confident in their investing abilities than one-time victims (46%).

Active (79%) and passive (61%) investors are the most confident in their investment abilities, while non-investors with savings (35%) and those without savings or investments (23%) are the least confident.





How confident are you when it comes to making investment decisions?



Note: 'Don't know' not shown

Figure 3.8

When asked if they had taken any personal financial management courses in grade school, eight-in-ten (79%) Canadians stated they did not receive any such courses.

By region, Quebecers (25%) and Atlantic Canadians (22%) are the most likely to have had these courses in grade school, compared to just 11% in the Prairies and 13% in Ontario.

Active investors (16%), passive investors (17%) and those with savings who do not invest (17%) all have roughly the same grade school education regarding the personal financial management, while those with neither savings nor investments (20%) are slightly more likely to have been educated on personal financial management in grade school.



Thinking back to when you were a student in grade school, did any of your courses cover personal financial management, such as investments or budgeting? (n=5,000)

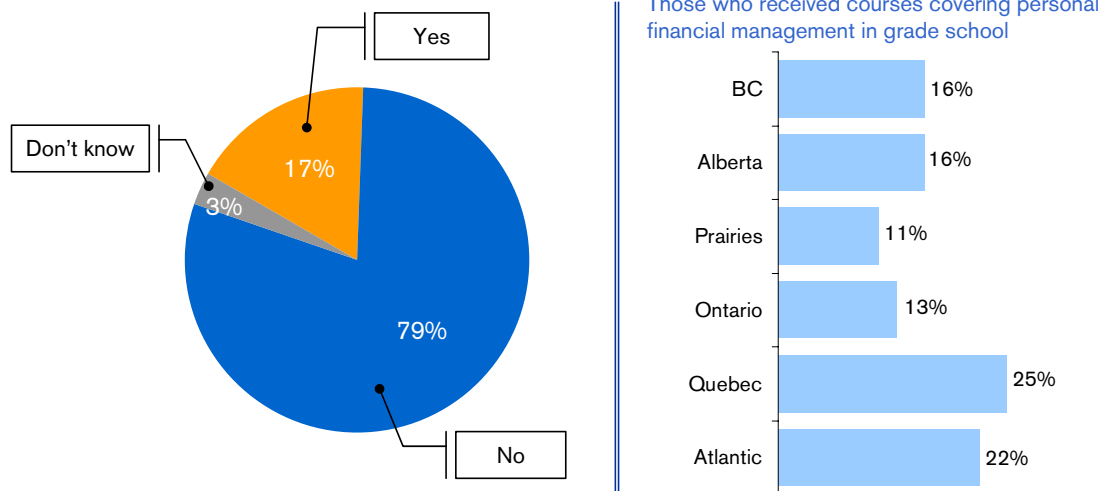


Figure 3.9



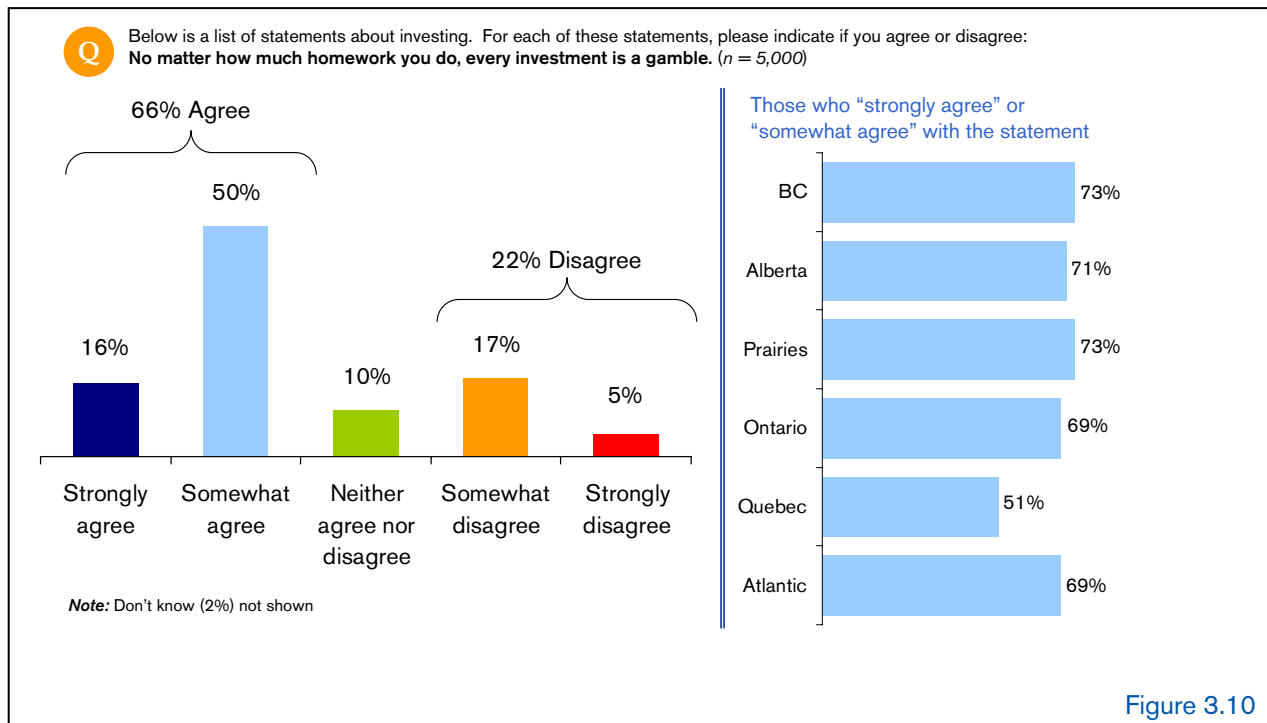
### 3.4 Key Investment Attitudes

#### Canadians think investing is a gamble

On attitudes towards investing, two-in-three people agree that “no matter how much homework you do, every investment is a gamble”, with 16% who strongly agree and half (50%) who somewhat agree. Less than one-in-ten (17%) somewhat disagree and only one-in-twenty (5%) strongly disagree.

Only half of Quebecers (51%) agree that “no matter how much homework you do, every investment is a gamble”, while about seven-in-ten (69%-73%) agree from other provinces. This may suggest a confidence from Quebecers in the financial system and in the usefulness of investor education that is not seen in other provinces.

Those who have invested in a scam (74%) are more likely than those who have not (69%) to agree that ‘no matter how much homework you do, every investment is a gamble’.

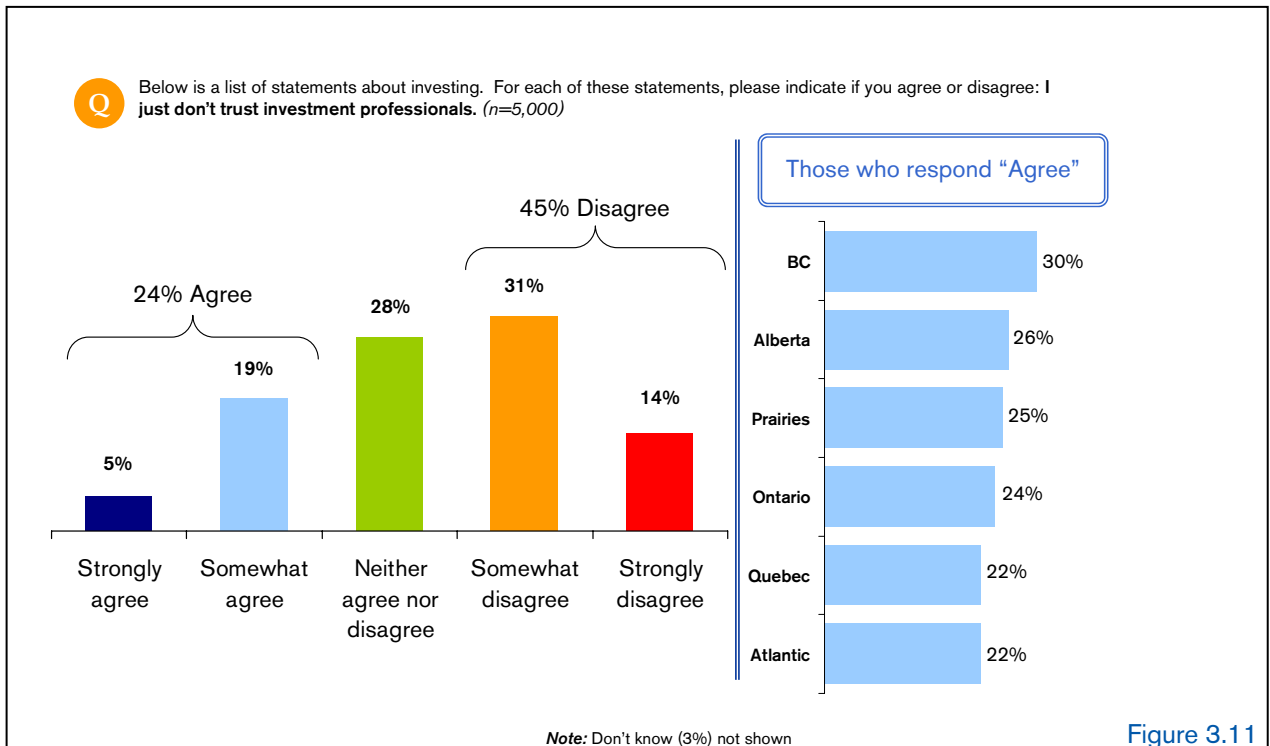


## Weak vote of confidence in investment professionals

More Canadians trust investment professionals than not, but that trust is expressed tepidly and many Canadians are uncertain of their view. When presented with the statement “I just don’t trust investment professionals”, only one-in-four (24%) agree while only 5% strongly agree. Nearly half (45%) disagreed with somewhat greater intensity (14% strongly disagree). Nearly three-in-ten (28%) neither agree nor disagree.

Quebeckers and Atlantic Canadians (22% agree) are more trusting of investment professionals than other provinces (BC: 29%; Alberta: 26%), although the difference is less striking here.

Not surprisingly, fraud victims (39% agree) are less likely than those who have not invested in a fraud (29% agree) to trust investment professionals.



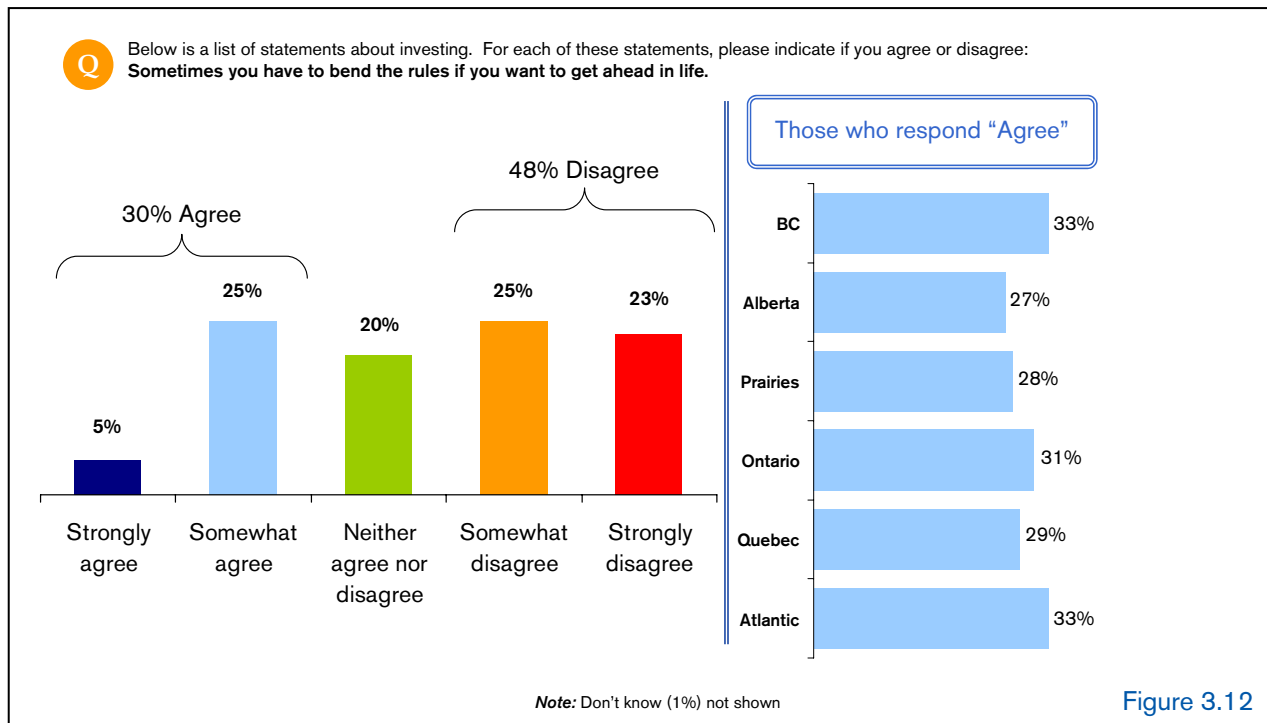
## Canadians play by the rules

Turning to general attitudes, Canadians appear to play by the rules. Almost half (48%) of Canadians disagree that “sometimes you have to bend the rules if you want to get ahead in life”. Intensity is strong here, with nearly one-in-four (23%) who strongly disagree. Only three-in-ten (30%) agree with the above statement and just one-in-twenty (5%) strongly agree. Two-in-ten (20%) neither agree nor disagree.

No strong regional difference occurs on this statement, with agreement with the statement “sometimes you have to bend the rules if you want to get ahead in life”, ranging from 27% in Alberta and the Prairies to 33% in British Columbia and Atlantic Canada.

Those without any savings or investments are most likely (36%) to feel you sometimes have to bend the rules to get ahead, while passive investors and active investors are less likely to agree (28% and 26% respectively).

Repeat victims (39%) are more likely than one-time victims (33%) to feel that sometimes you have to bend the rules to get ahead.



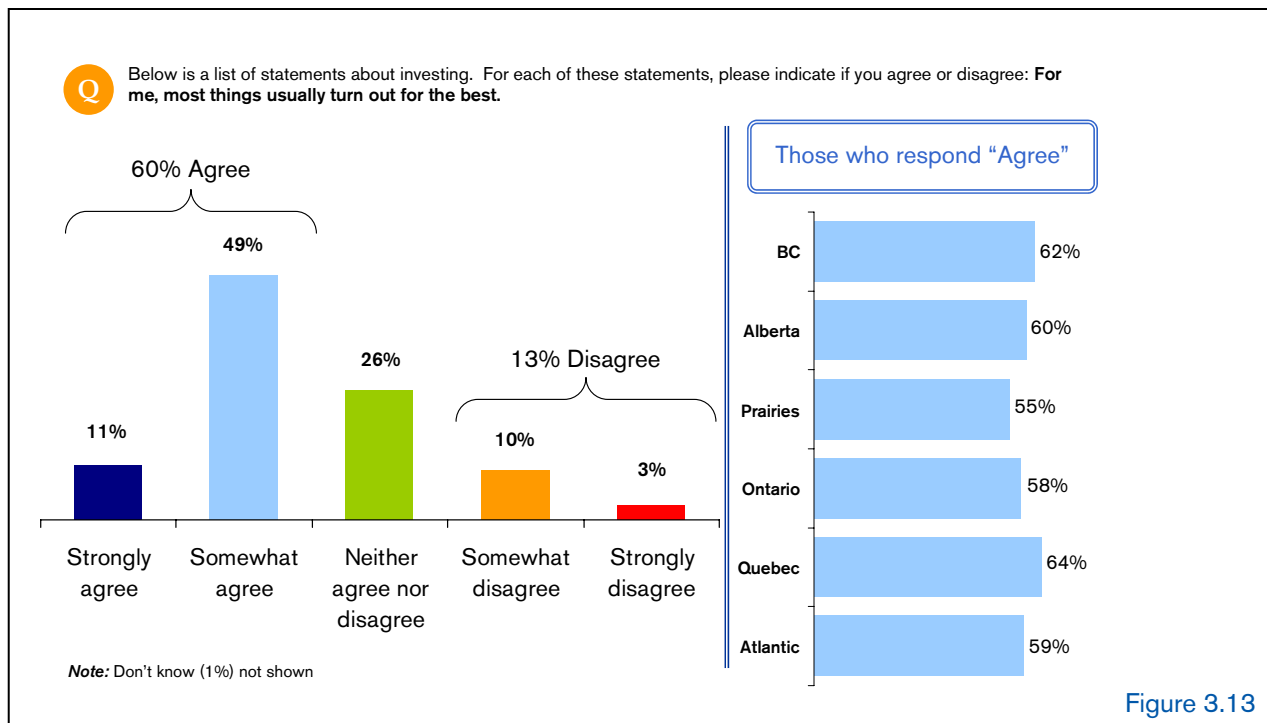
## Most Canadians believe things will turn out for the best for them

Canadians are generally upbeat about their own lives: six-in-ten (60%) agree that “for me, most things usually turn out for the best”. Intensity is not strong here though, with only one-in-ten (11%) who strongly agree. One-in-ten (10%) somewhat disagree, 3% strongly disagree and one-in-four (26%) neither agree nor disagree.

Both active (70%) and passive (67%) investors are more likely than those who do not invest (savings, non-investor: 62%; no savings: 44%) to agree that things turn out the best for them.

Quebeckers are the most confident in their investment decisions, yet do not do relatively well on the investment knowledge test.

Quebeckers (64%) are the most likely to agree that most things usually turn out for the best for them, while those from the Prairies (55%) are least likely to agree.



### 3.5 Fraud Recognition

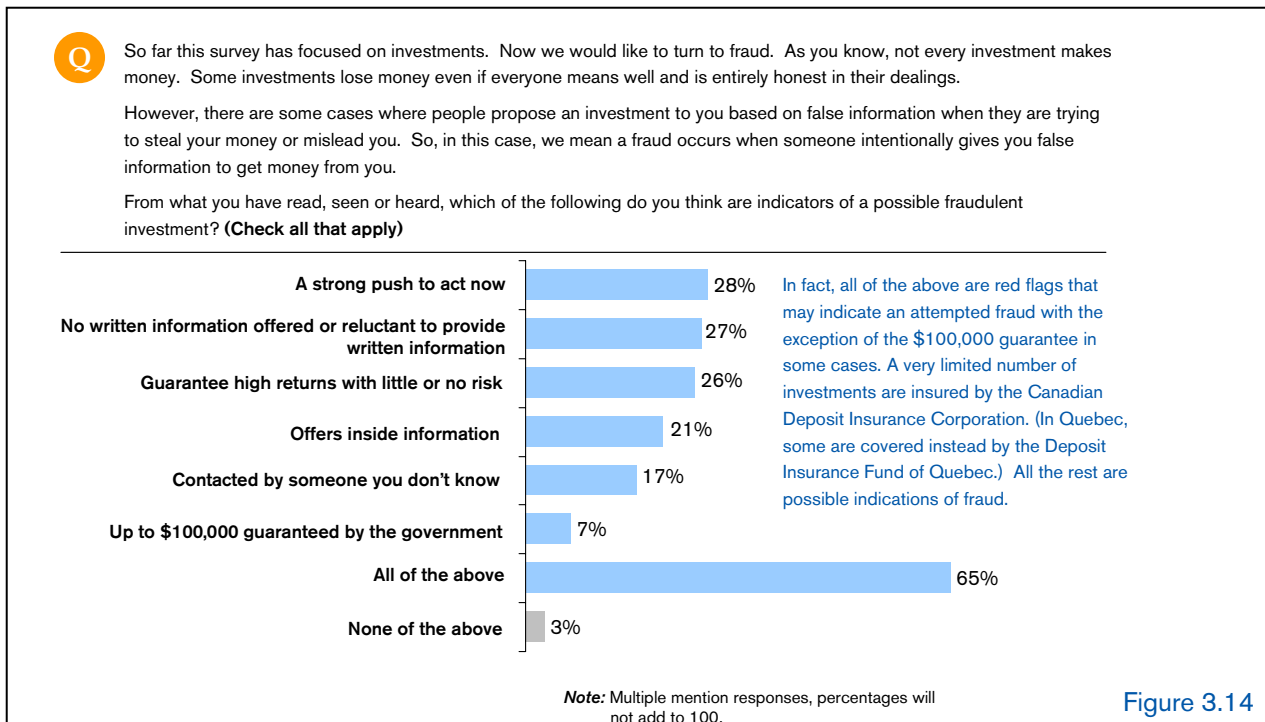
Establishing the profile of Canadian investors provides a basic framework that can be used to explore general attitudes towards investment fraud. This section will examine knowledge of types of fraud, as well as attitudes towards reporting fraud, authorities that handle fraud cases, and the impact of investment fraud.

#### No one lists all correct responses on fraud knowledge question

Survey respondents were asked to choose from a list of what they thought indicated a possible fraudulent investment, checking as many responses as applied. Possible responses include: “contacted by someone you don’t know”; “no written information offered or reluctant to provide written information”, “a strong push to act now”; “guaranteed high returns with little or no risk”; “up to \$100,000 is guaranteed by the government”; “offers inside information”; “all of the above”; and “none of the above”. The correct response was all of the above except “up to \$100,000 is guaranteed by the government”.

Respondents were given one point for each correct answer they checked, and one point was subtracted for choosing ‘up to \$100,000 is guaranteed by the government’. No correct points were given for ‘all of the above’ or ‘none of the above’. The maximum number of point anyone could score was five.

No one selected all five correct answers. Only one-in-ten had four correct (10%) or three correct (10%). Slightly less than one-in-ten (8%) checked two of the correct answers and one-in-twenty (5%) chose one correct answer. Two-in-three (65%) chose ‘all of the above’ as indicators of possible fraudulent investment and about one-in-fifty (3%) chose none of the above.



## 4. *Canadian Experiences with Investment Fraud*

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Last year's study, the 2006 CSA Investor Index, focused primarily on appropriate investing behaviour, while only a small portion of the survey was devoted to exploring Canadians' experience with investment fraud. Looking at fraud, the 2006 CSA Investor Index discovered:

- Most Canadians can recognize the red flags of investment fraud.
- More than one-in-three Canadians have been approached with a likely investment fraud.
- One in twenty-five (4%) say they have ever invested in an investment fraud.
- More than one-in-three (37%) of fraud victims had been defrauded more than once.

The 2006 CSA Investor Index also used multivariate analysis to assess what made the difference between victims of fraud and those who avoided fraud. That study found that almost all Canadians were equally vulnerable to fraud once they were in the fraud artists' sights. The key difference between victims and non-victims was their relationship with the person who approached them with the fraud. Since many successful frauds spread through word of mouth, an existing relationship of trust becomes a key predictor of an investor's likelihood to fall prey to a fraud.

Building on the 2006 results, this year's study digs further into the attempted fraud experience.

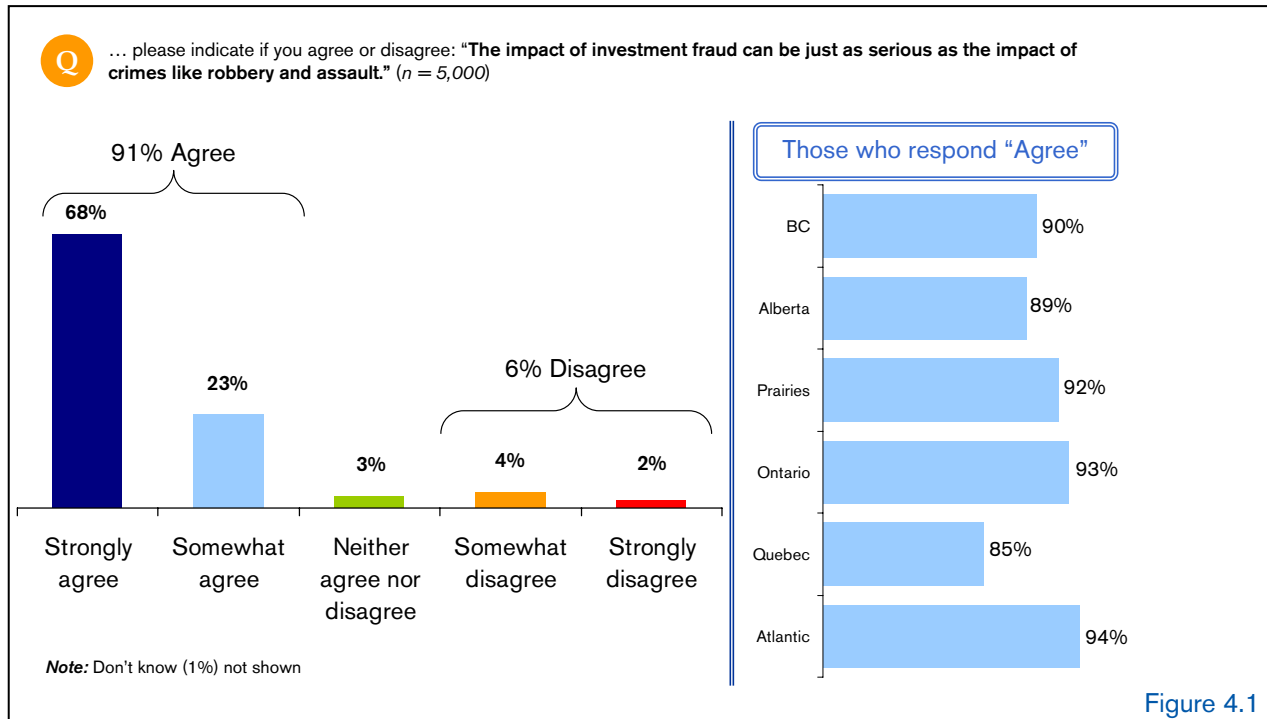
- How seriously do Canadians take fraud and how well do they feel Canadian authorities are dealing with the problem?
- How and how often are Canadians being approached with frauds? Are particular types of Canadians being targeted?
- When was the last time Canadians said yes to a fraud? Why do victims say yes?
- Is fraud being reported? If not, why not? And how are victims being treated when they do report a fraud?

## 4.1 Public Perceptions of Investment Fraud

### Canadians recognize severity of investment fraud

Canadians have no illusions about the impact of investment fraud as 91% of Canadians agree that the “the impact of investment fraud can be just as serious as the impact of crimes like robbery and assault”. Agreement is extremely strong here, with seven-in-ten (68%) expressing strong agreement and only one-in-four (23%) saying they somewhat agree.

Regionally, Canadians in every province strongly agree that investment fraud is a serious crime with Quebecers (85%) less likely than average to agree.



Canadians do not appear to feel that the authorities treat investment fraud as seriously as other crimes, although intensity is not particularly strong. Only three-in-ten (31%) agree with the statement, ‘the authorities treat investment fraud as seriously as other crimes’ while a majority (51%) disagrees. Agreement is weak too, with only 7% who strongly agree and one-in-four (24%) who somewhat agree. More than one-in-three (35%) somewhat disagree with this statement, 16% strongly disagree and one-in-ten (11%) neither agree nor disagree that the authorities treat investment fraud as seriously as other crimes.

Most of the regional numbers are relatively close, with respondents from Atlantic Canada (42%) and Quebec (34%) most likely to agree with this statement. British Columbians (25%) are the least likely to agree that the authorities take investment fraud as seriously as other crimes.



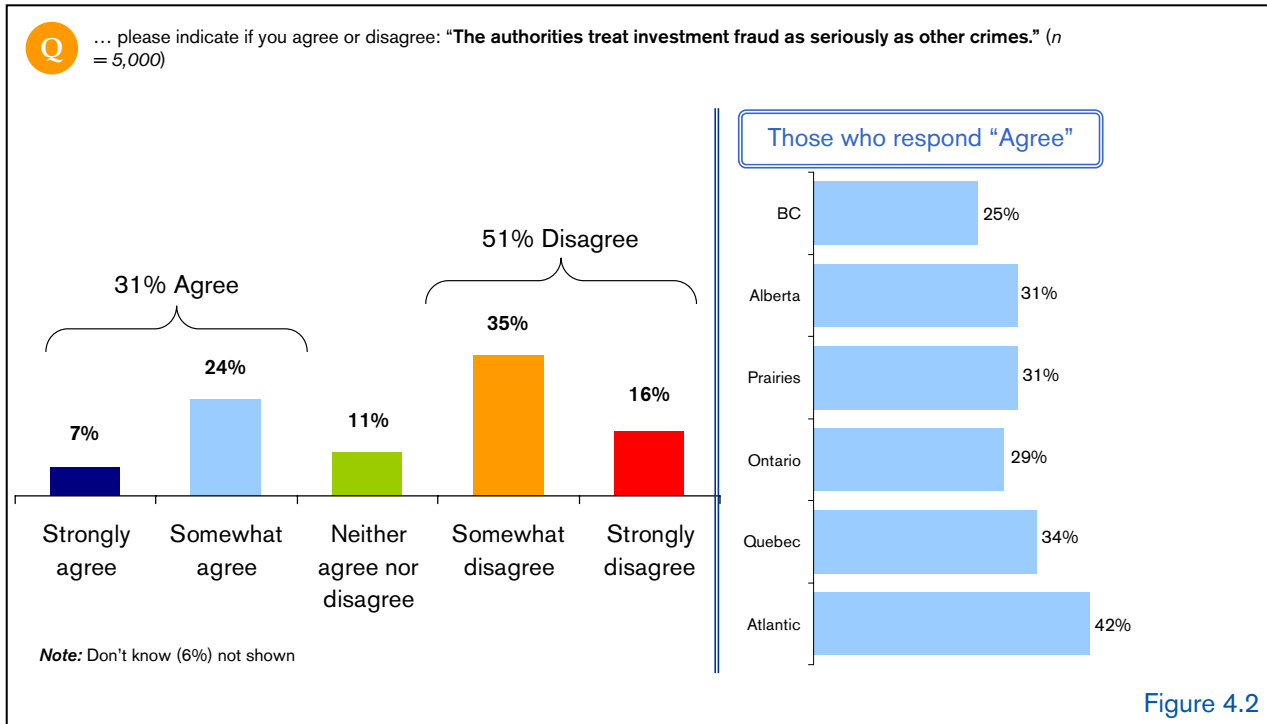


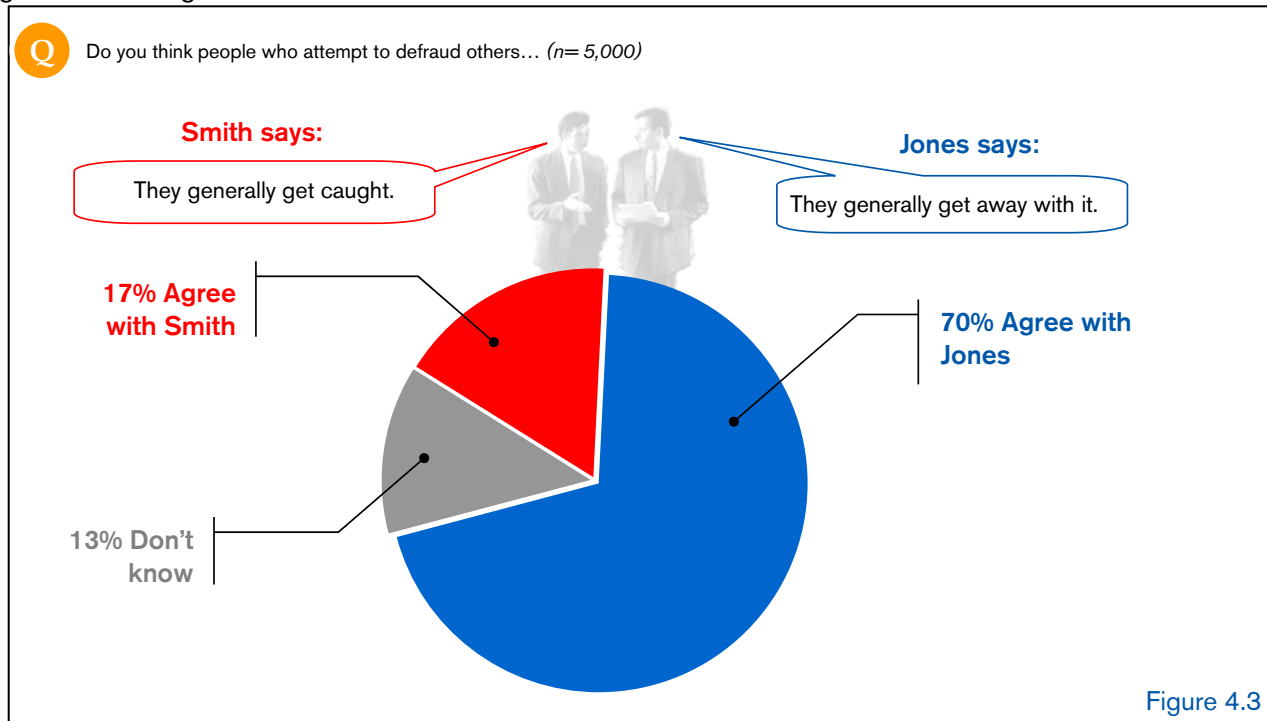
Figure 4.2

Those who have not invested in a fraudulent scheme (28%) are more likely than victims of fraud (22%) to agree that the authorities take investment fraud as seriously as other crimes.

Interestingly, repeat victims (35%) are more likely than one-time victims (18%) to agree that authorities take investment fraud as seriously as other crimes.

## Fraudsters usually get away with it

Most Canadians feel fraud artists get away with their crimes, and even if fraudsters are caught they get off with a light sentence.



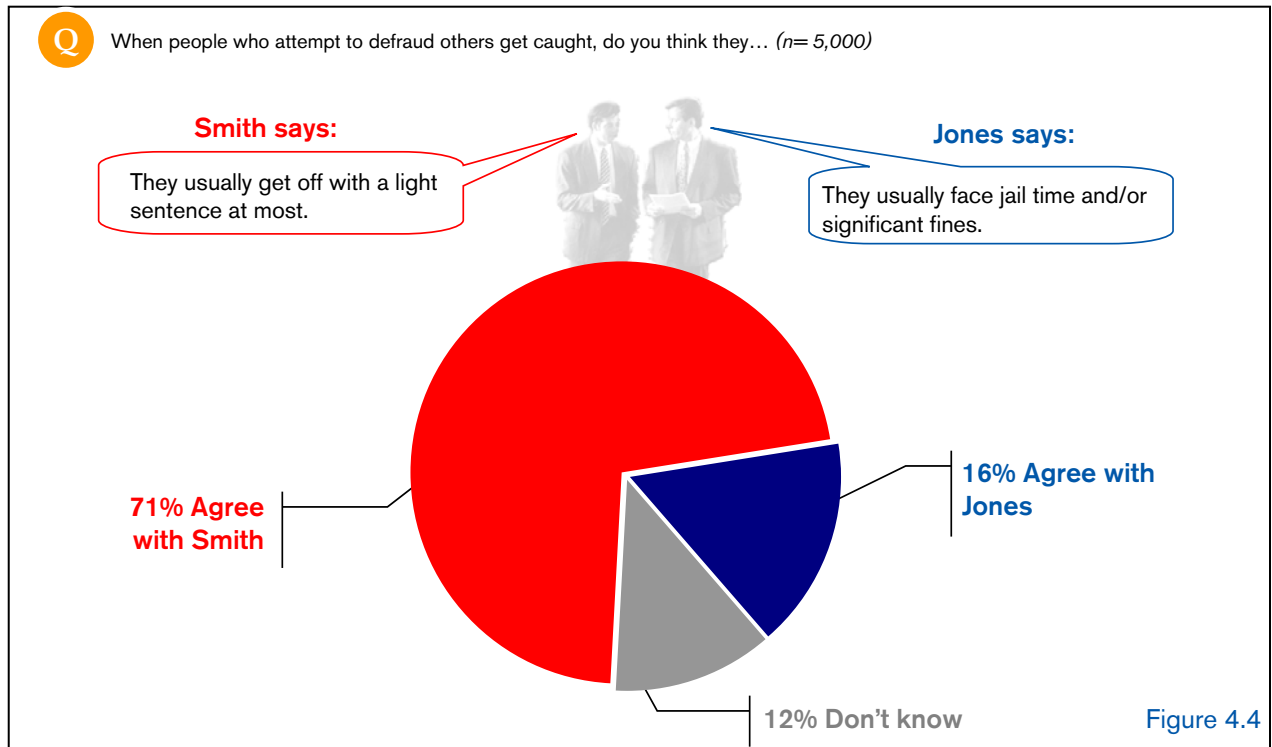
When asked to choose between the two statements, seven-in-ten (70%) Canadians agreed that people who attempt to defraud others 'generally get away with it'; while only 17% agree that 'they generally get caught'. One-in-eight (13%) just don't know.

Quebeckers (79%) are the most likely to feel fraudsters 'generally get away with it', while those from Atlantic Canada (65%) are the least likely to agree.

Victims of investment fraud (78%) are more prone to feel that fraudsters 'generally get away with it' than those who have not invested in a fraud (73%). Repeat victims (87%) are also more likely than one-time victims (75%) of investment fraud to feel this way.

## If fraudsters are caught, they get off easy, say Canadians

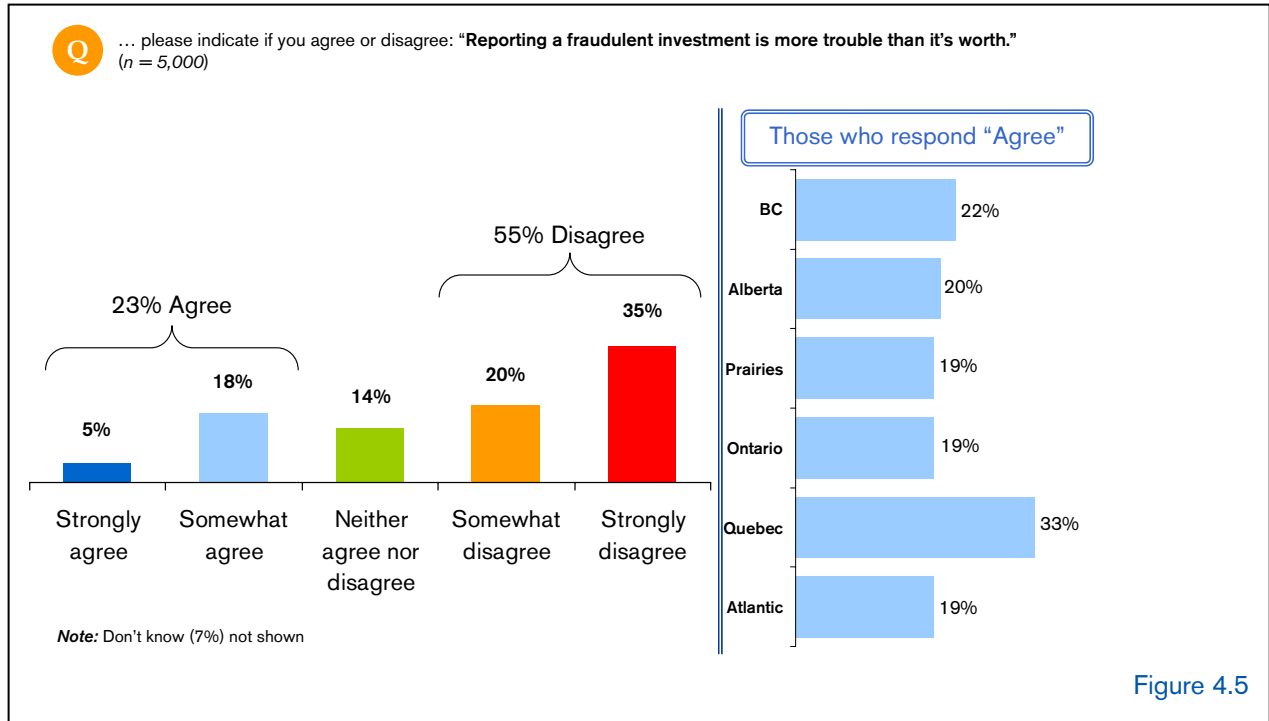
Not only do Canadians feel fraudsters get away with their crimes, but seven-in-ten (71%) feel that even when fraudsters are caught they usually get off with a light sentence. Only 16% agree that fraudsters 'usually face jail time and/or significant fines' while 12% do not know.



Quebeckers (74%) and British Columbians (74%) are the most likely to agree that fraudsters get off lightly, while those from the Prairies (66%) are least likely to agree with this statement.

## Majority of Canadians say reporting fraud worth the effort for a majority of Canadians (but they don't do it)

While Canadians may feel that authorities may not be taking investment fraud as seriously as other crimes, they still say that reporting it is worth the trouble. Only one-in-four (23%) agree that 'reporting a fraudulent investment is more trouble than it's worth', while a majority (55%) of Canadians disagree. Intensity of agreement is low, with one-in-twenty (5%) who strongly agree and two-in-ten who somewhat agree (18%). On the other hand, disagreement is more passionate as two-in-ten (20%) disagree and more than one-in-three (35%) strongly disagree. Also, 14% neither agree nor disagree that reporting a fraudulent investment is more trouble than it's worth.



Regionally we see a significant difference between Quebec and the rest of Canada. Here, one-in-three (33%) Quebecers feel that reporting a fraudulent investment is more trouble than it's worth, compared to around two-in-ten (19-22%) in other regions.

Whether or not someone has actually invested in a fraud also plays a role: nearly four-in-ten (35%) fraud victims agree that reporting a fraudulent investment is more trouble than it's worth, while only two-in-ten (25%) who have not invested in a fraud feels the same way.

## 4.2 Experience with Attempted Fraud

### 14-million Canadians approached with a possible fraud. Most of those were approached within the last 3 years

Four-in-ten (41%), or about 9.2 million adult Canadians, think they have been approached with a possible fraudulent investment, up five points since last year (36%). Half (50%) have not been approached with a possible fraudulent investment, and one-in-ten (9%) simply don't know. Question order has varied somewhat from last year and may be a factor in the increased results.

Regionally, some differences emerge. Slightly more than two-in-ten (23%) Quebeckers believe they have been approached with a possible fraudulent investment, while a majority of Canadians in Alberta (51%) and British Columbia (52%) believe they have been approached.

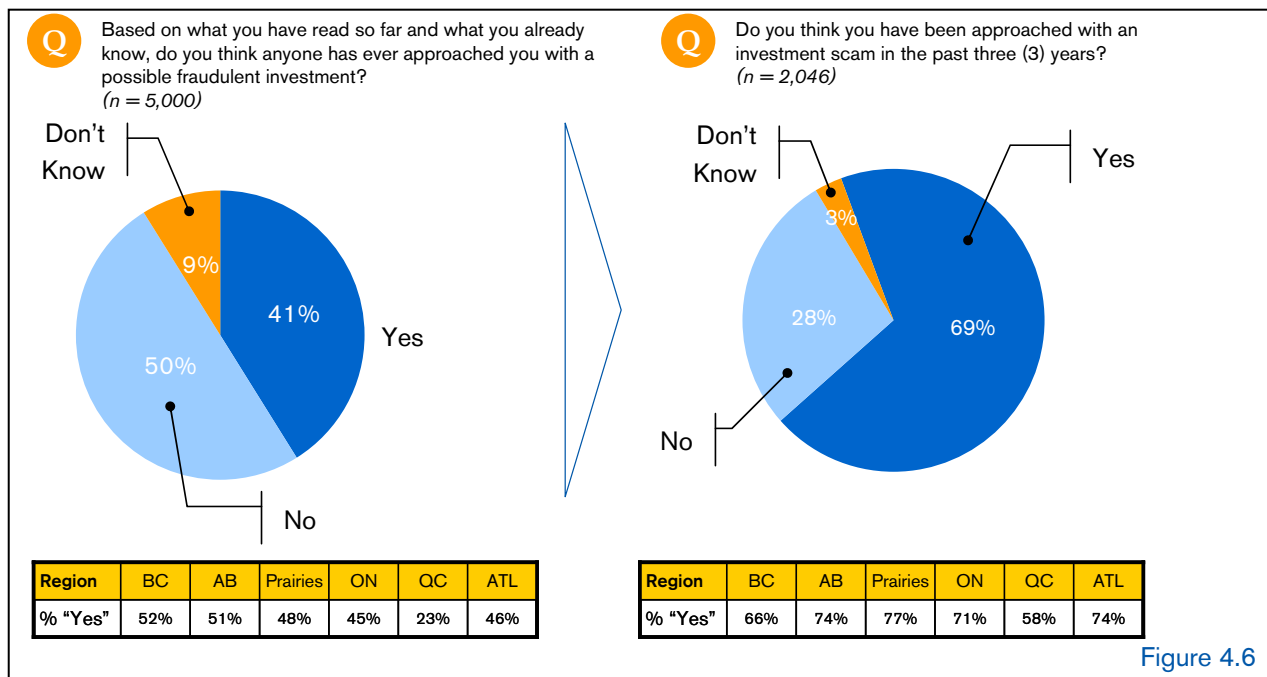


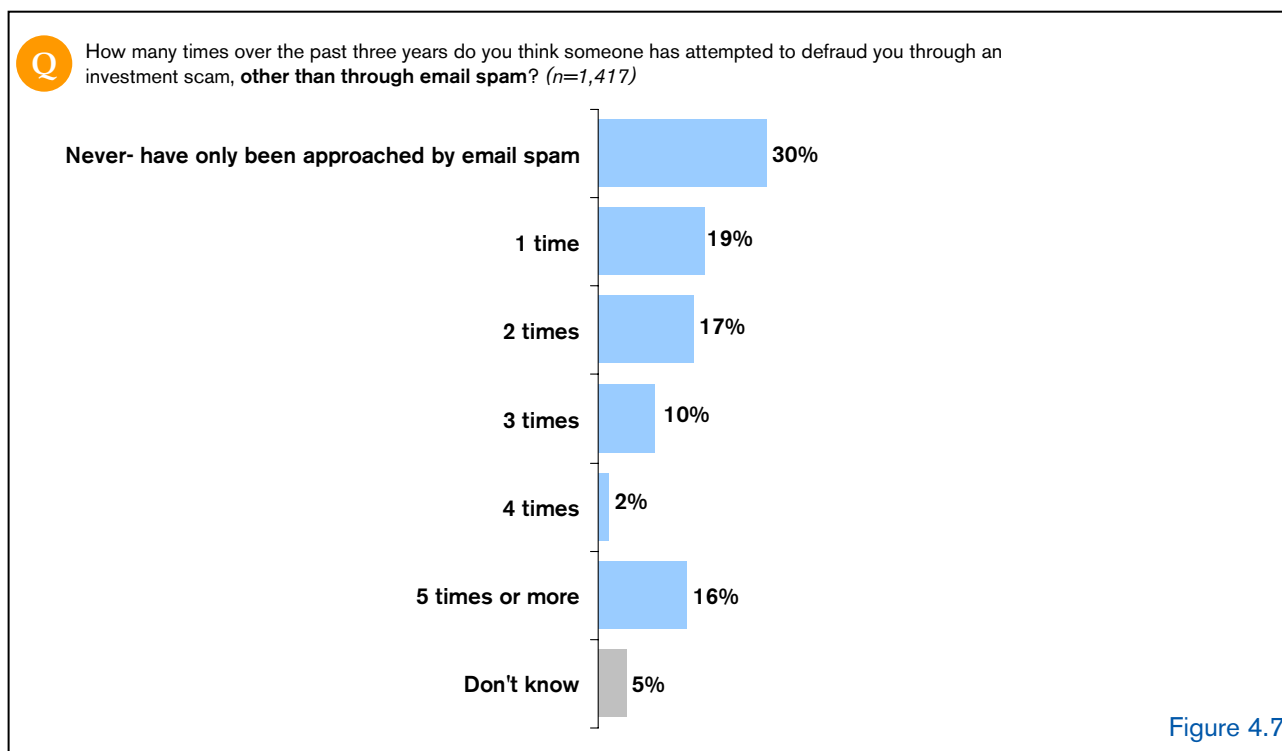
Figure 4.6

Seven-in-ten (69%) of those who have ever been approached with a fraud say that the most recent approach occurred in the last three years. Only three-in-ten (28%) of those approached by a possible fraudulent investment reported it did not occur in the last three years.

Quebec and British Columbia stand out from the pack with a smaller share of recent fraud attempts. Quebeckers (58%) are least likely to report that the attempt has occurred in the last three years while British Columbia stands at two-thirds (66%). More than seven-in-ten (71-77%) Canadians from other regions who have been approached with an attempted fraud say it was in the last three years.

Canadians who have not invested in a fraud before (72%) are more likely to have been approached in the last three years than previous fraud victims (54%).

Of those who have been contacted in the last three years, one-in-six (16%) Canadians have had five experiences or more with attempted investment fraud (other than email spam). Three-in-ten (30%) have only been approached by email spam, two-in-ten (19%) have only been approached once and slightly less than two-in-ten (17%) have been approached twice. Slightly more than one-in-ten (12%) have been approached three to four times.

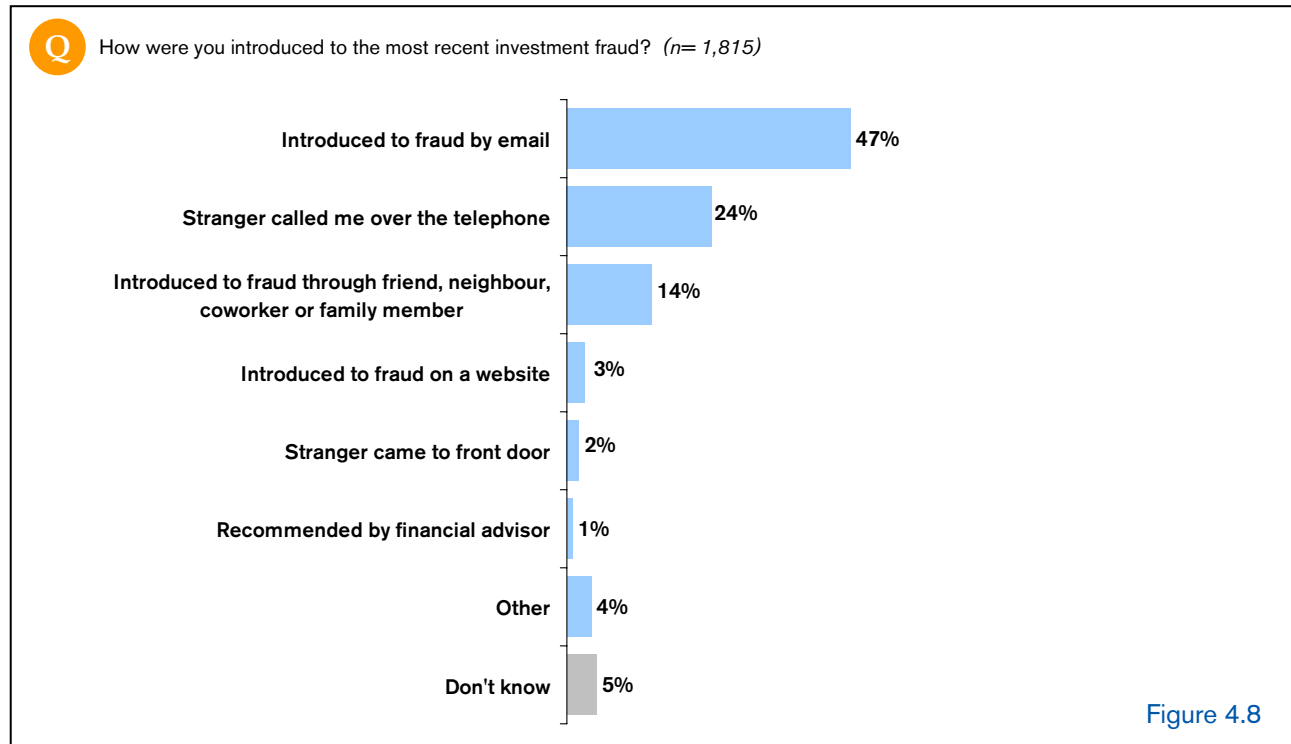


Who is being targeted with frequent pitches? Canadians with no savings (21%) are disproportionately likely to be targets of five or more attempts.

Regionally, Quebecers (11%) and people from Ontario (13%) are among the least likely to be heavily targeted while it appears those from the Prairies (27%) are pursued most frequently.

## Most common fraud approaches come by email or telephone

When asked how people were approached by a fraudster most recently, the majority of people were approached through email or telephone cold calls. Half (47%) of fraud attempts came by email and one-quarter (24%) came from strangers over the telephone. Only one-in-eight (14%) were introduced to fraud through a friend, neighbour, coworker or family member. Other methods of fraud include websites (3%), strangers coming to the front door (2%), and recommendations by their financial advisor (1%).

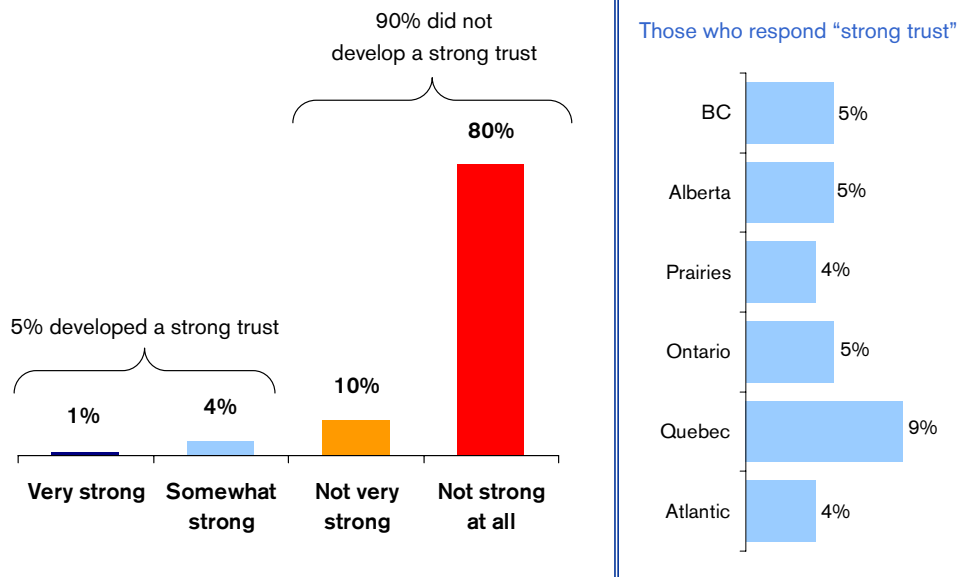


Those from Quebec (22%) are the most likely to be introduced to fraud by a friend, neighbour, coworker or family member, whereas Canadians from Atlantic Canada (6%) are the least likely.

Only one-in-twenty (5%) of those pitched regarding a fraudulent investment opportunity report being introduced to that investment by someone with whom they had a relationship of trust, while nine-in-ten (90%) did not have a relationship of trust with the proponent of the fraud. Negative intensity is powerful here: eight-in-ten (80%) of those approached did not have a strong trust at all.



How would you describe the level of trust you had with the person or persons who most recently approached you with a fraudulent investment opportunity? (n= 1,815)



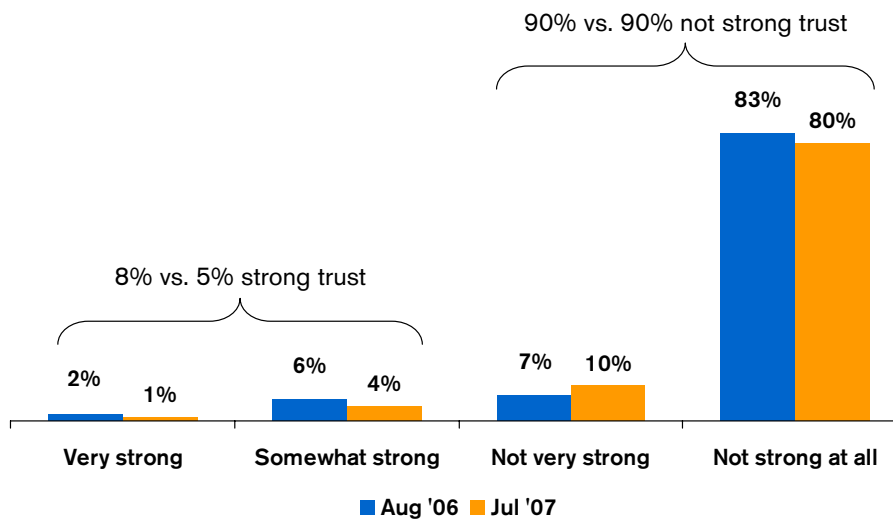
Note: Don't know (5%) not shown

Figure 4.9

There has been no real change in the level of trust with fraud artists since August 2006 (8% vs. 5% strong trust). Regionally, Quebecers (9%) are most likely to have an existing strong relationship of trust with a possible investment fraud artist, compared to just four to five per cent in other regions.



How would you describe the level of trust you had with the person or persons who most recently approached you with a fraudulent investment opportunity? (n= 1,815)



Note: Don't know not shown

Figure 4.10



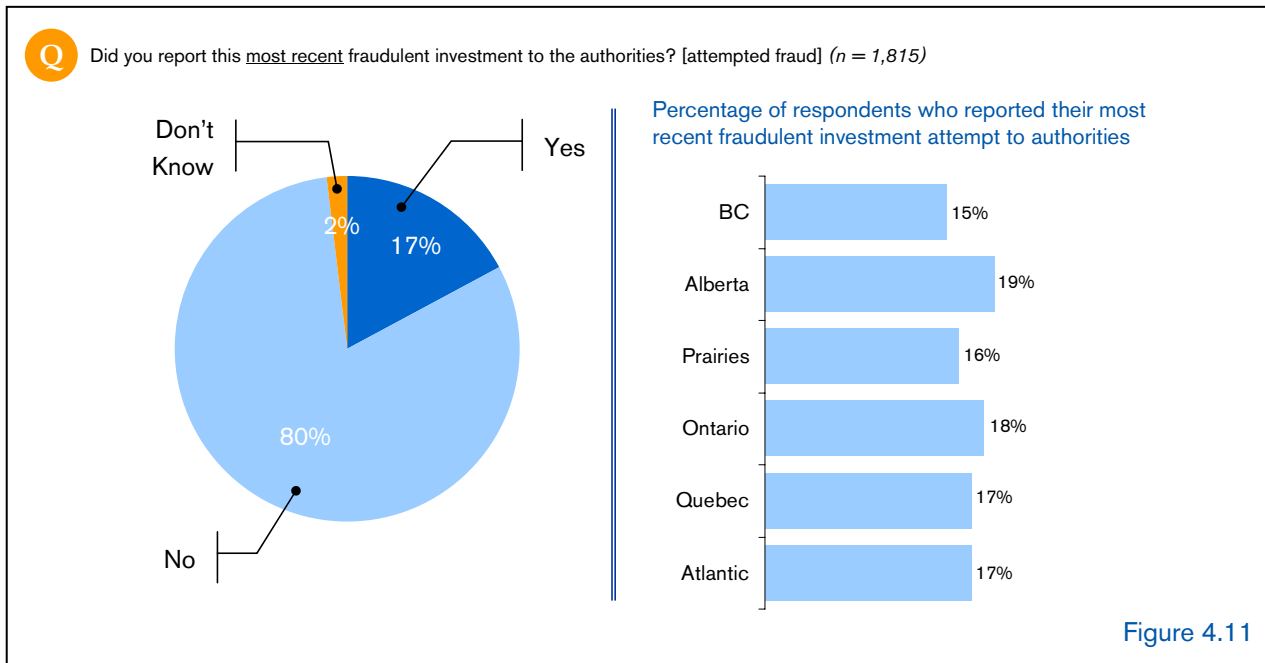
### 4.3 Reporting Attempted Fraud

#### Eight-in-ten did not report attempted fraud, mostly because it was too common, they did not invest or it appeared benign

Of those approached by a fraud artist who did not participate in the fraud, eight-in-ten (80%) did not report it to the authorities. Only 17% reported this most recent fraudulent investment to the authorities and two per cent do not know.

Canadians have slightly increased reporting fraud to the authorities since August 2006 (14% yes).

Regional differences are small, with Albertans the most likely to report it (19% yes) and the rest of the regions at slightly lower levels (15-18% yes).



The most common (38%) reason cited for not reporting a fraud was a broad category which included statements that the fraud was too common/it was a benign solicitation/they did not partake in the fraud. Another key reason cited for non-reporting is that respondents were not sure it was fraudulent or illegal at the time (15%). Other key reasons include that they had no proof or the fraudsters were anonymous (11%), it seemed like a waste of time/not important/too much trouble (11%), they did not know how to report it or who to report it to (8%), they assumed authorities would not act on it or that there would be no real punishment (6%), and that they feared repercussions for themselves, their family or their friends (3%).

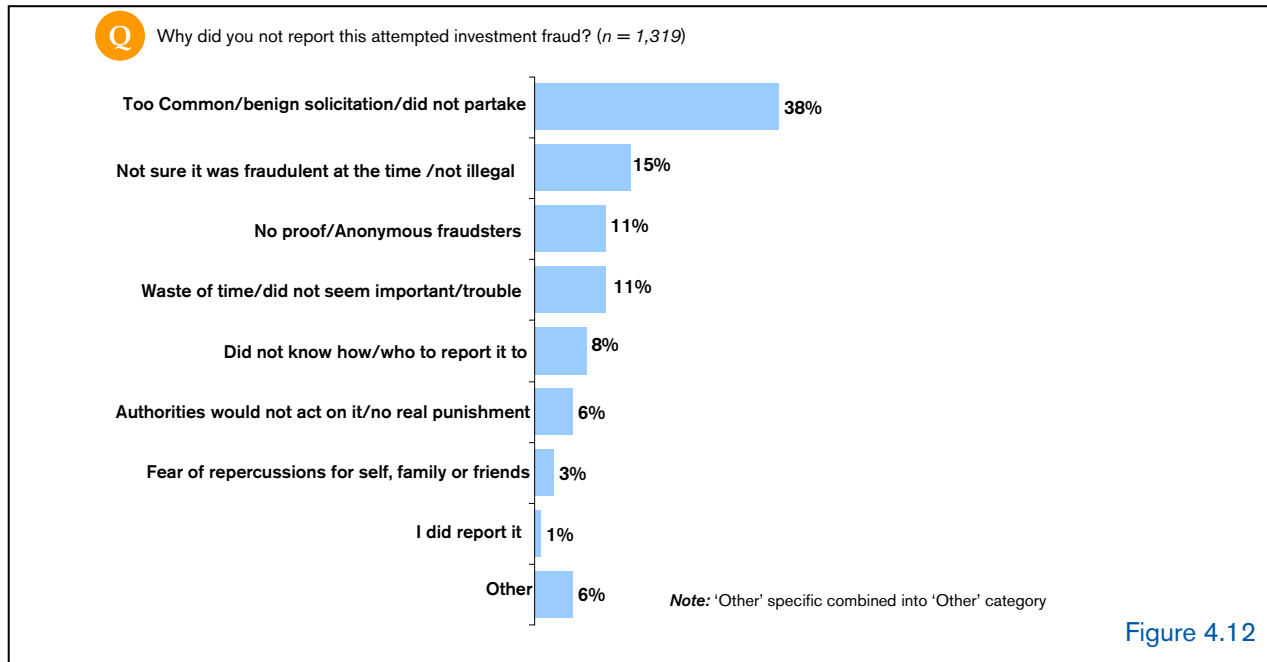
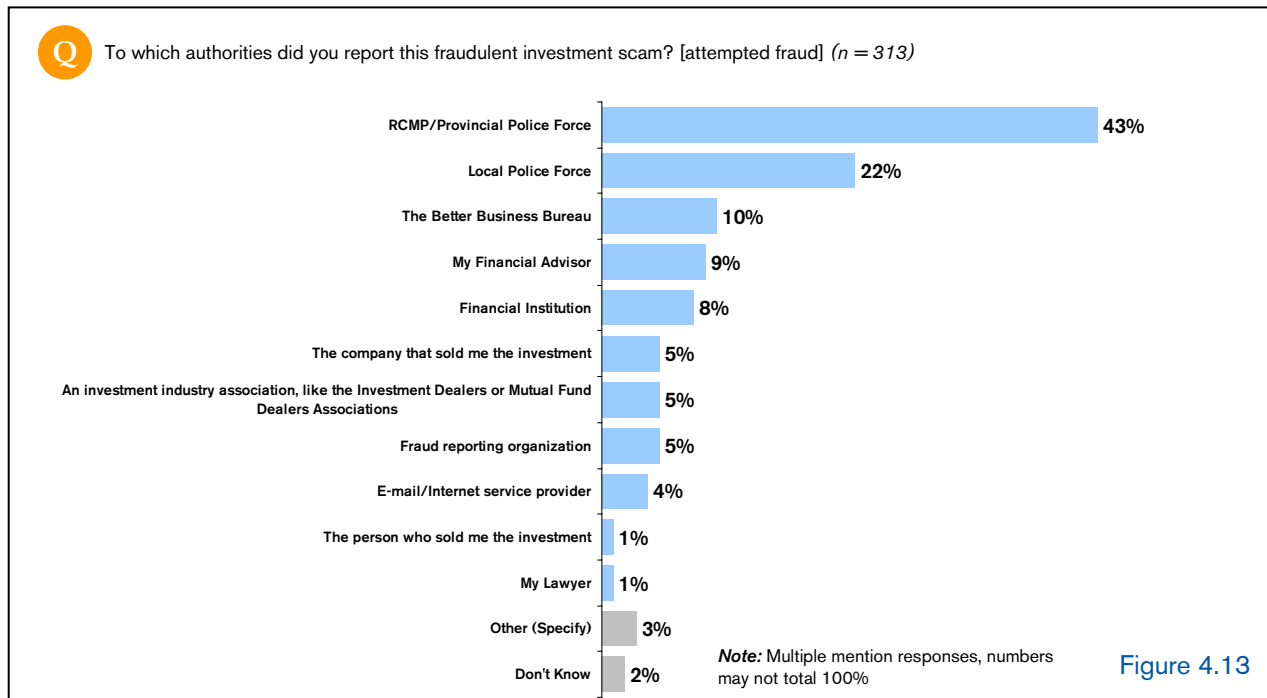


Figure 4.12

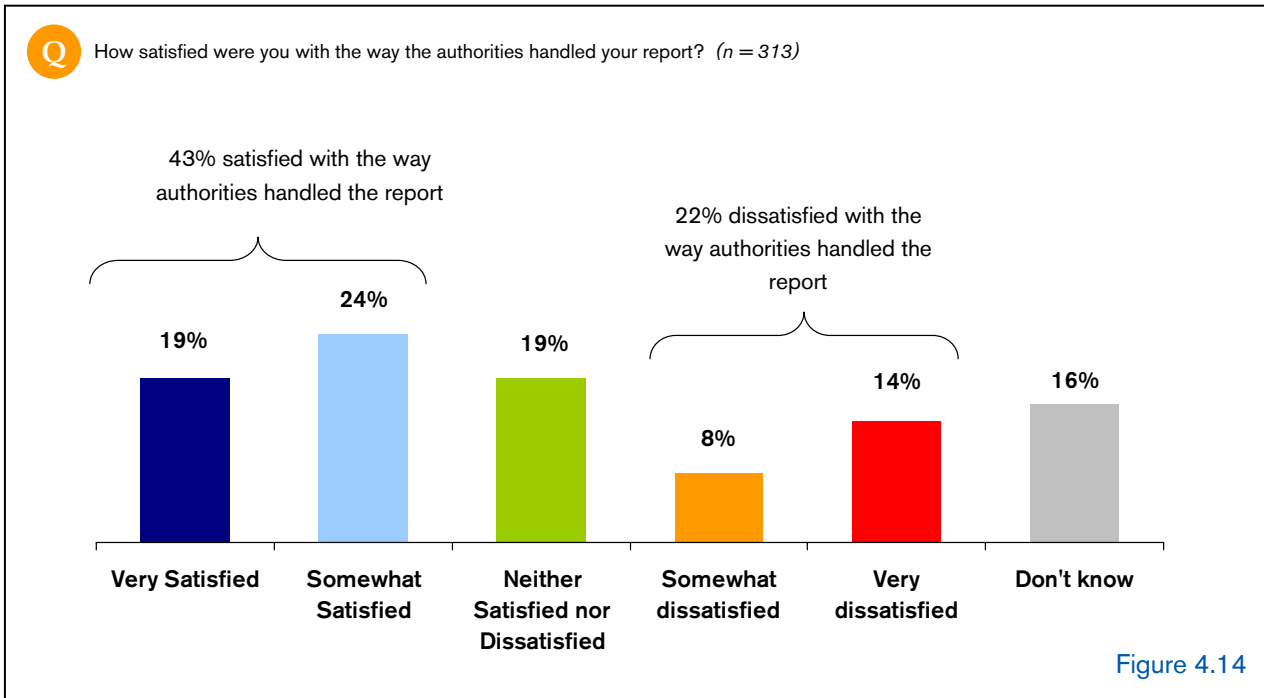
## Most reports of fraud to the RCMP, provincial or local police, plurality satisfied

Of the people who reported the attempted fraud, the majority reported it either to the RCMP/provincial police (43%) or their local police force (22%). Other places reported to include the Better Business Bureau (10%), their financial advisor (9%), a financial institution (8%), the company that sold them the investment (5%), an investment industry association (5%), a fraud reporting organization (5%), an email/internet service provider (5%), the person who sold them the investment (1%), or their lawyer (1%).



More than four-in-ten (43%) of the people who reported the fraud were satisfied with the way authorities handled the report, compared to just two-in-ten (22%) who were dissatisfied with the way authorities handled it. Two-in-ten were very satisfied (19%) and nearly one-in-four were somewhat satisfied (24%). Less than one-in-ten were somewhat dissatisfied (8%) and 14% were very dissatisfied. One-third were left with ambiguous feelings with two-in-ten (19%) saying they were neither satisfied nor dissatisfied and 16% saying they “don’t know” regarding their satisfaction with the way the authorities handled their report.

Looking at regions, less than four-in-ten (37%) British Columbians were least satisfied, compared to 43-45% of other Canadians.

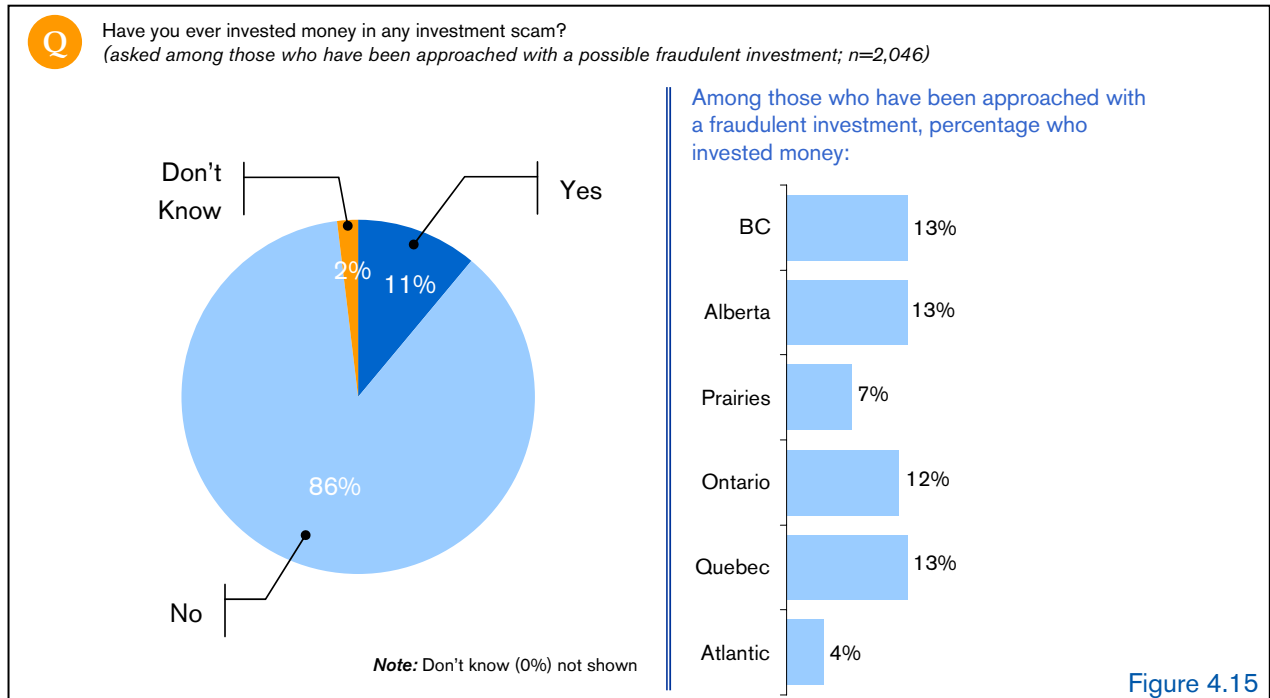


## 4.4 Victims of Fraud

### Just under one-in-twenty have invested money in a scam

Among the 41% of Canadians who have been approached at some point in their lives with an investment fraud, 11% have invested money. In other words, **4.51% of Canadians, or an estimated 1,014,750 Canadians**, have fallen victim to investment fraud at some point in their lives.

Regionally, British Columbia (13%), Alberta (13%) and Quebec (13%) have the highest rate of investment fraud while Atlantic Canada (4%) has the lowest.

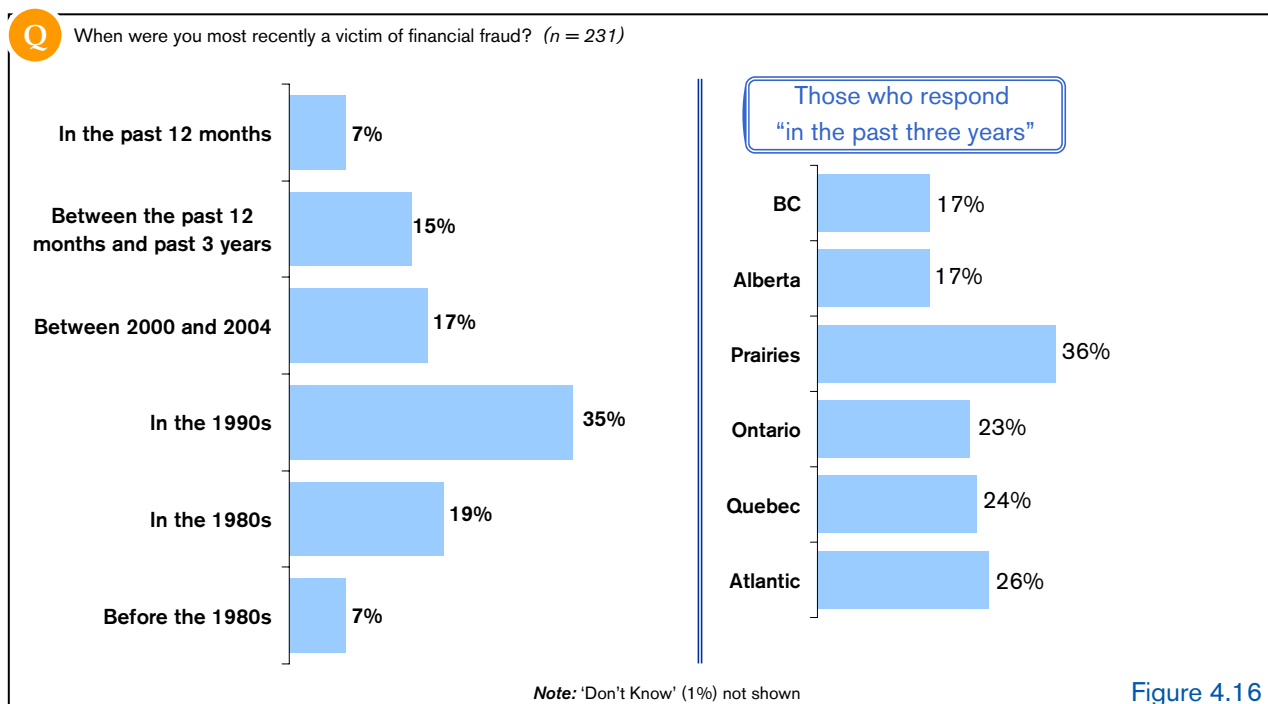


## More than one-in-five a victim in the last three years

More than one-in-five (22%) victims were defrauded in the last three years, with nearly one-in-ten (7%) in the last 12 months and 15% between the last 12 months and the past three years. Nearly two-in-ten (17%) were victims of financial fraud between the years 2000 and 2004, and a plurality (35%) were defrauded in the 1990s. Two-in-ten (19%) were victims in the 1980s and, for one-in-ten victims (7%), the fraud occurred before the 1980s.

Regionally, those in the Prairies (36%) are the most likely to have been victims of fraud in the last three years, whereas those from British Columbia (17%) and Alberta (17%) are the least likely to be recent victims.

Fraud artists appear to have the most success among people with little experience in investing. Those without savings or investments (36%) are the most likely to have invested in a fraud in the last three years, whereas active (17%) and passive (12%) investors are much less likely.



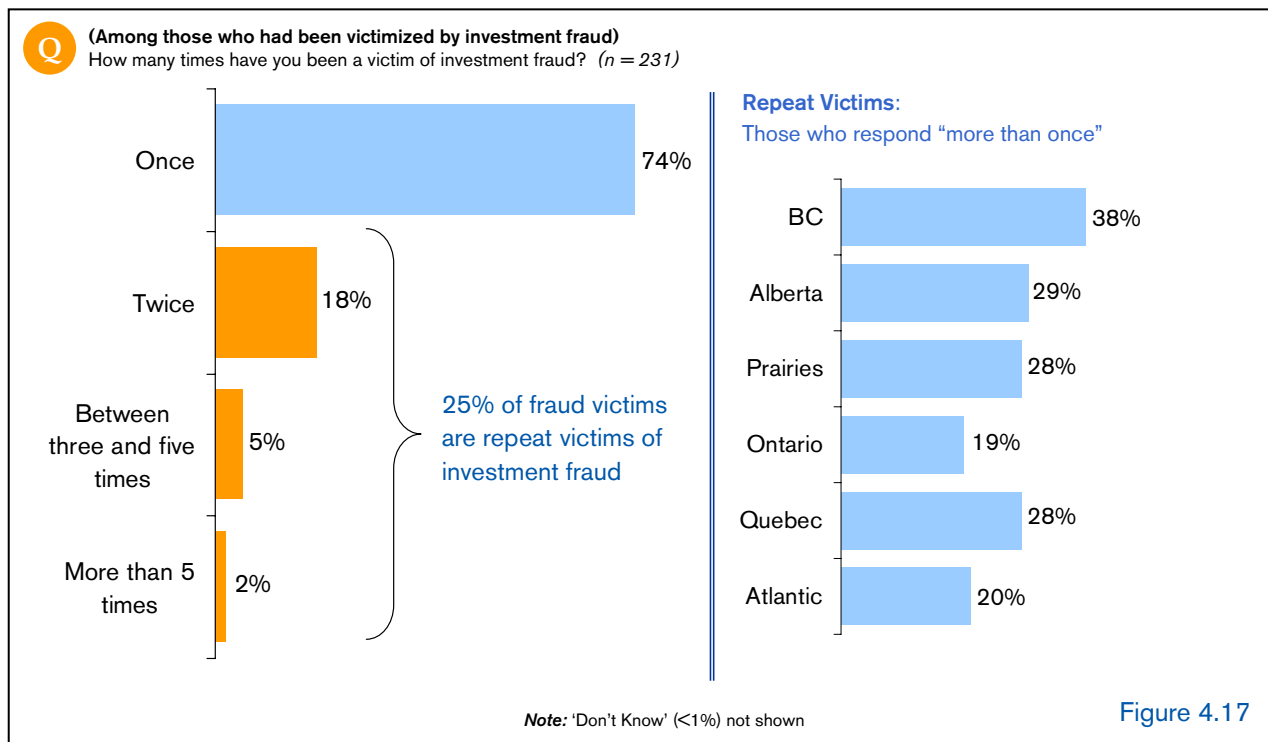
## Once bitten, twice shy for investment fraud

Among respondents who identify themselves as victims of fraud, three-in-four (74%) have been victims of fraud only once. However, 18% have been victimized twice by a fraud artist, and 5% have been a victim between three and five times. Only 2% of all fraud victims have been victimized by fraud more than five times.

Regionally, victims of fraud from British Columbia are far more likely to be defrauded several times: nearly two-in-five (38%) have invested in a fraud more than once. On the other hand, victims from Alberta (29%), the Prairies (28%), and Quebec (28%) are less likely to be repeats victims of investment fraud. Two-in-ten (20%) from the Atlantic region and Ontario (19%) are repeat victims.

Active investors (36%) are more likely to be repeatedly defrauded than passive investors (26%).

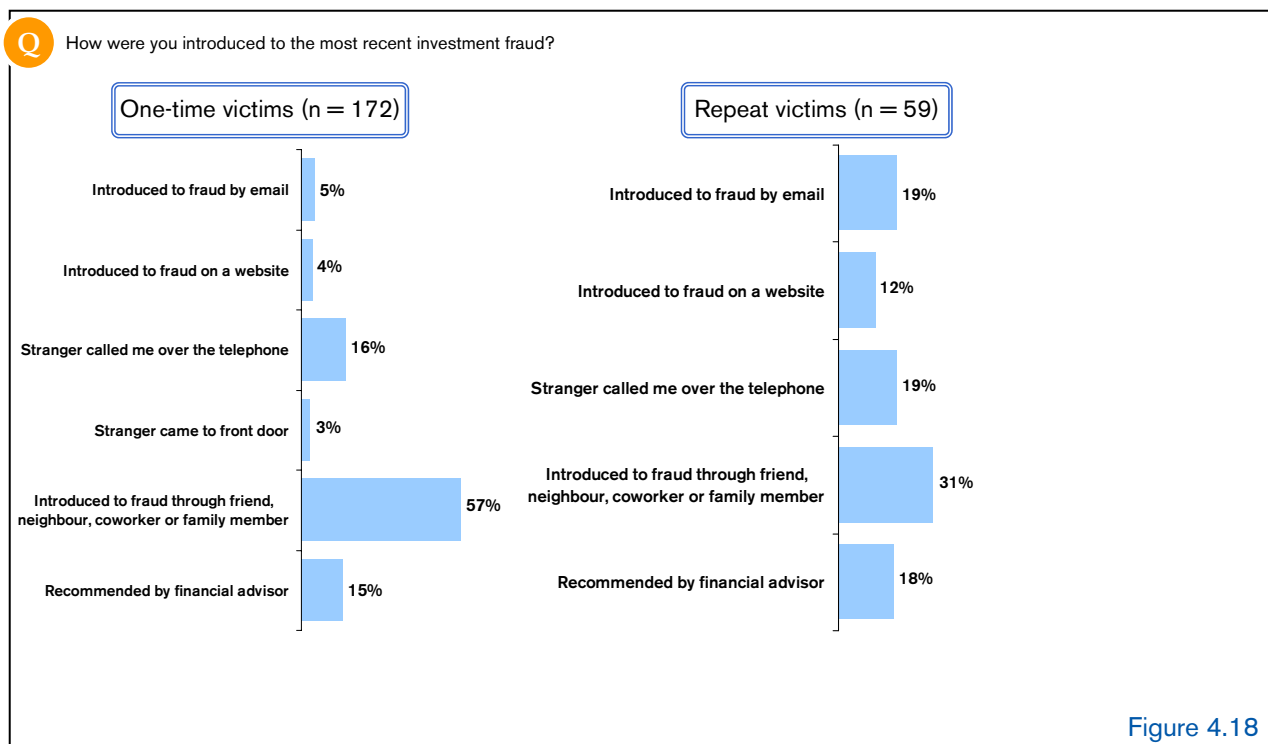
Looking at renters vs. owners, renters (32%) are more likely to be repeat victims than home-owners (24%).



## Fraud victims most likely to be approached by someone close to them

A majority of one-time and a plurality of repeat victims were introduced to fraud by someone close to them. Nearly three-in-five (57%) one-time victims were introduced to fraud through a friend, neighbour, coworker or family member, compared to three-in-ten (31%) of repeat victims. 16% of one-time victims and 19% of repeat victims were introduced to fraud by a stranger calling on the telephone. Similar proportions of one-time victims (15%) and repeat victims (18%) had the fraudulent investment recommended to them by their financial advisors.

Repeat victims appear to be more vulnerable to approaches on the internet. Among one-time victims, 5% were introduced to fraud by email and, again 4% through a website. This compares to 19% of repeat victims who were introduced by email and 12% through a website. Finally, 3% of one-time victims were victimized by strangers at their front door, compared to none of the repeat victims.





## Both one-time and repeat victims had a strong trust with fraudsters

Trust is the defining characteristic of a successful fraud. A large majority of one-time (74%) and repeat (66%) victims had a strong level of trust in the person who approached them with a fraudulent investment opportunity, with one-time victims more trusting. Two-in-ten (20%) one-time victims and one-in-four (26%) repeat victims had a very strong trust with the fraudster. A majority (54%) of one-time victims and four-in-ten (40%) repeat victims had a somewhat strong level of trust. Less than two-in-ten (16%) one-time victims reported their level of trust with the person who approached them with the fraud was not very strong trust, while just more than two-in-ten (21%) repeat victims said the same. Only one-in-ten (9%) one-time victims had no relationship of trust at all, compared to just over one-in-ten (13%) repeat victims.

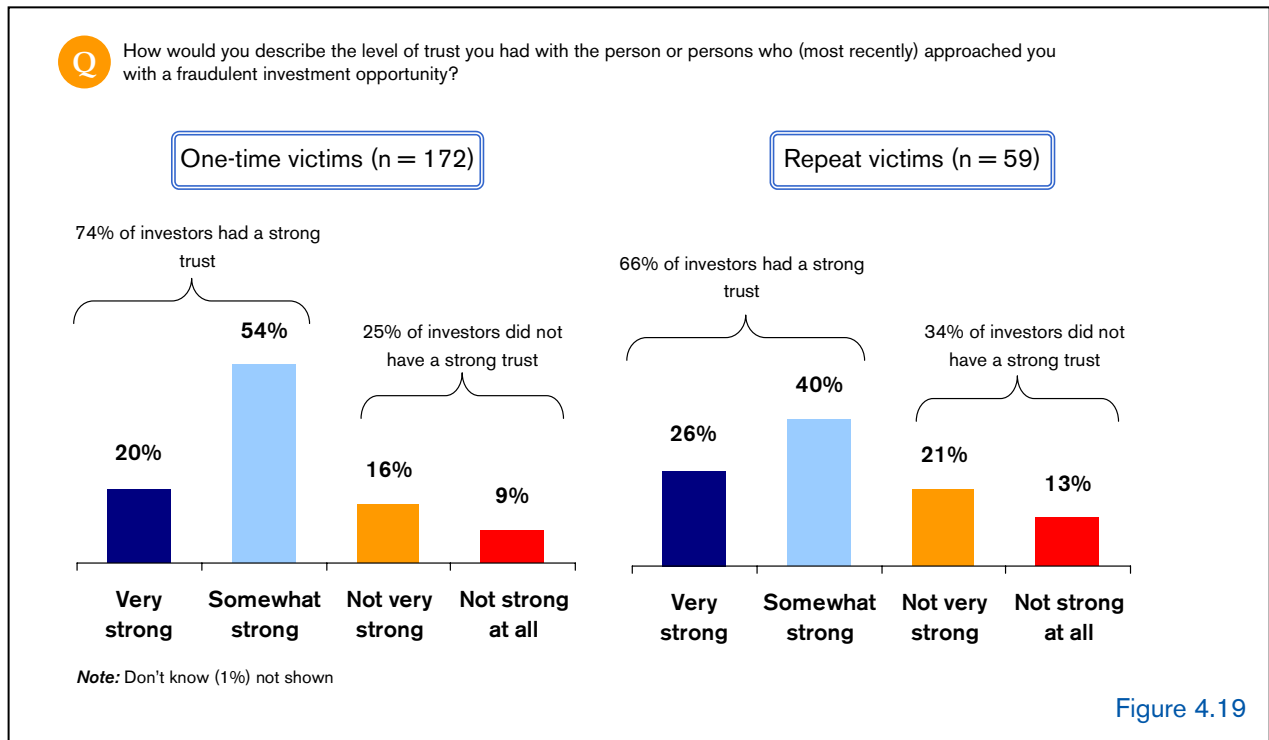


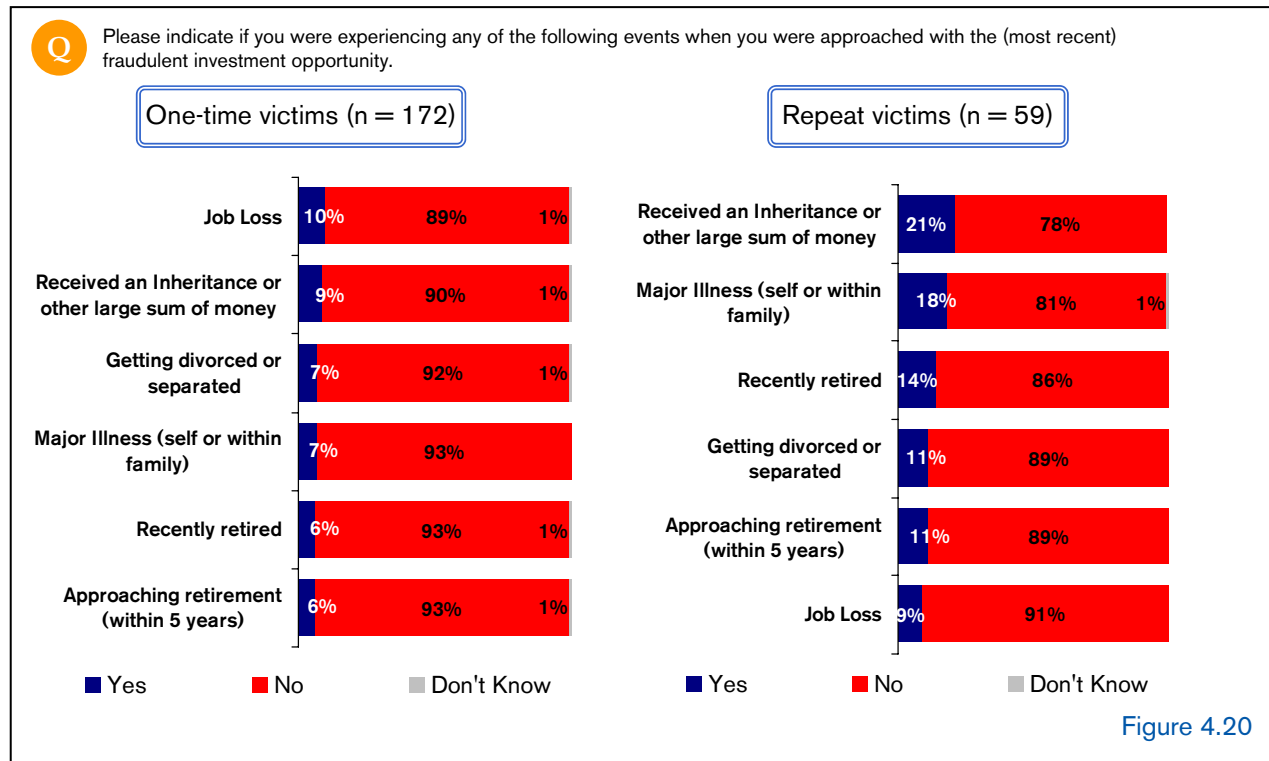
Figure 4.19

## Receiving inheritance for one-time victims, major illness for repeat victims key events for being approached by fraudsters

When asked to indicate if they were approached by fraudulent investment opportunities at a number of different events, one-time and repeat victims differ substantially in their responses. One time victims tended to offer responses that can be characterized as opportunities for investment while repeat victims are more likely to experience events that drive need.

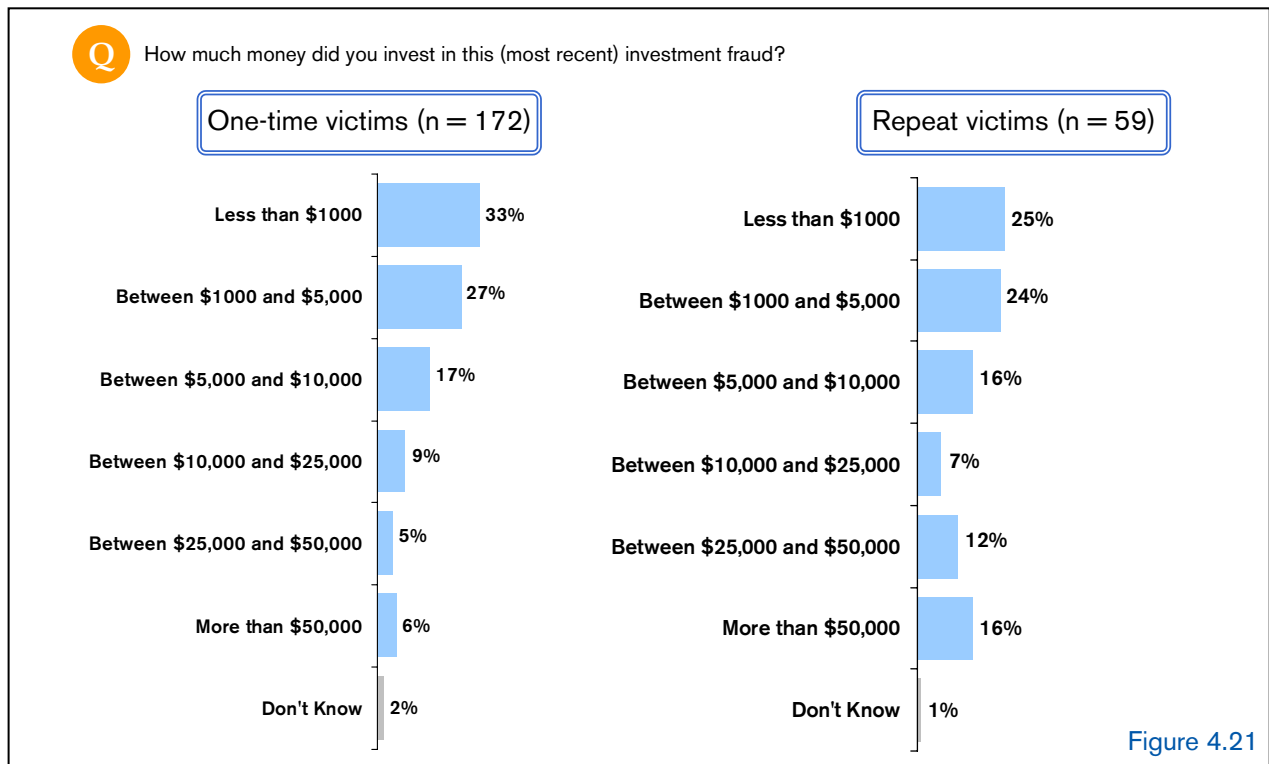
For one-time victims, job loss (10%) and receiving an inheritance or other large sum of money (9%) were the key events after which they were approached by fraudsters, followed by getting divorced (7%), a major illness of their own or within their family (7%), recent retirement (6%) or approaching retirement within five years (6%).

For repeat victims, two-in-ten (21%) were either victimized when they received an inheritance or other large sum of money or when they or a family member had a major illness (18%). Recent retirement (14%), getting divorced or separated (11%), approaching retirement within five years (11) and job loss (9%) are all other key milestones for being approached with a fraudulent investment opportunity.



## Repeat victims more likely to invest more money in fraud

When asked how much they invested in the most recent fraud, one-third (33%) of one-time victims reported they invested less than \$1,000, while just one-quarter (25%) of repeat victims say the same thing.



Generally, for one-time victims, as the amount of money invested increases, the proportion who say they invested decreases. Fewer than three-in-ten (27%) one-time victims say they invested between \$1,000 and \$5,000, while a significantly lower 17% report that they invested between \$5,000 and \$10,000. This number drops a further eight points to 9% at between \$10,000 and \$25,000, and to 5% for investments up to \$50,000. The proportion responding they invested over \$50,000 increases only marginally to six per cent of one-time victims.

Comparatively, repeat victims invest significantly more at the high end (16%), while only 11% of one-time victims invested over \$25,000, nearly three-in-ten (28%) repeat victims report having done the same thing. For the lower amounts, proportions are more comparable: repeat victims are slightly less likely than one-time victims to report having invested between \$1,000 and \$5,000 (24%), and about the same proportion of repeat victims as one-time victims (16% for repeat) say they invested between \$5,000 and \$10,000 in their most recent fraud experience.

**Q** How much money did you invest in this most recent investment fraud?

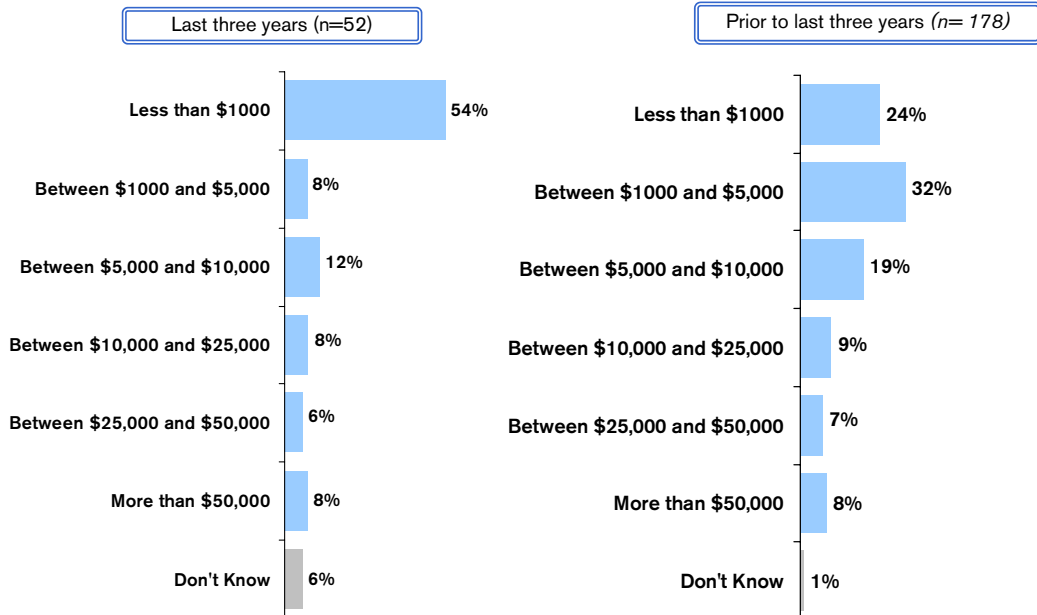
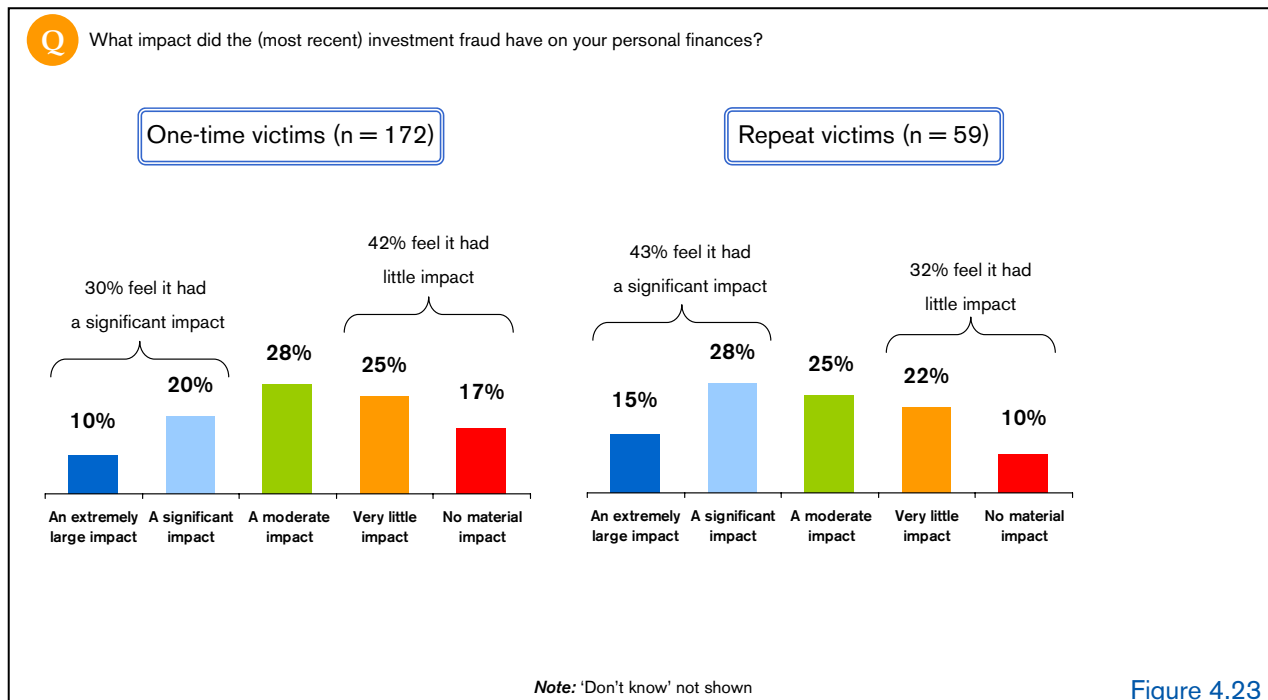


Figure 4.22

Victims whose most recent fraud experience was more than three years ago (24%) recall investment losses of less than \$1,000 much less often than do more recent victims (54%). Given inflation, it seems very unlikely that early frauds were for higher average dollar amounts than recent frauds. What seems more likely is that victims of frauds involving lower dollar amounts put those experiences out of their minds after a relatively short amount of time. This tendency does not grow over time. The major decline in the reporting of frauds under \$1,000 occurs at three years and remains quite stable throughout earlier periods.

Not only do repeat victims invest more money, the amount they invest in these frauds has a more significant impact on their finances.



While less than three-in-ten (30%) one-time victims say that what they invested in fraud represents an extremely large or significant impact on their personal finances, 43% of repeat victims report the impact of the investment fraud had an extremely large or significant impact on their personal finances. Conversely, 42% of one-time victims say that the investment had little to no impact on their finances, whereas 32% of the repeat victims were able to say the same thing.

## Majority of fraud victims do not recover any of their investment

Many victims, both one-time and repeat, did not recover any of their investment.

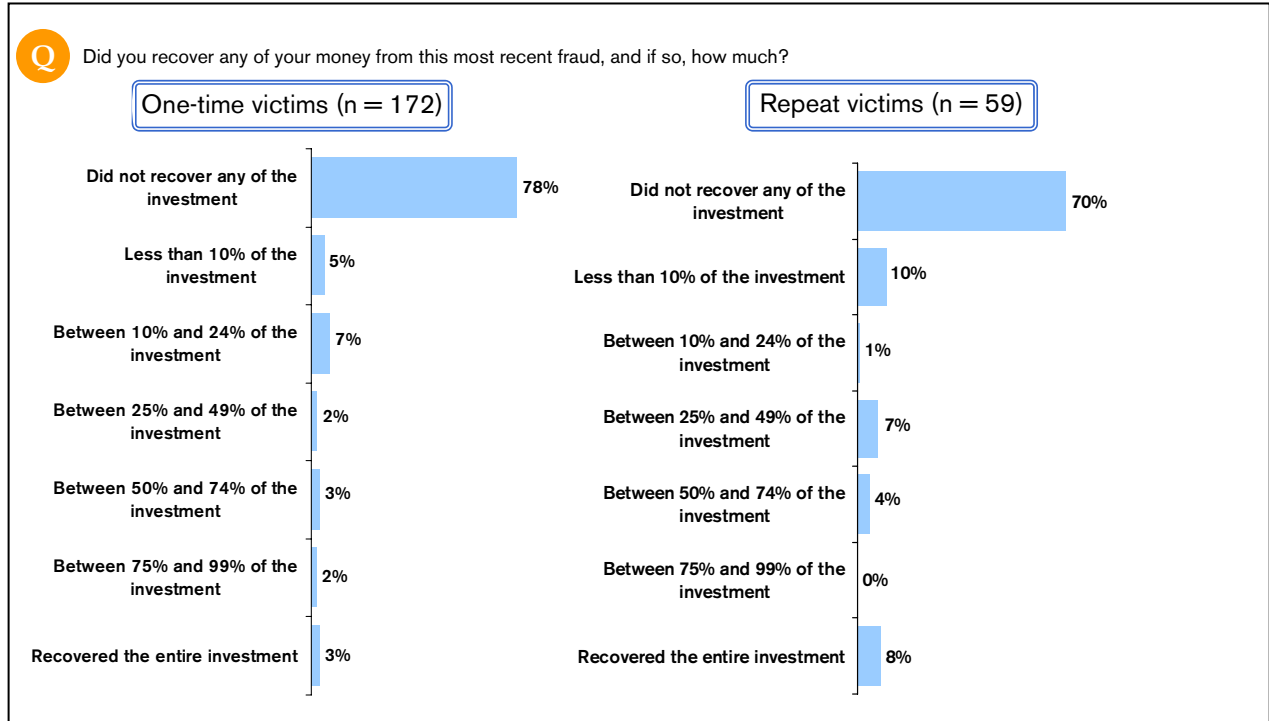


Figure 4.24

Nearly eight-in-ten (78%) one-time victims and 70% repeat victims did not recover any of the invested money from the fraud, while only 3% of one-time victims and 8% of repeat victims recovered the entire investment. Not surprisingly these numbers coincide with the reporting rate.

## Key attitudes mark potential victims

Earlier in this report Canadians were profiled by four attitudes that other studies have indicated may be related to vulnerability to fraud. The 2006 CSA Study shows that any one of three of those four attitudes correlates with the rate of fraud. In all three cases, the fraud rate is more than twice as high among those who strongly agree with the statement than among those who did not strongly agree.

Passion is key here. If respondents do not strongly agree, if they only somewhat agree, they are generally no more at risk than those who actually disagree or who are on the fence.

## Percentage of fraud victims by agree/disagreement with key attitudes

	Strongly agree	Somewhat agree	Neither	Somewhat disagree	Strongly disagree
<b>I just don't trust investment professionals</b>	11%	6%	4%	4%	2%
<b>Sometimes you have to bend the rules if you want to get ahead in life</b>	10%	4%	5%	4%	4%
<b>No matter how much homework you do, every investment is a gamble</b>	8%	4%	2%	4%	3%
<b>For me, most things usually turn out for the best</b>	5%	4%	6%	4%	6%

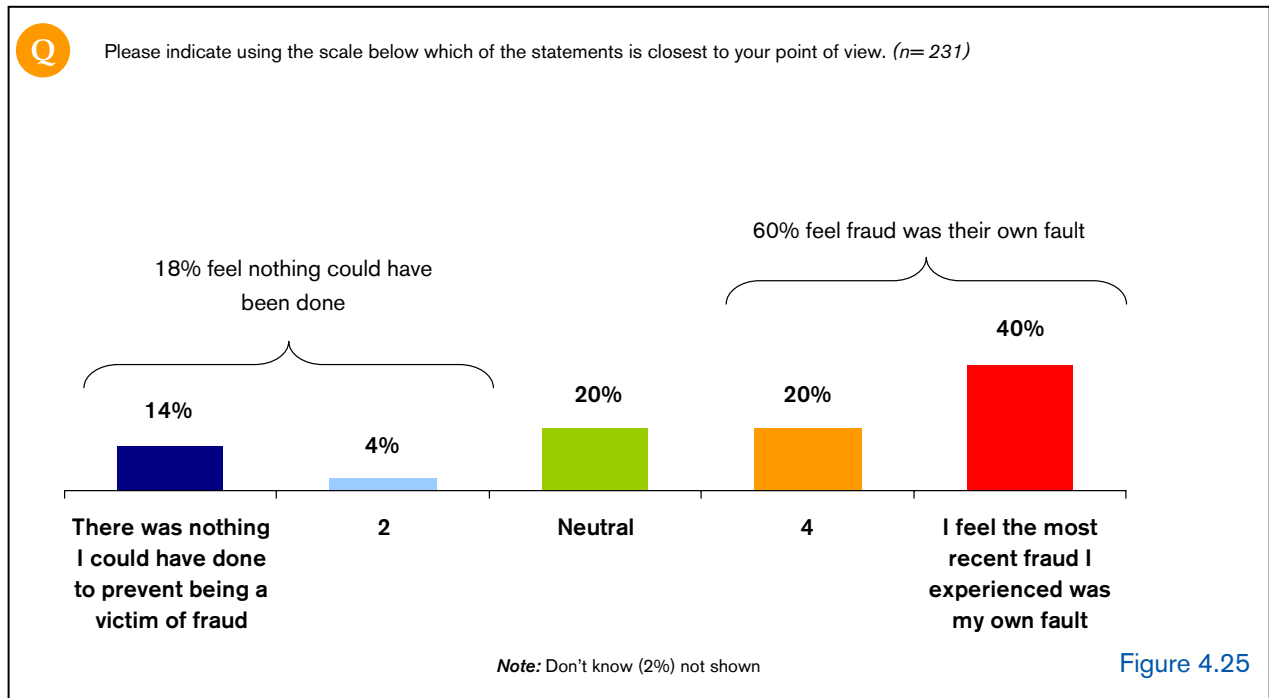
The strongest effect is seen with the statement "*I just don't trust investment professionals*". Those who "strongly agree" with that statement are almost three-times more likely to have been defrauded than average. Those who "somewhat agree" are slightly more likely to be defrauded than average, but only by a narrow margin.

Almost as strong is the belief that "*sometimes you have to bend the rules if you want to get ahead in life*". Strong agreement with that statement leaves respondents more than twice as likely to be defrauded as average. However, weak agreement makes no difference.

Coming third, but still powerful is strong agreement with the statement "*no matter how much homework you do, every investment is a gamble*." Again, weak agreement has no impact.

The only belief that appears to have no effect is the final statement about optimism for the future: "*for me, most things usually turn out for the best*."

## Fatalism concerning fraud low



When asked if they felt there was nothing they could do to avoid fraud, or whether they felt that the fraud they experienced was their own fault, three-fifths (60%) respond that they feel that the fraud was their own fault, whereas only 18% feel that nothing could have been done to avoid being victimized. Two-in-ten (20%) do not wholly agree with either standpoint.

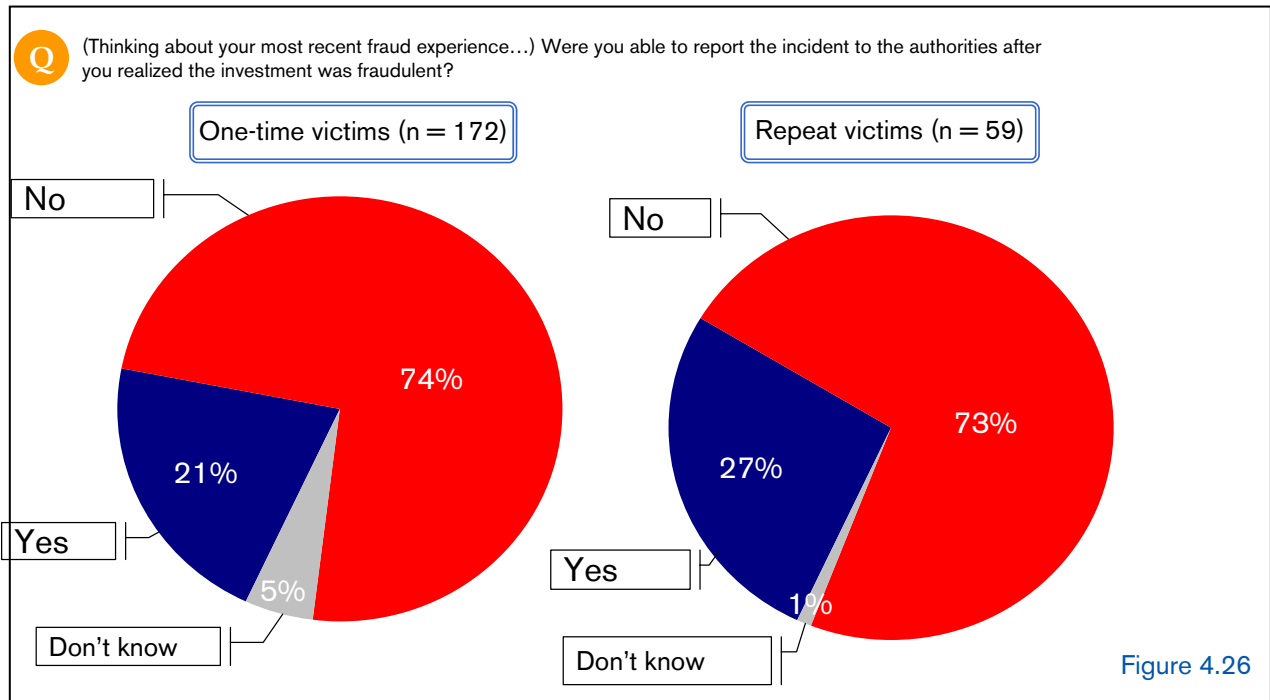
Atlantic Canadians (78%) were most likely to feel that the fraud was their own fault, while Albertans (57%) are least likely to feel this way. Quebeckers (27%) are most likely to feel that there was nothing they could have done, while Atlantic Canadians (0%) and those in the Prairies (13%) are least likely to agree with this viewpoint.



## 4.5 Reporting Fraud

### Nearly three-in-four victims not able to report incident to authorities after they experience fraud

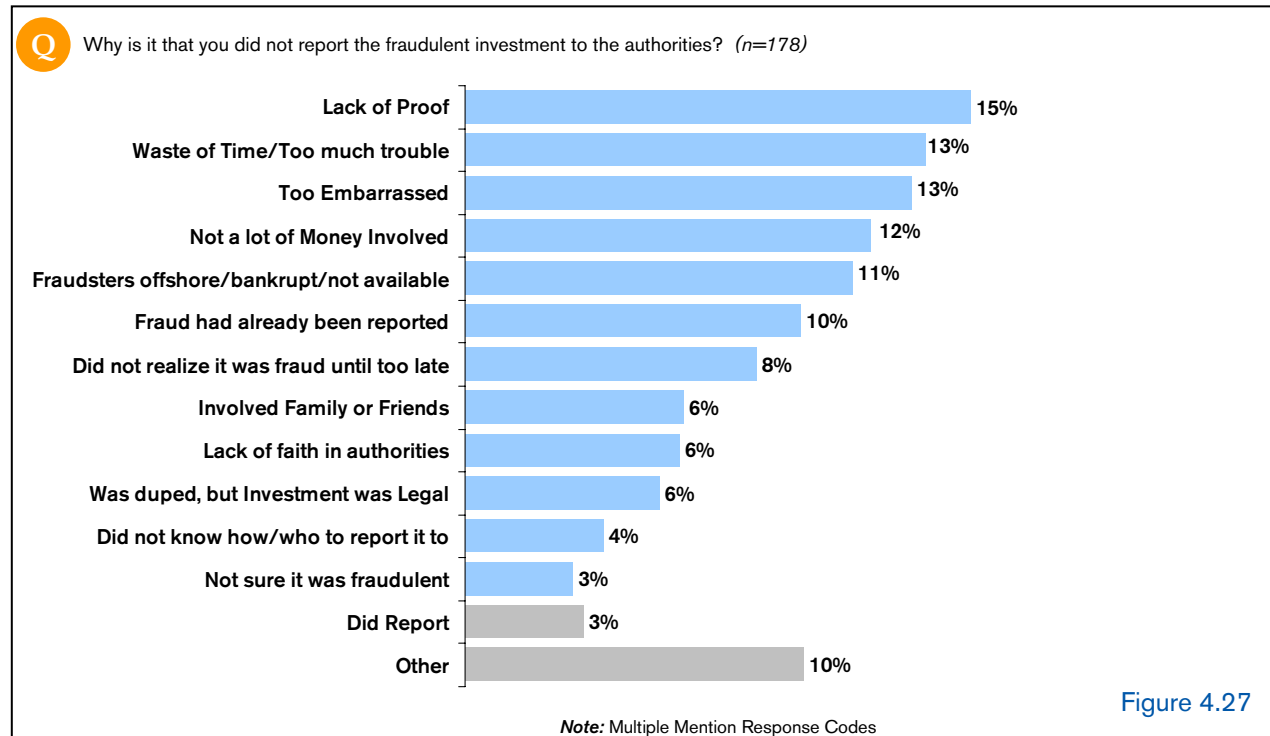
When it comes to reporting fraud to the authorities, nearly three-in-four one-time victims (74%) and repeat victims (73%) were unable to report the incident. Repeat victims (27%) are slightly more likely than one-time victims (21%) to have reported the fraud, with one-time victims (5%) somewhat more likely to respond “don’t know” than repeat victims (1%).



## Variety of reasons not to report fraud, one-time victims more embarrassed

When we asked victims who did not report the fraud why, they listed a variety of reasons. Key reasons include lack of proof (15%), waste of time/too much trouble (13%), too embarrassed (13%), not a lot of money involved (12%), that fraudsters were offshore or not available or bankrupt (11%), or that the fraud had already been reported (10%).

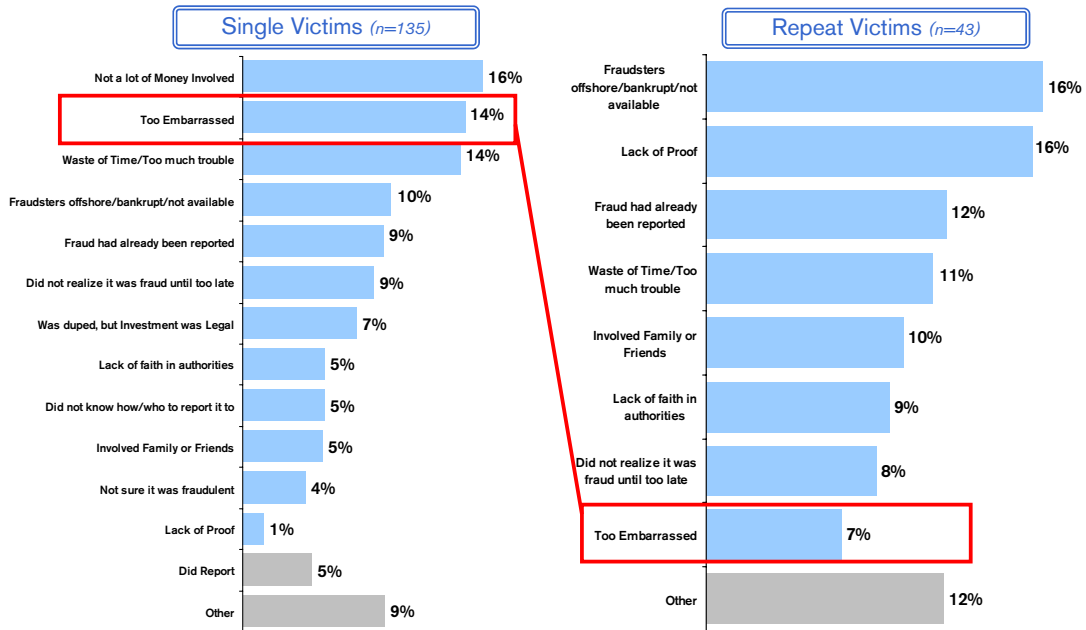
Other key points include they did not realize it was fraud until too late (8%), it involved family or friends (6%), they lacked faith in the authorities (6%), they were duped but the investment was legal (6%), they did not know how or to whom they should report it (4%), or they were not sure it was fraudulent (3%).



Some key differences emerge when comparing reasons of one-time and repeat victims. Interestingly, one-time victims (14%) are twice as likely as repeat victims (7%) to say they were embarrassed as a reason for not reporting it. Also, one-time victims are more likely to say there wasn't a lot of money involved (16% compared to 0%), whereas repeat victims cite lack of proof (16%) and that fraudsters were offshore, bankrupt or not available (16%) as the key reasons.



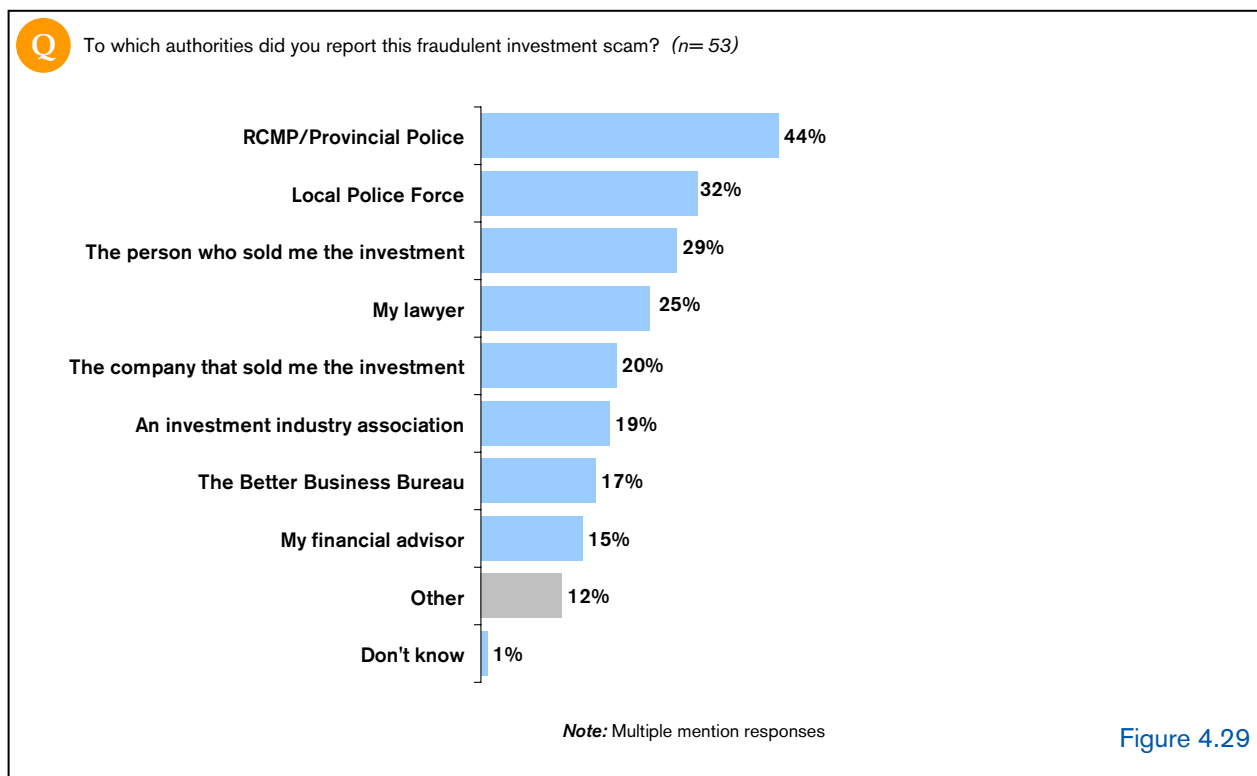
Why is it that you did not report the fraudulent investment to the authorities?



Note: Multiple Mention Response Codes, numbers may not total 100%

Figure 4.28

## RCMP/Provincial Police most preferred authority for reporting investment frauds

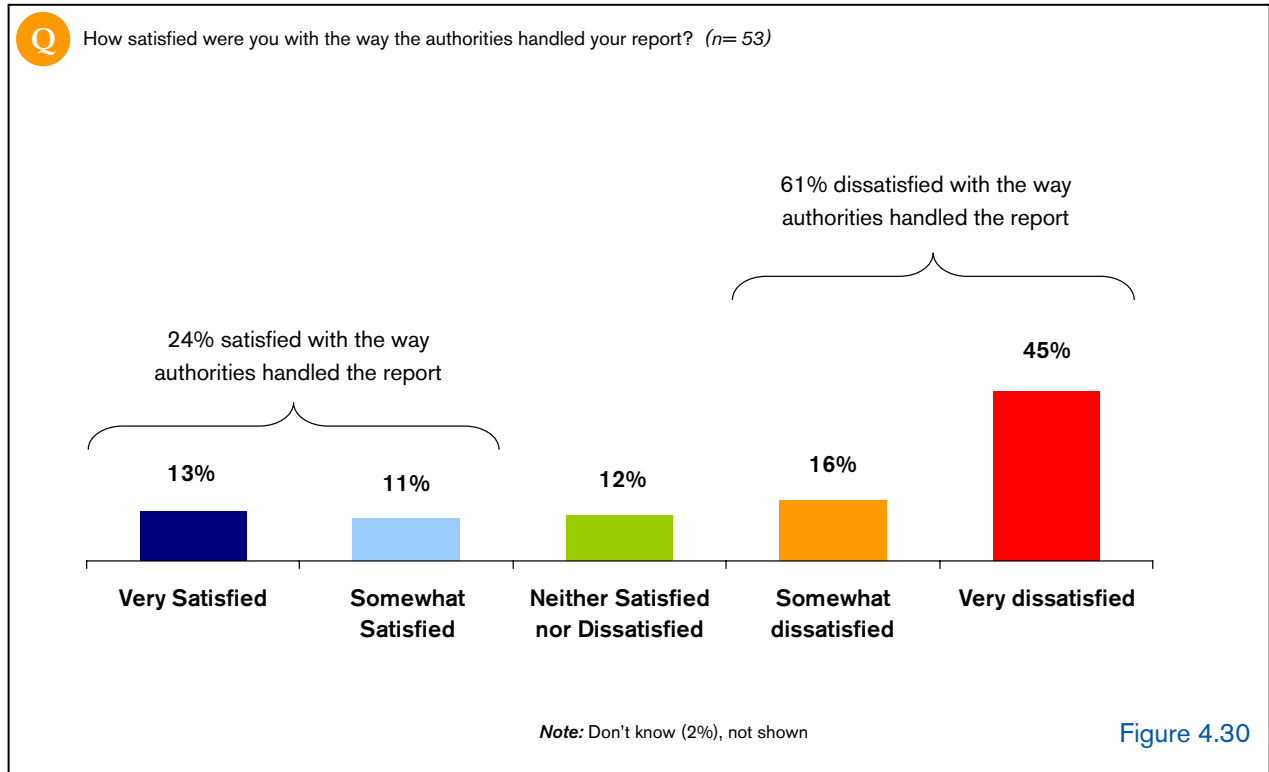


Federal and provincial police, including programs like PhoneBusters, are the most popular venue for reporting investment fraud, among those respondents who say they informed the authorities. More than four-in-ten (44%) victims responded that the organization they informed was either the federal RCMP or the provincial police, and the second-most-popular venue for reporting (32%) was the victim's local police force, followed closely by the person who sold the investment (29%), the victim's lawyer (25%) and the company that sold the investment (20%) as well as an investment industry association (19%).

Even those who reported the fraud do not necessarily also respond that they were able to recover even part of their investment. 70% of repeat victims who reported the fraud did not recover any portion of the investment. However, the remaining 30% was able to recover at least part of the investment.

Slightly more one-time victims (78%) were not able to recover any portion of their investment, and the remaining proportion (22%) were able to get at least something back, the same as the national average (21%).

## Many victims dissatisfied with the way report was handled

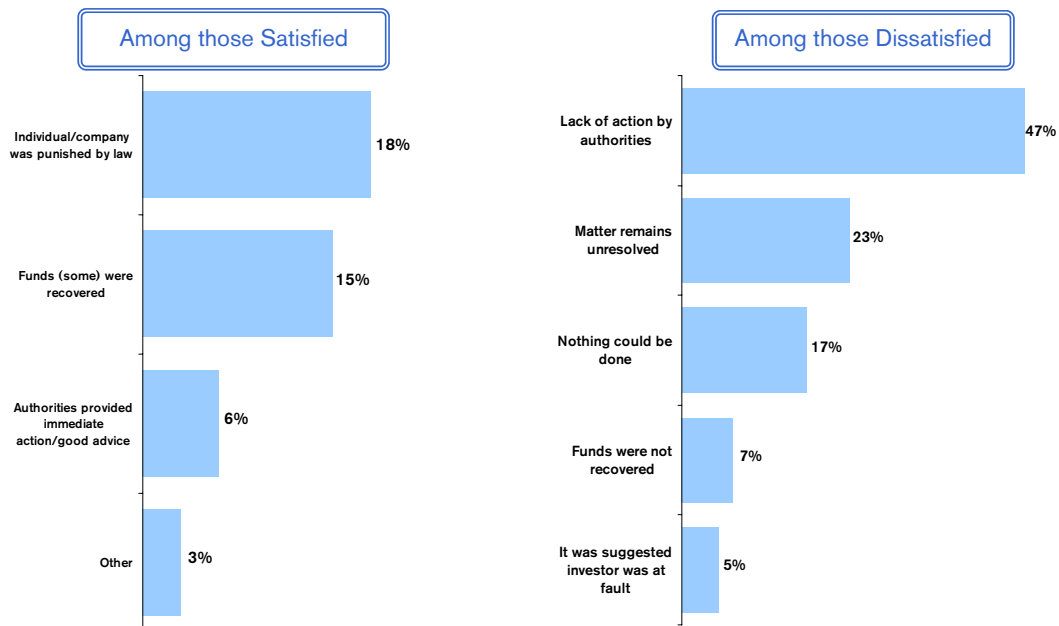


Slightly less than one-quarter (24%) of victims who reported the incident say they were satisfied with the way the report was handled, while a 61% are dissatisfied. These numbers are roughly similar regardless of how many times a person has been victimized (one-time victims: 23% satisfied, 62% dissatisfied; repeat victims: 27% satisfied; 62% dissatisfied).

Those in Alberta are the most likely to feel dissatisfaction at the way their report was handled (82%), while those in the Prairies and the Atlantic region are less likely to feel this dissatisfaction (32% and 37%, respectively).



How satisfied were you with the way the authorities handled your report? And why do you say that? (n= 45)



Note: Multiple mention responses, percentages will not add to 100

Figure 4.31

Among those satisfied, the most common reasons were that the fraudsters were punished (18%) or that the victim was able to recover some of his or her money (15%).

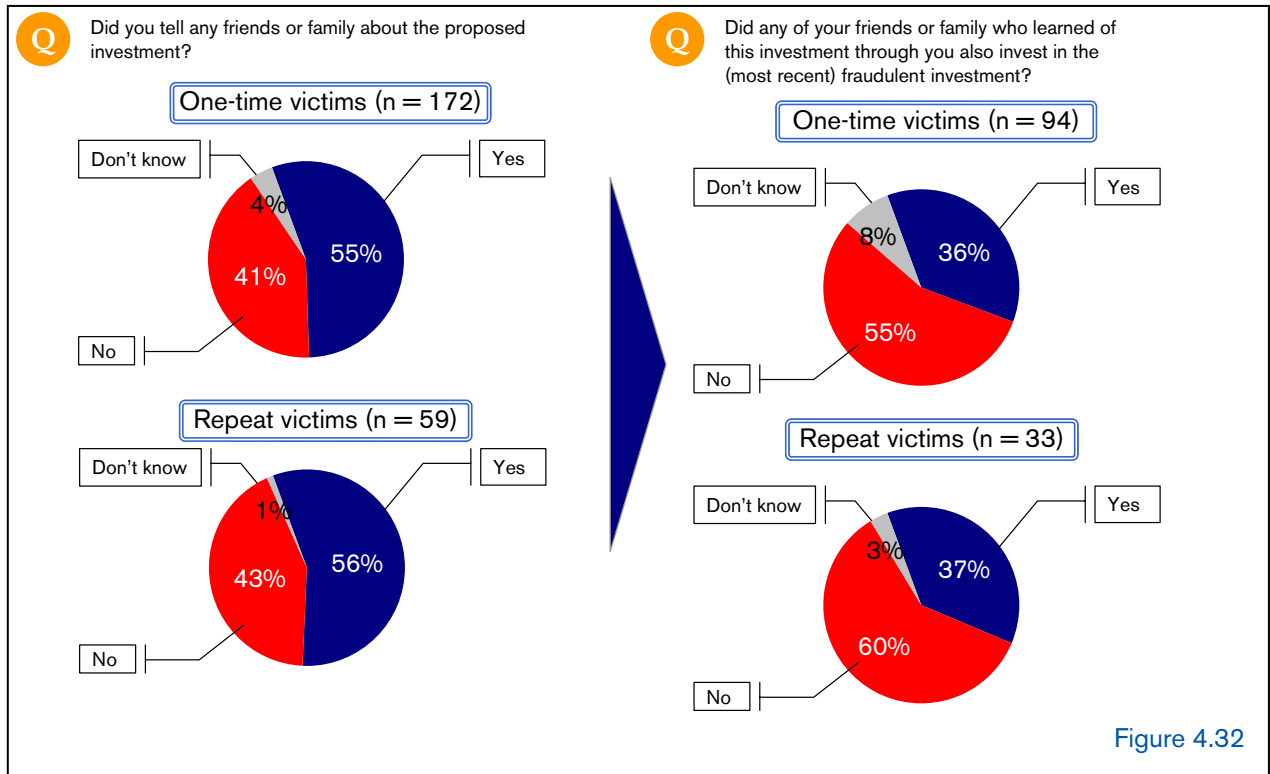
Among those dissatisfied, a lack of action by authorities (47%) or that the matter remains unresolved/nothing could be done (40%) were the most frequent reasons cited for victims' dissatisfaction.

## 4.6 Friends and Family of Victims of Fraud

### Half of victims tell their friends or family about the fraudulent investment

When asked if they had told their friends or family about the investment they were making, which happened to be fraudulent, half (55%) of one-time victims as well as of repeat victims (56%) say yes, they did.

One-time victims in Alberta (66%) were most likely to have done so, while those in the Prairies (36%) or the Atlantic region (36%) were least likely to have told their friends and family. Repeat victims in Atlantic Canada, however, were more likely (73%) to share their investment news with friends and family than their counterparts in the rest of the country. No repeat-victim respondents in the Prairies reported having done so.

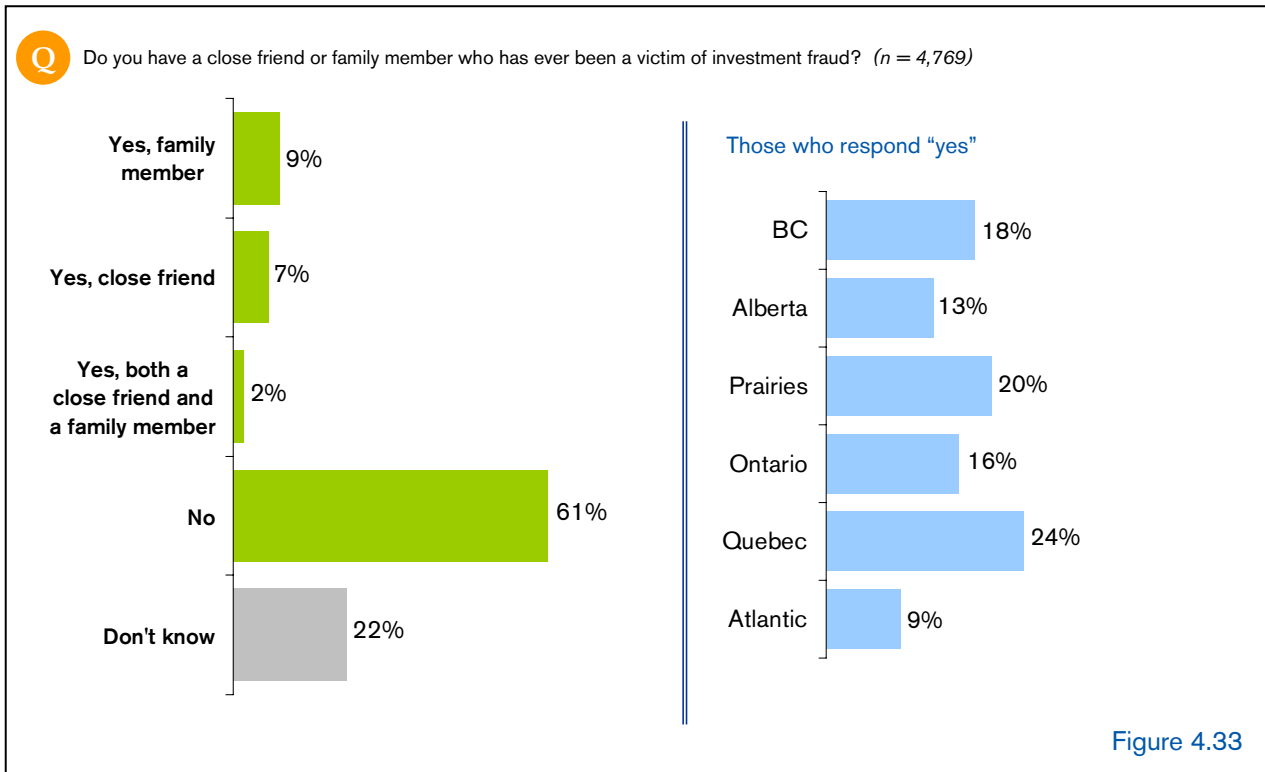


Those victims who report that they had told their friends and family about the proposed investment were then asked if the people they told also invested. Among one-time victims, 36% say that those they told did invest in the proposed investment, which turned out to be a scam. On the other hand, a majority (55%) say that those they told did not invest in the fraud.

Among repeat victims, less than four-in-ten (37%) report that the friends or family they told invested in the fraud as well, while six-in-ten (60%) say that no, those they told did not invest in the fraud. Of those repeat victims whose most recent victimization was in the last three years, 65% say the friends and family they told did *not* invest.

## One-in-five non-victims has a close relationship with a victim of investment fraud

Among Canadians who have never been approached with a fraud or invested in a fraud, one-in-six (16%) know a close friend and/or family member who has been a victim of investment fraud. One-in-ten (9%) knows a family member who has been a victim of investment fraud, and slightly less (7%) know a close friend who has invested in a scam. Only 2% know both a close friend and family member who have invested in a fraud. Six-in-ten (61%) do not have a close friend or family member who has been a victim of investment fraud, and slightly more than two-in-ten (22%) just don't know.





## 5. Social impact of investment fraud

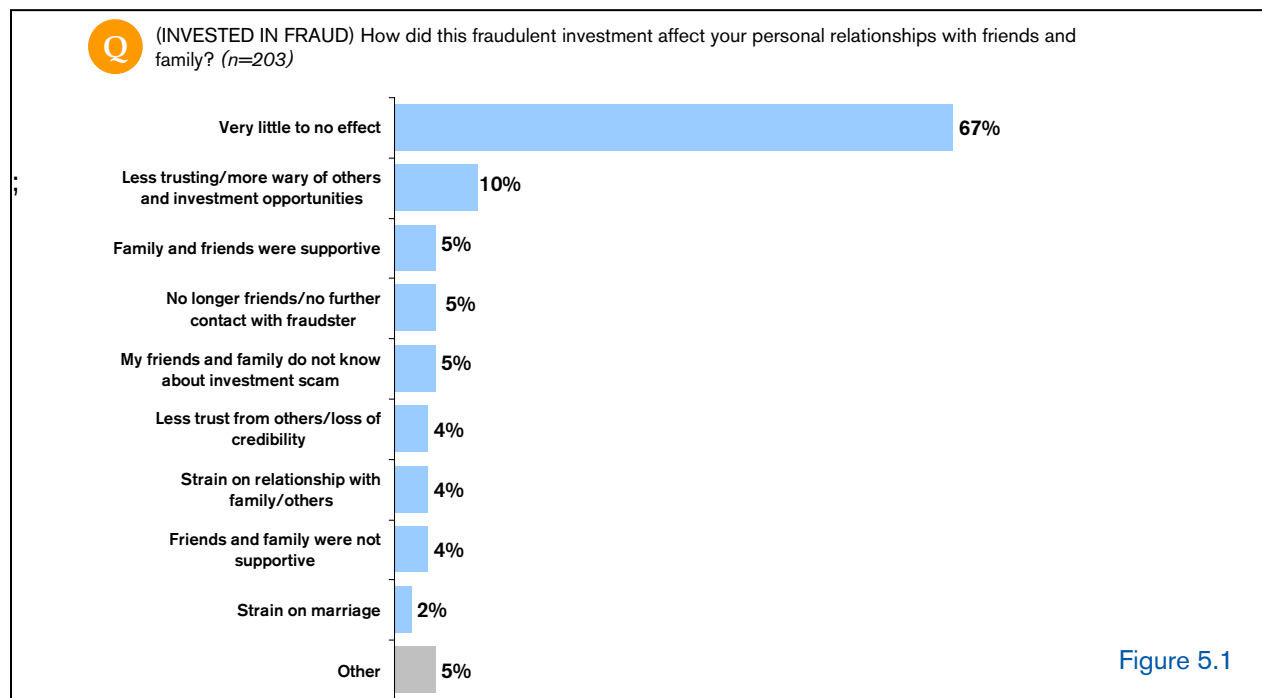
The unique focus of the 2007 CSA Study is to understand the social impact of investment fraud. Previous literature gives us a list of possible impacts:

- Reduced faith in markets
- Reduced trust in others
- Withdrawal from social interactions
- Increased stress and anxiety
- Increased susceptibility to physical illness

The 2007 CSA study looks at these impacts from two perspectives: friends and family of fraud victims (or people close to the victim), and the fraud victims themselves.

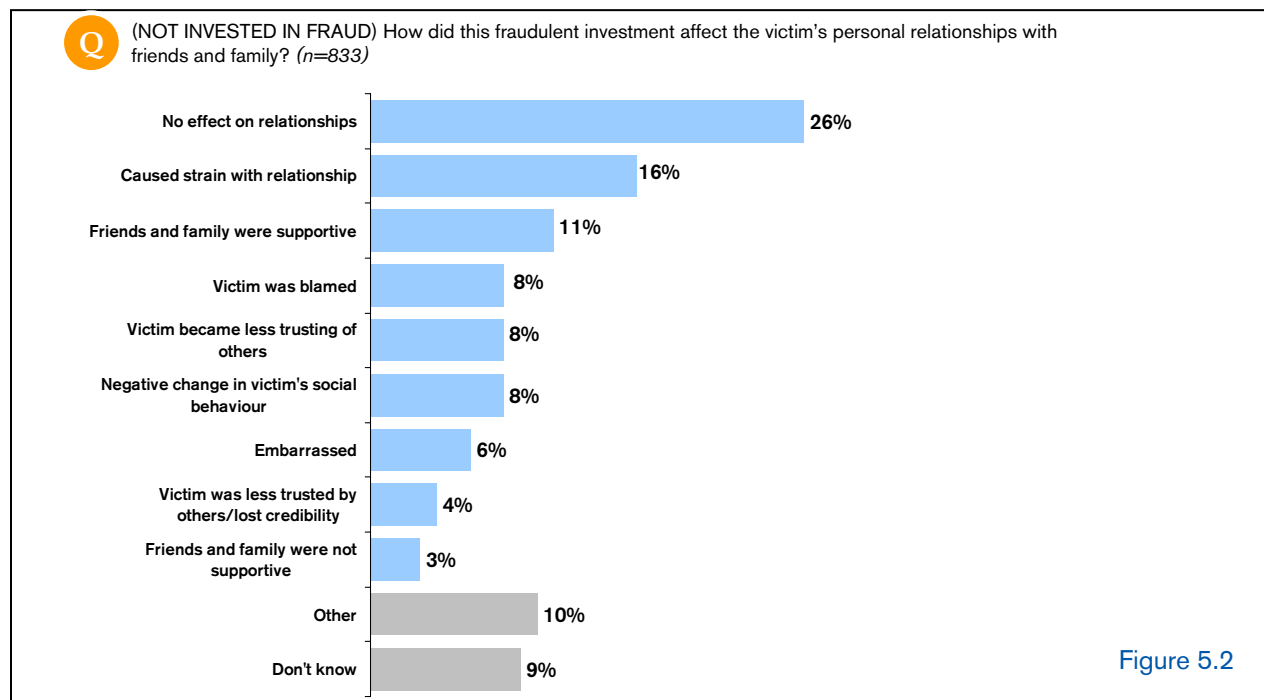
### 5.1 Mirror, mirror

Only a minority of victims, as well as their friends and family, agree that people close to the victim were supportive of the fraud victim after the fraud, and helped them recover the loss. However, a greater proportion of “friends and family” (40%) report this than do victims themselves (36%). A large portion of victims (38%) and their friends and family (27%) were ambivalent, choosing “neither agree nor disagree”; suggesting victims received a mixed response from their social support network. Perhaps more ominously, 26% of victims and 31% of their friends and family *disagreed* with the suggestion that the people closest to the fraud victim were generally supportive.



Digging deeper into these conflicting results, the survey then used an open-ended question to ask victims and their families what influence the fraudulent investment had on the victim's relationships with friends and family.

The single most common comment among friends and family was that the fraud experience had no real impact (26%). Another 11% reported without prompt that friends and family were supportive of the victim.

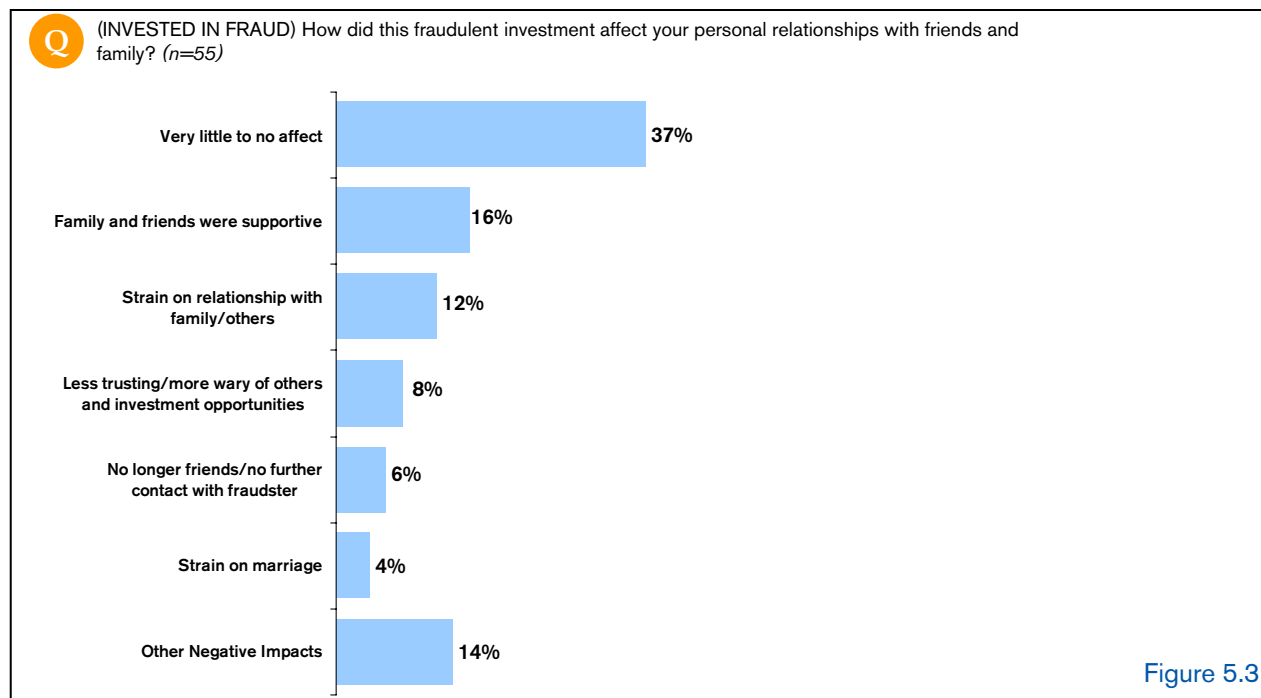


By contrast, a majority of the comments documented negative changes. At 16%, the most commonly reported negative development was that the fraud strained relationships between the victim and his or her friends. An additional 16% reported that friends and family were not supportive (4%) or that the victim was blamed (12%). Friends and family also reported that the *victim* became less trusting of others (9%) or that the experience caused a negative change in the victim's social behaviours (6%).

Victims paint a different picture of their experience with the people closest to them. Two-thirds (67%) of those surveyed reported very little to no effect on their personal relationships.

One-in-ten suggested that they were less trusting or wary of others (10%), and an additional 4% felt they lost the trust of others and that their credibility was ruined. Still, the proportion that reports a change in behaviour pales in comparison to the proportion that reports no significant change in their relationships.

## The art of losing



Interestingly, among victims who lost more than \$10,000, the impact appears much closer to the impact that friends and family describe. Just 37% say their relationships with friends and families are unaffected. Another 16% say that friends and family were supportive. But 44% report varying negative impacts including strained relationships (12%), strained marriages (4%), less trust in others (8%) or no longer being friends with those connected with the fraud (6%).

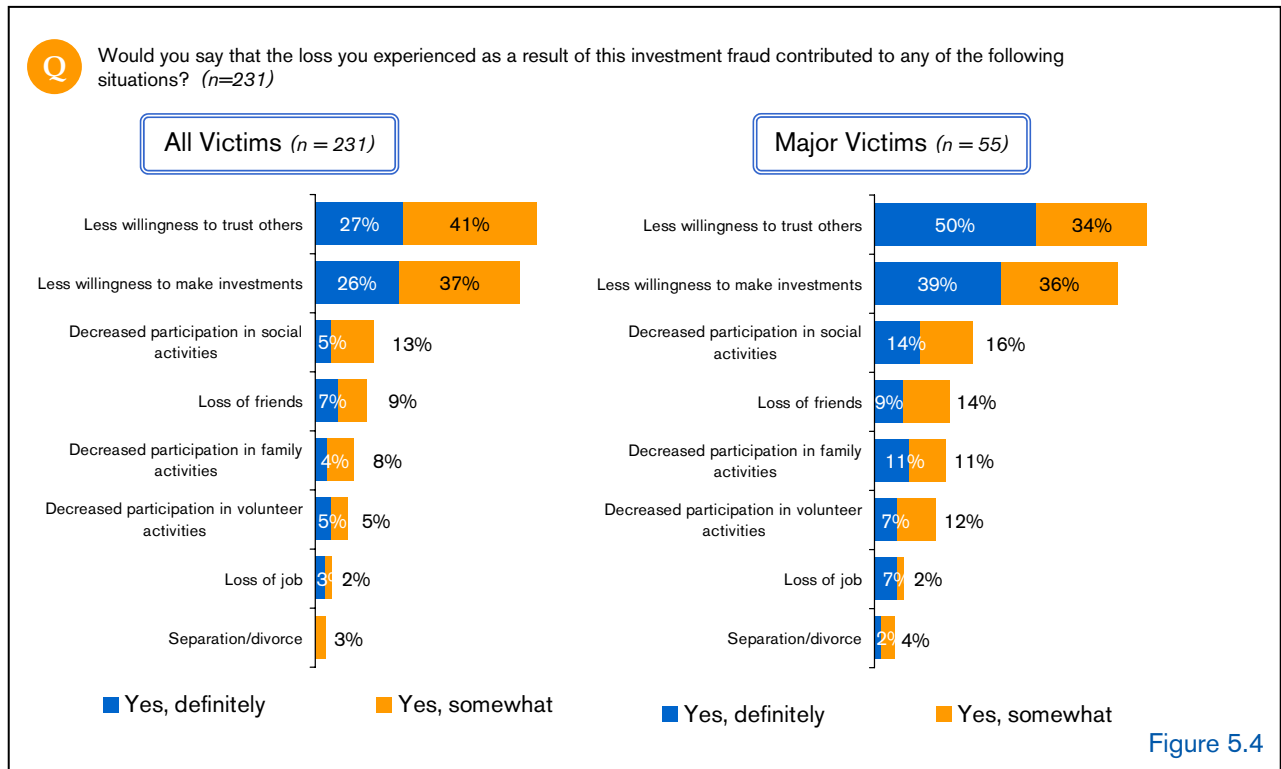
The contrast between the perceptions of victims and those of their friends and family in these results is a pattern throughout the following analysis. One explanation for this is that after victims understand the impact, they attempt to put their best face forward. Another possibility is that friends and family are trying to demonstrate their empathy and compassion but, in doing so, are exaggerating the impact. A further possibility is suggested by the middle ground, shown in the perceptions of those who experience a major fraud. It seems likely that just as fraud victims themselves seem to forget smaller frauds within a few years but remember larger frauds for an extended period of time (as discussed in section 4.4), so too are friends and family more aware of major frauds but miss frauds that involve smaller amounts of money.

If this is true – if friends and family are more aware of major frauds – then it should be expected they will report findings that look like those of the victims of major fraud, and not like those of the average fraud victim.

## 5.2 Relationships and Social Behaviour

Previous studies show that a major effect of fraud is a loss of trust and social engagement. To explore this impact in a Canadian setting, victims and their friends and families were asked a series of questions pertaining to whether or not they felt the investment fraud contributed to particular situations surrounding their social, professional or interpersonal lives.

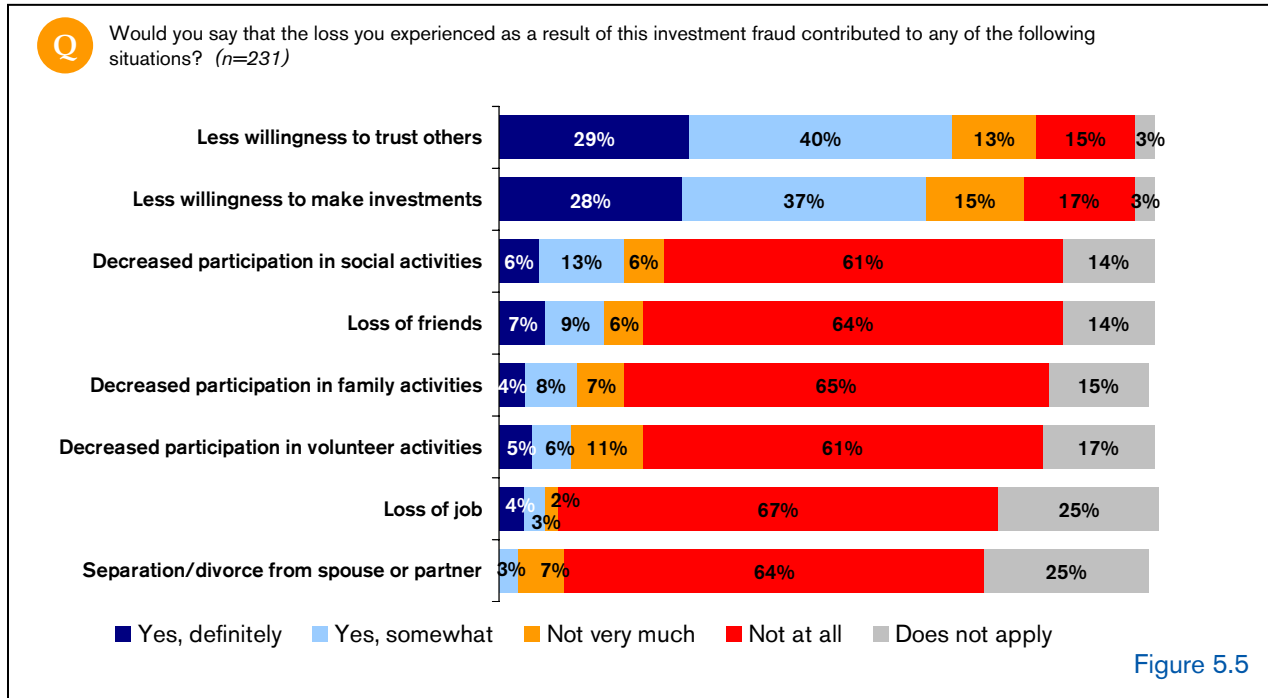
Regional analyses point to some geographical differences, but often the most striking variations in response rate are found among those of different amounts lost in the fraud. All studied social effects are perceived much more seriously by those who suffered major losses of \$10,000 or more than the victims on average.



Almost all major victims of large-scale frauds report being less likely to trust other people (84%) or other investments (75%). That said, social withdrawal is dwarfed by the decline in trust, ranging from a moderate 30% of victims reporting a general decline in social activities to a 19% decline in volunteer activities.

Loss of job becomes more common with almost 7% reporting the fraud was at least “somewhat” a factor in job loss. Separation or divorce is still relatively rare with just 3% reporting that the fraud was somewhat of a factor.

## A brave face forward

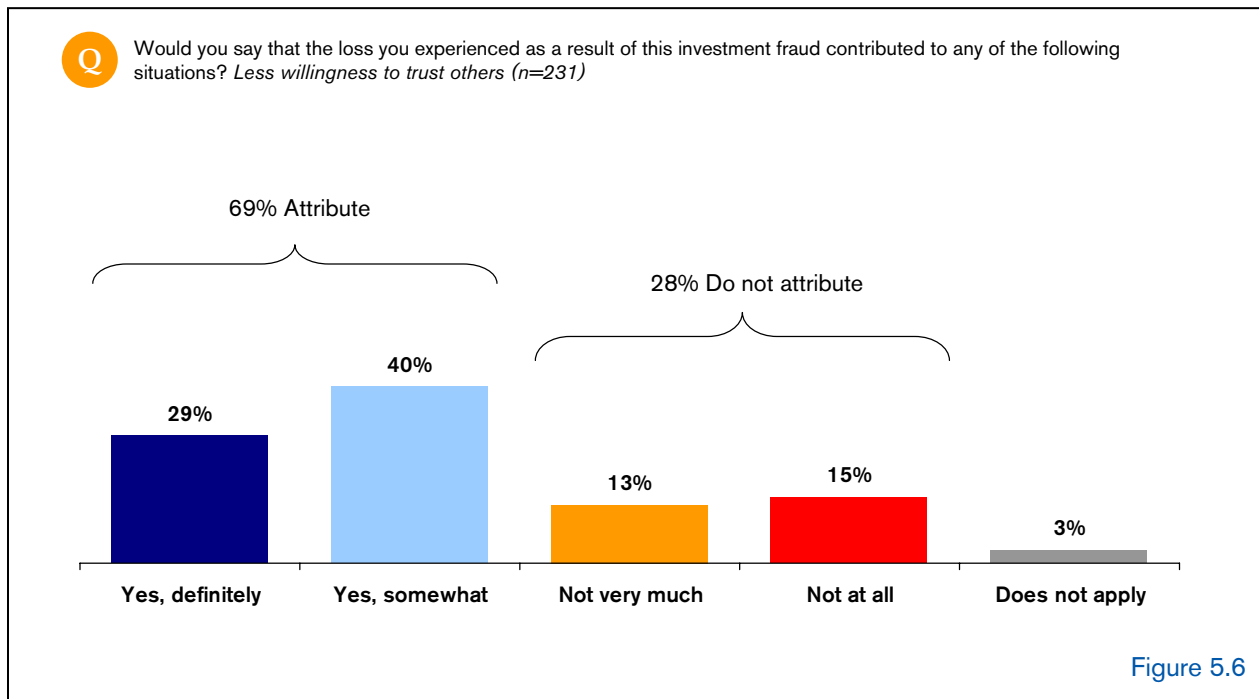


Victim responses more generally present a clear hierarchy in the impact of fraud. First and foremost, a victim's willingness to trust is diminished, with majorities reporting they are less willing to trust other people or other investments.

The second tier of effects, involving social withdrawal, is not nearly as prevalent. Between one-in-ten and one-in-five fraud victims report reduced social activities, loss of friends or less involvement in family or volunteer activities, but the majority of victims claim social withdrawal was not a result of their victimization.

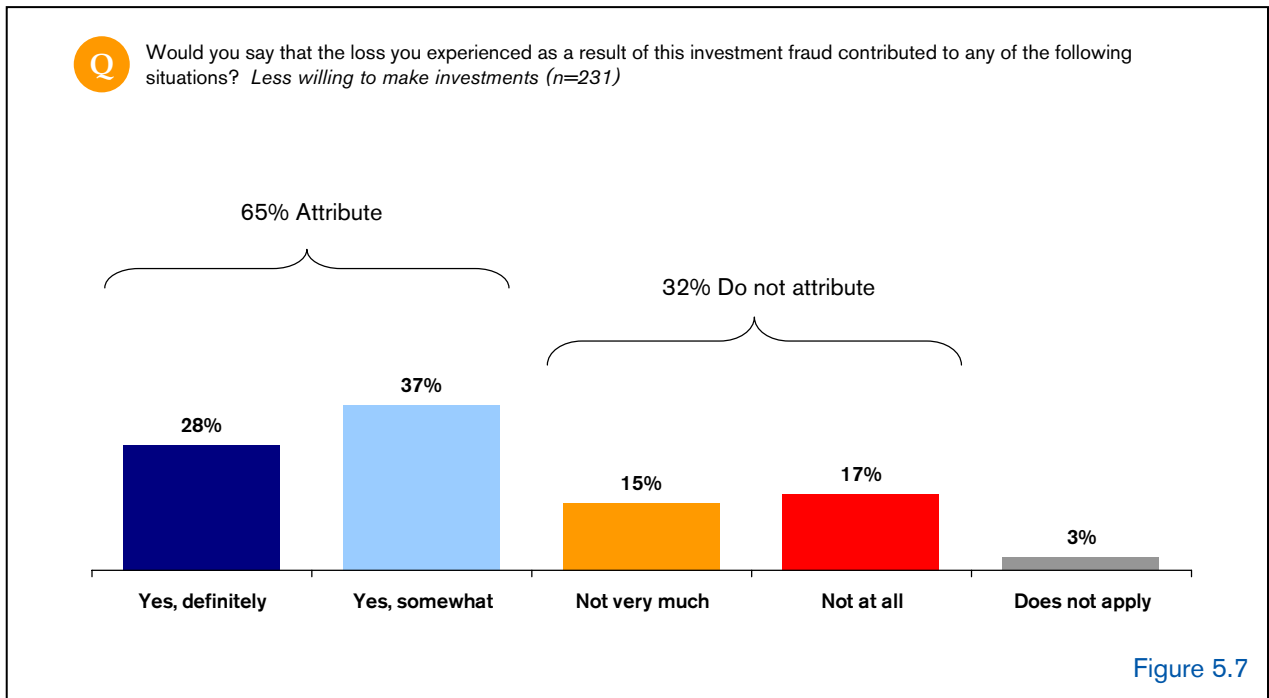
Even less frequent are reports of job losses and divorce.

The detailed results indicate that, more often than any other experience, individuals report feeling a decreased willingness to trust others as a result of their victimization by investment fraud (69%). Nearly three-in-ten (29%) feel that the fraud definitely contributed to this feeling, while four-in-ten (40%) say that it had somewhat of an impact. Only three-in-ten (28%) victims report not feeling this way as a result of the fraud.



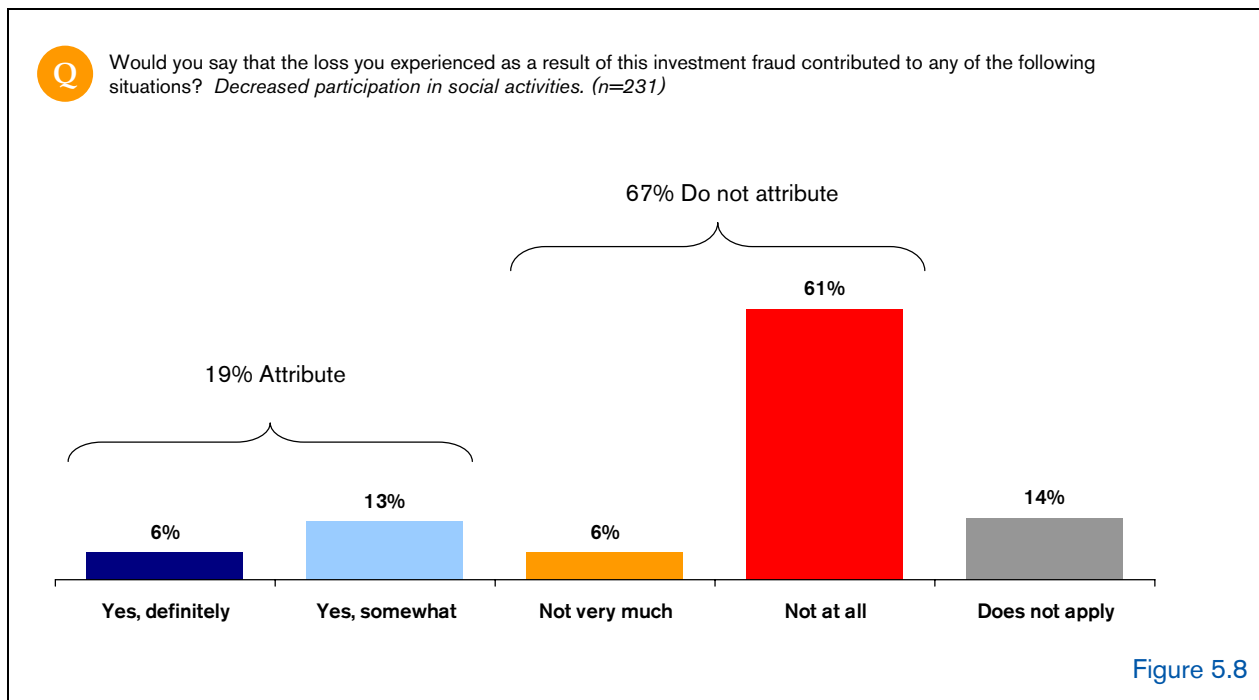
- Those in Quebec are most likely to feel this way (79% “definitely contributed” or “somewhat contributed”), while those in the Atlantic Region appear to have been the most forgiving (59% attribute decreased willingness to trust others with investment fraud).
- Victims who lost \$10,000 (78%) or more are significantly more likely than those who lost less to attribute a decreased willingness to trust others to their having been defrauded.
- Those victims who experienced fraud in the last three years (72%) and from 1980 to 2004 (70%) more definitively attribute their level of trust to their loss than those who experienced the fraud in the 1980s or earlier (47%).

Slightly fewer victims report that their experience resulted in a decreased willingness to invest in the future. Two-thirds (64%) report feeling this way, while only one-third (32%) feel differently. Nearly three-in-ten feel that the investment fraud definitely contributed to this feeling (28%), while an additional 37% declared that the event somewhat contributed to a reluctance to invest again.



- Once again, Quebec investors are most likely to feel this way (76%) followed closely by British Columbians (72%) and Albertans (71%). Less than half of those living in the Prairies (44%) report feeling this way.
- Unsurprisingly, active investors are least likely to report a decreased willingness to invest as a result of a fraud experience (41%). Similarly, those who do not make investments are most likely to report feeling a decreased willingness to invest in the future (79%).
- Those who lost \$10,000 or more in the fraud (65%) are more likely to feel less willing to make investments than others, but interestingly, those who lost *less* than \$1,000 (61%) are not far behind in this respect.
- Again, those who experienced fraud since 2004 (67%) are more likely than those who were defrauded in the between 1980 and 2004 (64%) and 1980s or earlier (62%).

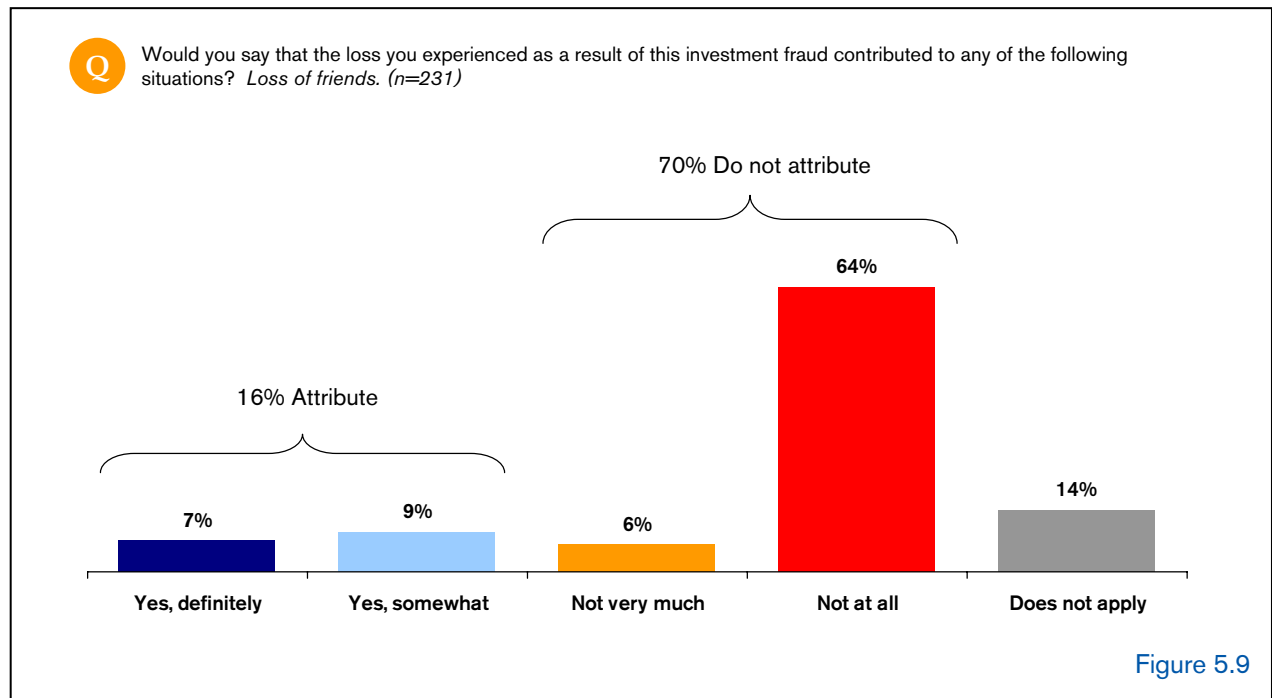
The numbers fall significantly when looking at other social impacts of investment fraud. For example, only 19% report a decreased participation in social activities as a result of being defrauded, only 6% definitively so. Two-thirds (67%) suggest that the loss they suffered did not contribute to decreased out-of-home activity.



- Sentiment that the fraud did not result in decreased social activity is strongest in Ontario (76%) followed by BC (66%) and the Atlantic Region (63%). However, Atlantic Canada (32%) also has the greatest proportion of those who decreased participation in social activities after investing in a fraud, followed by those in Quebec (28%).
- Once again, active investors seem to be least affected by financial fraud, as nearly eight-in-ten (79%) report that they do not attribute their fraud experience with decreased social engagement. Conversely, those with no savings for the future are most likely to report that being defrauded had an impact on their social lives (36%).
- Nearly three-in-ten (28%) of those who lost \$10,000 or more in the fraud felt they decreased their social activities as a result. This is more than five times the proportion that lost less than \$1,000 in the fraud (5%).
- One-fifth of those who experienced fraud in the last three years (21%) and from 1980 to 2003 (19%) report decreased participation in social activities, compared with just over one-tenth (10%) of those who were victimized in the 1980s or earlier.

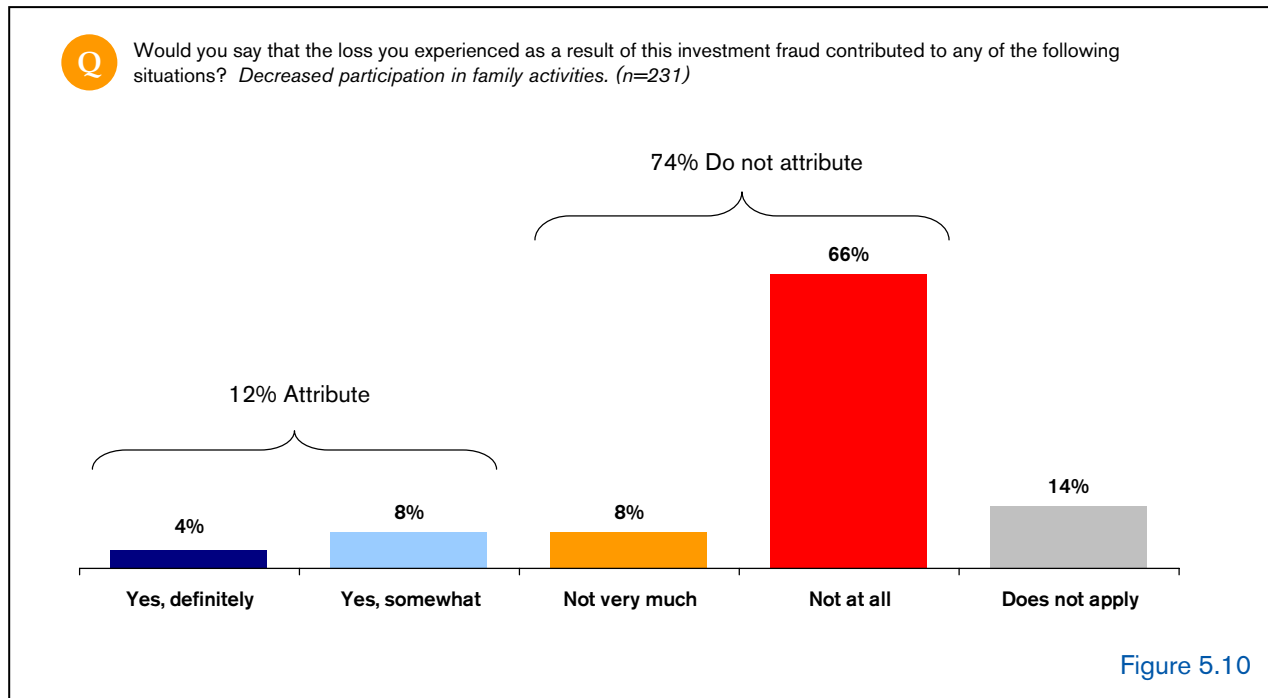


Admitting that they had lost friends as a result of being defrauded was a slightly less common result. 16% of victims reported this effect; seven-in-ten (70%) did not feel that their being defrauded resulted in a loss of friends. More than one-in-ten report that this potential impact did not apply to them.



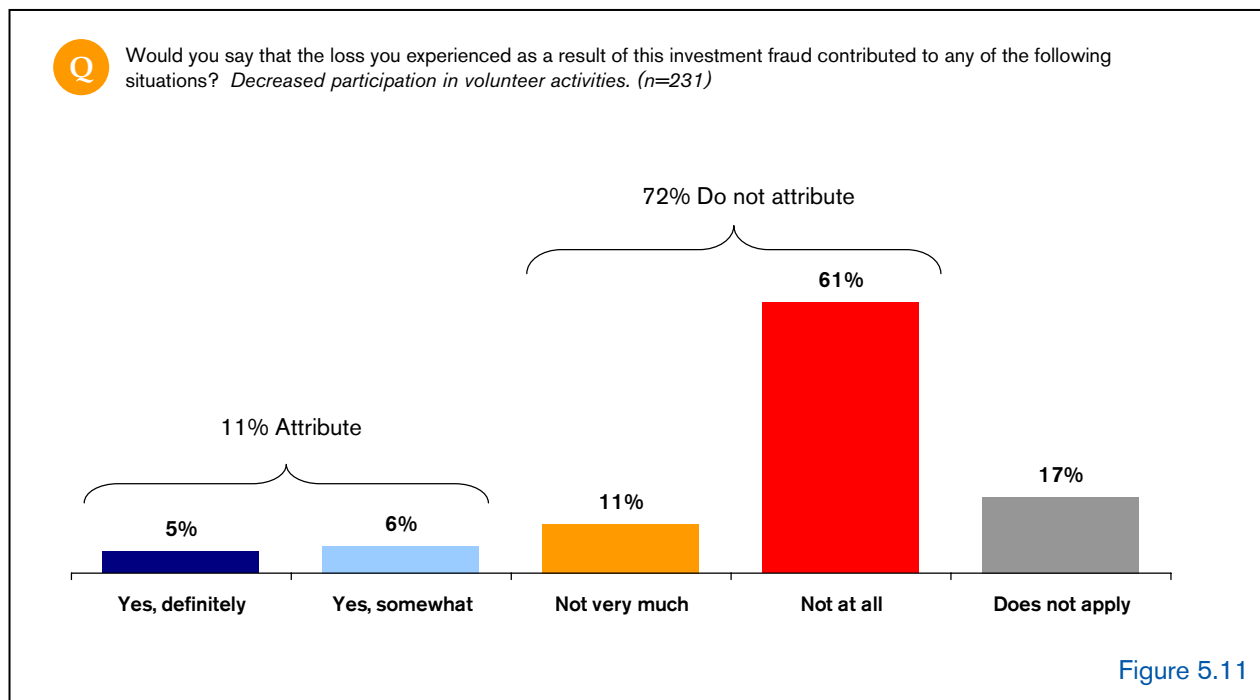
- Those living in the Atlantic Region (25%) were more likely to report losing friends as a result of being defrauded than those in the rest of the country, in particular, those living in the Prairies and Ontario (13% for both).
- Once again, those with no savings for the future were the most pessimistic on this account, as nearly one-quarter (22%), as well as non-investors with savings (22%) felt they had lost friends as a result of being defrauded. One-fifth that proportion (5%) of active investors reported same.
- A loss of friends is most pronounced among those who lost more than \$10,000 in the fraud (22%), while those who lost less (less than \$1,000: 6%) did not report this effect with the same intensity.

Decreased participation in family activities is not an altogether uncommon result of experiencing investment fraud, but according to victims, it's not entirely common either. Only one-in-ten (12%) report experiencing this situation as a result of their victimization, while over seven-in-ten (74%) do not feel this way, and approximately one-in-seven (14%) feels this result does not apply to them.



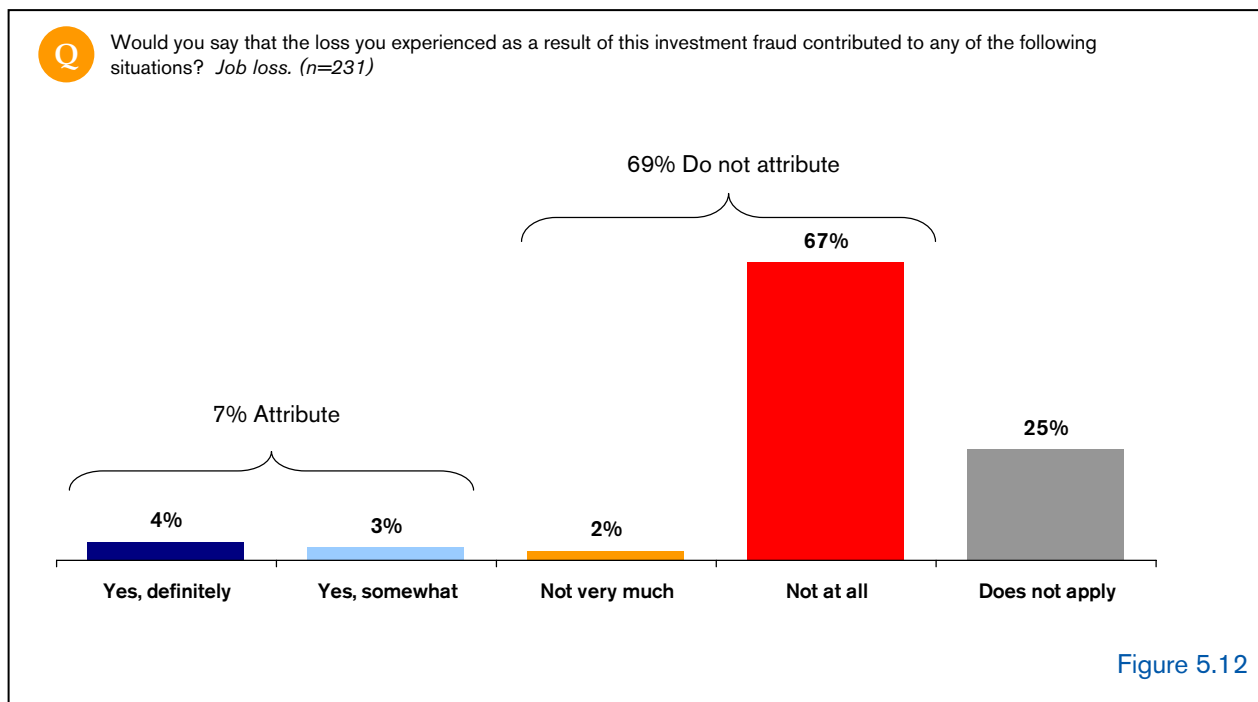
- Those living in Ontario are the least likely to report decreased participation in family activities as a result of investment fraud (12%). Those living in the Atlantic Region are the most likely to report this experience with Ontario).
- The feeling that they participated less in family activities as a result of being defrauded decreases with level of investment: those with no savings were most likely to feel this way (23%) while those who invest actively were much less likely to report same (5%).
- Those who lost less than \$10,000 (7%) are significantly less likely than those who lost more than that amount (18%) to report decreased participation in family activities.
- Those who experienced fraud after 2004 (17%) are more likely than those who experienced fraud prior to 1980 (10%) to report attributing a decreased participation in family activities to their victimhood.

Being defrauded in a financial scam can have an impact on one's volunteer activities. One-tenth (11%) of respondents feel that being victimized contributed at least somewhat to a decrease in the level of the volunteer work they do.



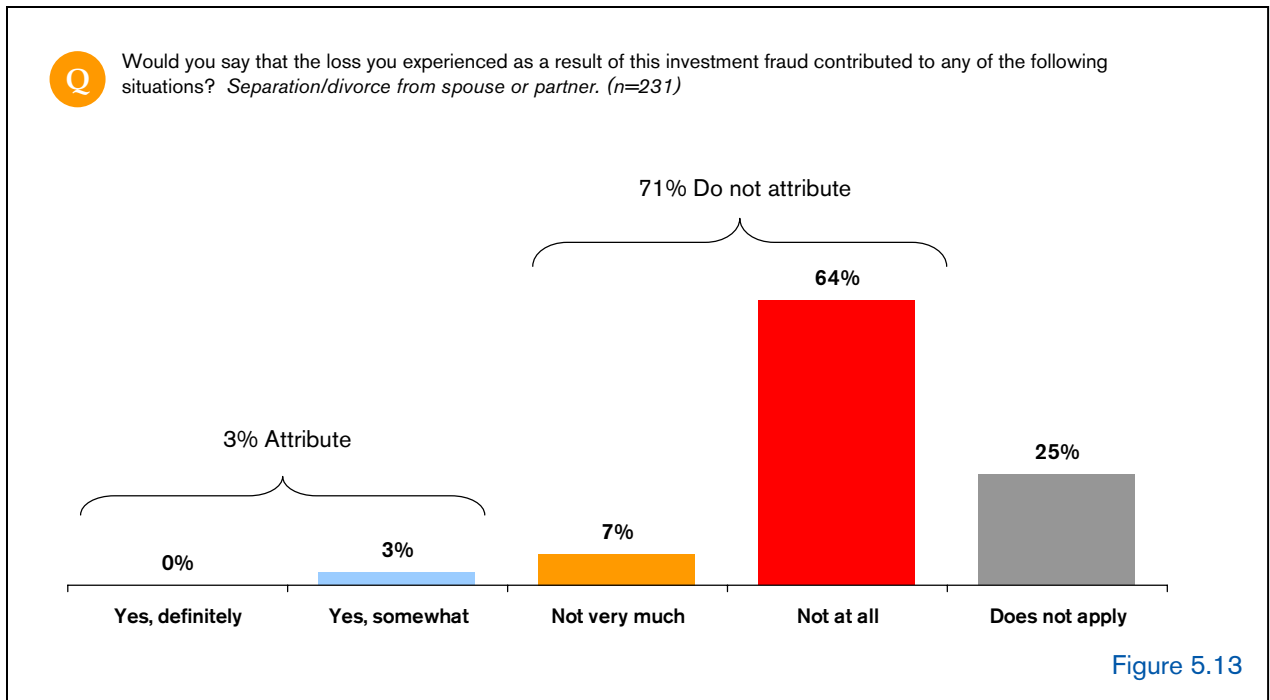
- Atlantic Region residents are most likely to feel that their victimization resulted in fewer volunteer activities (32%) while those in the Prairies were least likely to feel this way (0%). Ontarians were most likely to disagree (78%).
- Once again, money makes a difference. Those who lost \$10,000 or more in the fraud (18%) are more likely than those who did not (7%) to report a decreased participation in volunteer activities. This is particularly meaningful, as the group which seems most affected by fraud is the group which appears to volunteer most frequently.
- Those who experienced fraud within the last three years are also more likely to report decreased participation in volunteer activities. Just over one-in-ten (13%) of this group attributes their lowered activity to their loss in fraud, while only 8% of those who had experienced fraud prior to the 1980s report same.

Only 7% of victims attribute job loss to their victimization in a financial scam, while seven-in-ten do not (69%). One-quarter reply that this potential result did not happen to them.



- Reports of job loss as a result of investment fraud are highest in the Atlantic Region, and lowest in the Prairies (21% and 0%, respectively). Quebeckers were most likely to report that this effect did not apply to them (38%).
- One-in-five (21%) of those with no savings for the future report that their job loss can be attributed to their victimization by investment fraud. None of those who actively invest report job loss as a result.

Slightly fewer victims of fraud responded that they attribute their separation or divorce from a spouse or partner to the investment fraud experience. One-in-twenty-five (3%) feels this way, while a significantly greater proportion (71%) does not. As with other potential impacts, one-quarter respond that this particular situation does not apply to them.

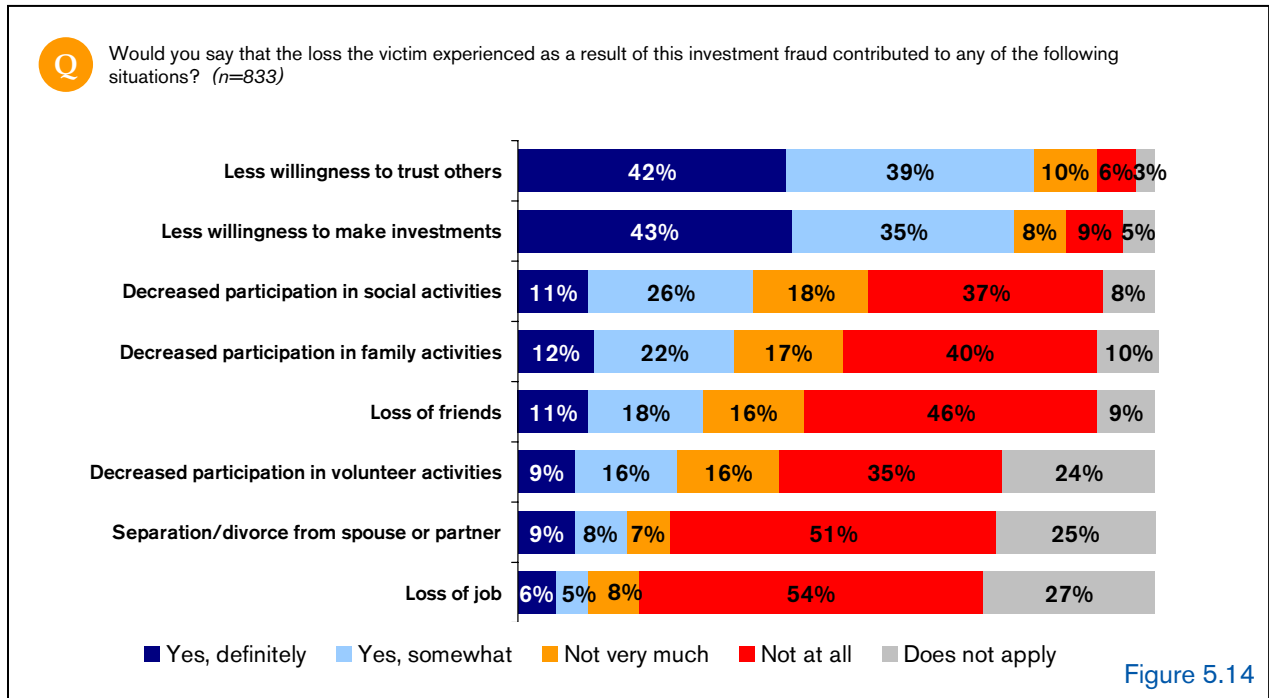


- Albertans are most likely to respond that this situation was not the result of being defrauded in an investment scam (84%) while those in the Prairies are most likely to feel that it was (11%). This group is also the most likely to say that this situation does not apply to them (37%).
- Whether or not a respondent victim has savings or invests does not appear to have a significant impact on this potential “side-effect” of fraud. However, those with no savings (39%) were more likely than other groups to say that this situation did not apply to them at all.

In all, victims paint a mixed picture – on the one hand, they were somewhat supported by family and friends, and have not been severely socially impacted by their victimization by investment fraud. On the other hand, a small minority seem to have been affected significantly and severely – whether through the loss of trust and support of family and friends, or self-judgment and isolation.

## The other side of the coin

As seen in the open-ended impact question, friends and families of victims are much more likely to report negative impacts than the victims themselves, on average. The 2007 study asked the same questions to friends and family of victims as they did of victims, in order to look at investment fraud from an entirely different angle. What this group has to say of victims, and the impacts of investment fraud on them, is somewhat different than what the victims themselves report.





Would you say that the loss the victim experienced as a result of this investment fraud contributed to any of the following situations? *Less willing to trust others.* (n=833)

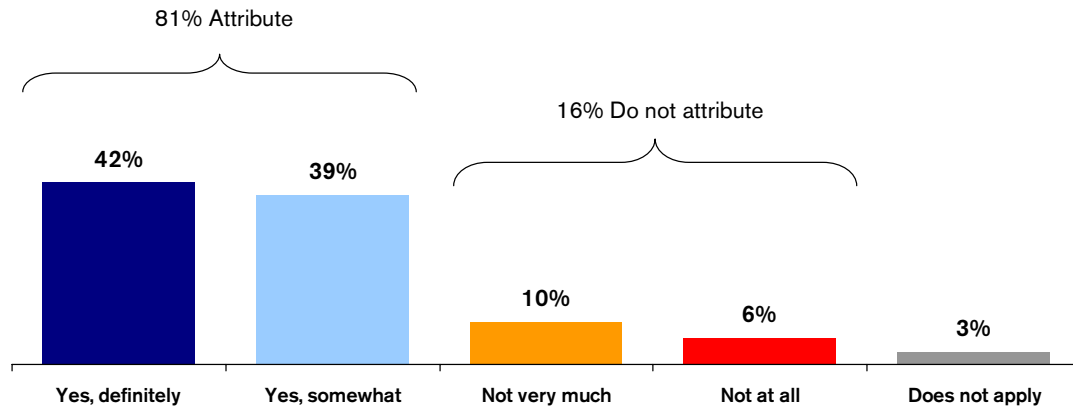
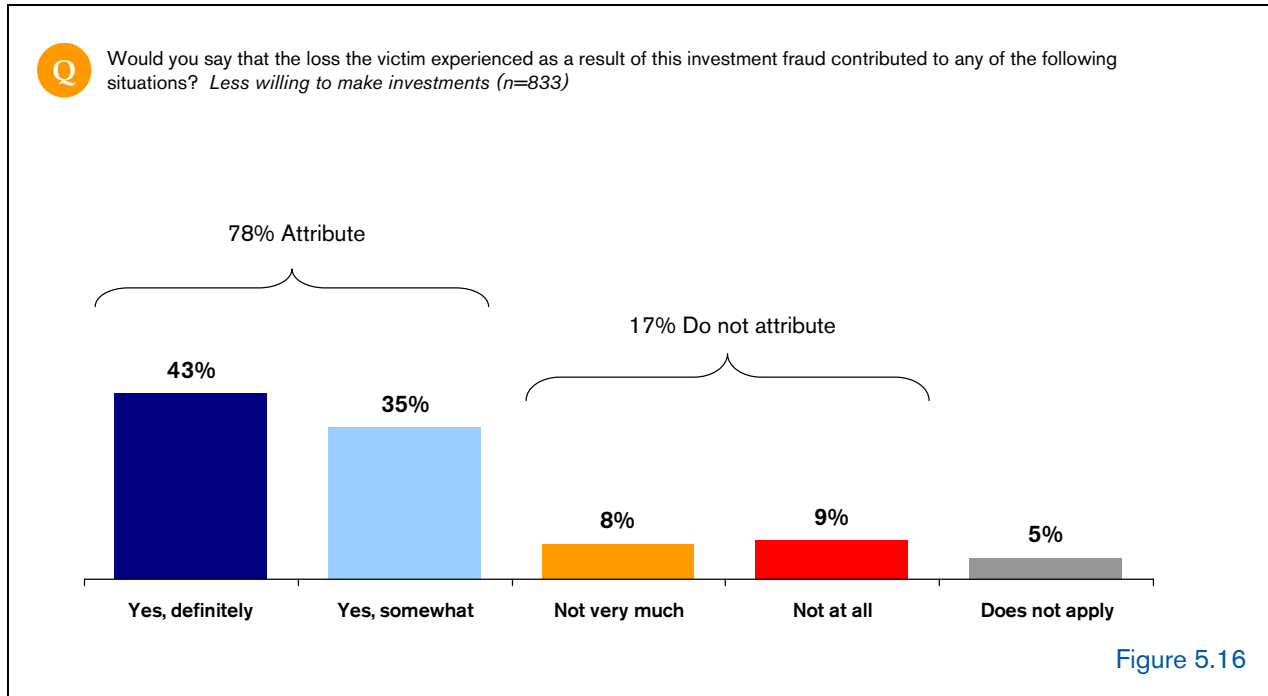


Figure 5.15

Like the victims themselves, friends and family observe that victims were less likely to trust others as a result of their victimization by fraud. The difference lies in the degree; over eight-in-ten (81%) feel this way, making it the single most commonly reported impact of white-collar crime reported in this survey. Approximately one-in-six (16%) do not attribute the victims' decreased willingness to trust others to their victimization.

- Those in Alberta are most likely to agree that the loss the victim experienced as a result of the fraud contributed to their diminished willingness to trust others (92%). Those in Ontario and the Atlantic Region (both 76%) generally agree, but not to the same extent.
- Those who have savings, who don't invest, or who invest passively themselves are more likely to report the victims' decreased willingness to trust others (81% and 83% respectively), while active investors are less likely to note the same of their friends or family (77%).

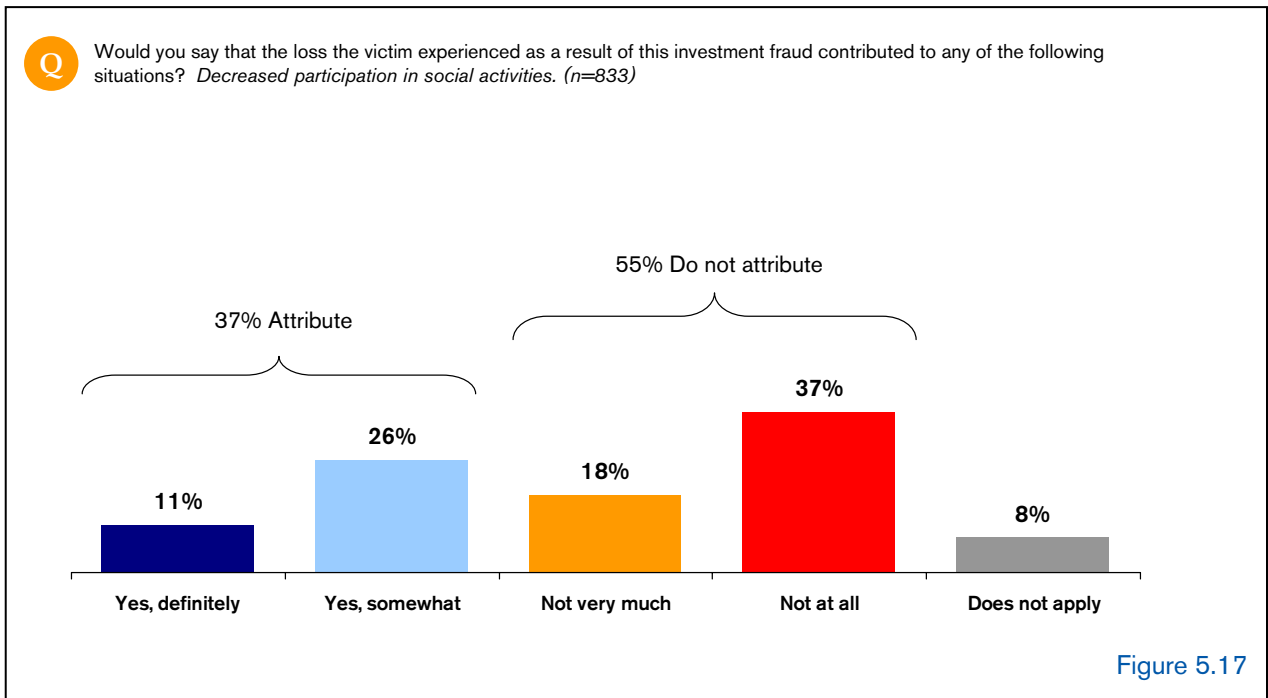
Friends and family also observe that victims exhibit a decreased willingness to invest as a result of being defrauded (78%). Less than one-in-five (17%) do not observe such things, and only one-in-twenty (5%) feels it doesn't apply to the victim they know.



- Friends and relatives of victims in Alberta (86%) are more likely than those in other regions to report seeing this situation impact the victims they know. Ontarians are the least likely to report it (75%).
- Those who have no savings themselves are slightly more likely than those in other groups to observe a decreased willingness to invest among those victimized by fraud (81%).
- Interestingly, homeowners are more likely to report a decreased willingness to invest among victims of fraud (80%) than are their renting counterparts (74%).



Twice the proportion of friends and family than of victims themselves report that victims decreased their participation in social activities because of their victimization (victims: 19%; friends and family: 37%). However, a slight majority (55%) of those related or closely tied to victims of fraud either feel that the decreased social participation was hardly or not at all tied to the person's loss.

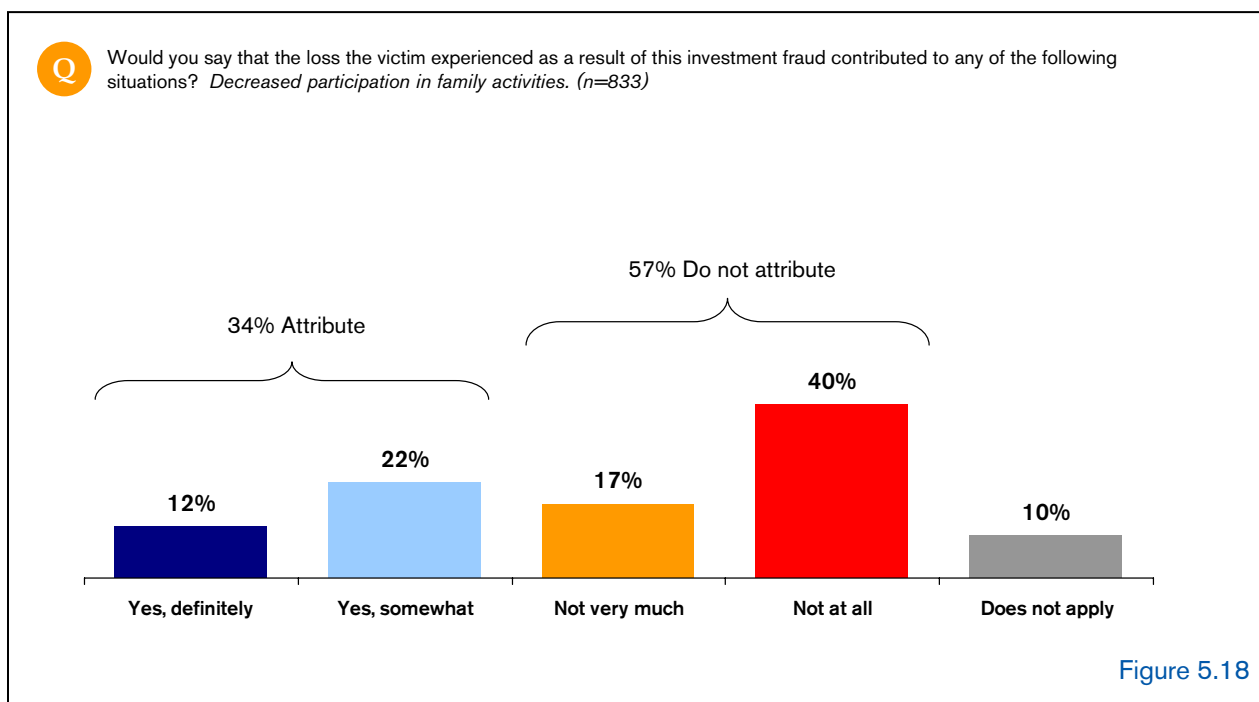


- Those in the Prairie region (42%) are more likely than other parts of the nation to observe this outcome among the victims to whom they are closely tied; those in the Atlantic Region are least likely to do so (29%).
- Those who have no savings for the future themselves (46%) are more likely than those with some sort of savings to observe a victim's decreased participation in social activities, and attribute it to that person's victimization by fraud. Those who are active investors, as well as those who have savings but no investments, are least likely to do so (both 30%).

Over one-third of those related or closely tied to a victim of financial fraud also note that the victim exhibited a decreased level of participation in family activities (34%) that they attribute to the person's victimization. A slight majority (57%) does not see it this way, and an additional 10% feel this situation does not apply to the victim at all.

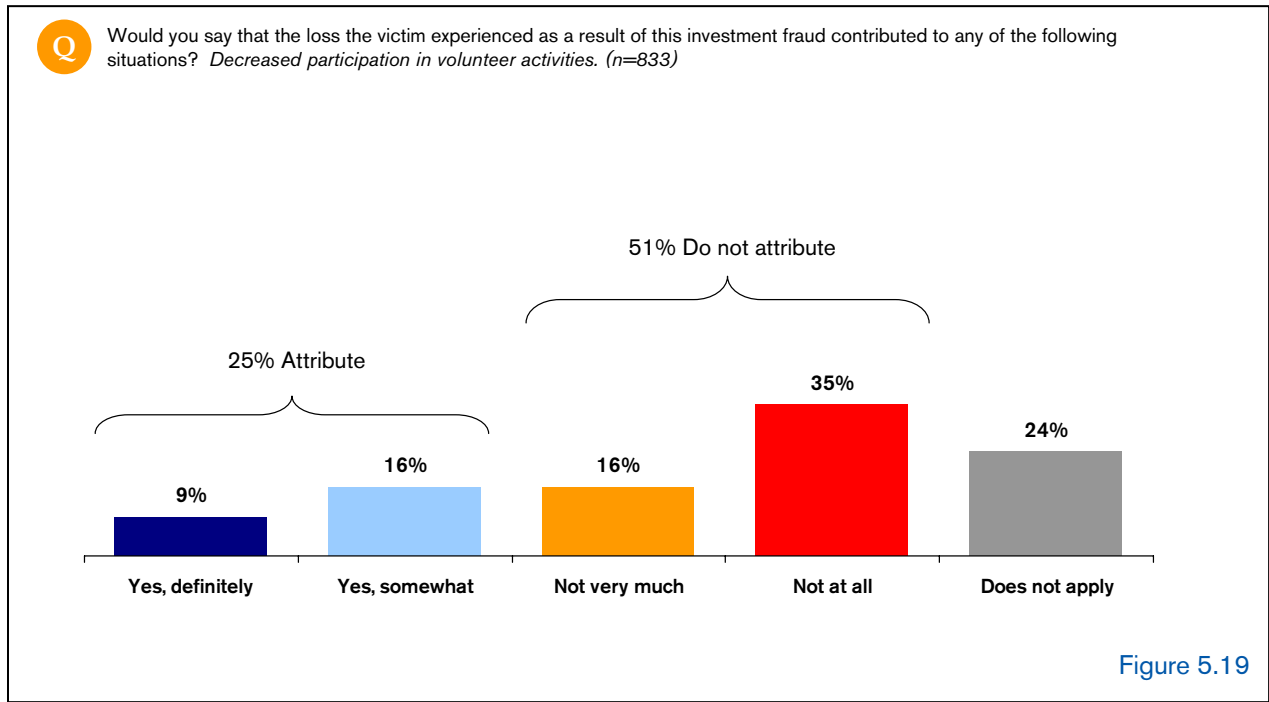
- Once again, families and friends of victims in Alberta (46%) are the most likely to report a decreased participation in family activity attributable to fraud loss, while those in the Atlantic region (16%) are the least likely to observe same. However, those in the Atlantic Region (27%) are also the most likely to feel that the situation does not apply at all to the victim they know.

Perhaps a loaded question to ask friends and family of victims is whether the victim experienced a loss of friends attributable to their victimization. However, it provides useful perspective into the impacts of investment fraud. On that note, while only 16% of victims feel they lost friends due, at least in part, to their victimization by fraud, a significantly greater 29% of people who identify themselves as friends or family of victims report the same. Slightly over six-in-ten (62%) disagree, and an additional 9% don't feel this situation applies to the victim they know.



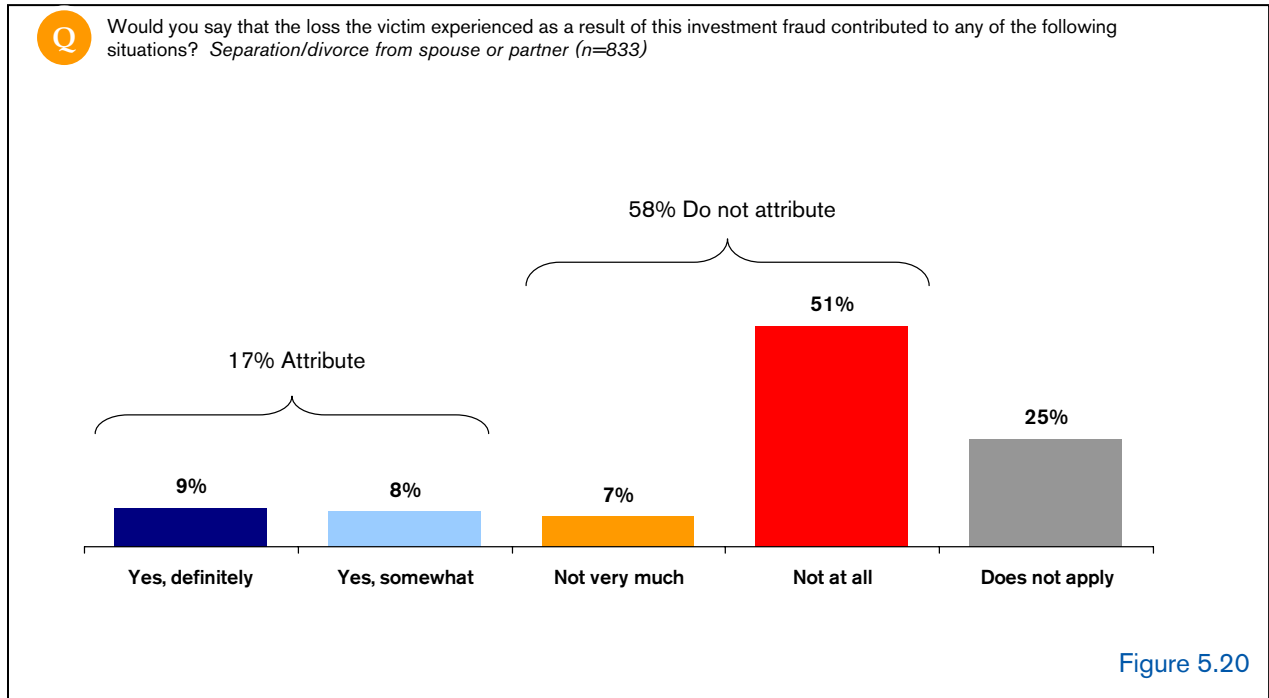
- Friends and relatives in Alberta (35%) again most often feel that the loss of friends a victim experienced was due to the loss the victim suffered in the fraud, while those in the Atlantic Region (18%) are the least likely to feel this way about their victim-friend/relative.
- Those who have savings, but do not invest actively and passive investors (30% each) are more likely than other groups to feel that friends or relatives had fewer social contacts as a result of their victimization than other groups.

A decreased participation level in volunteer efforts is also something that approximately two-in-ten (25%) of friends and family members of a fraud victim notice, and attribute at least in part to the loss resulting from that same fraud. Slightly over half disagree – 51% say that a decline in volunteer activities wasn't due to being victimized by investment fraud. A further one-fifth (24%) feel this situation doesn't even apply to the victim they know.



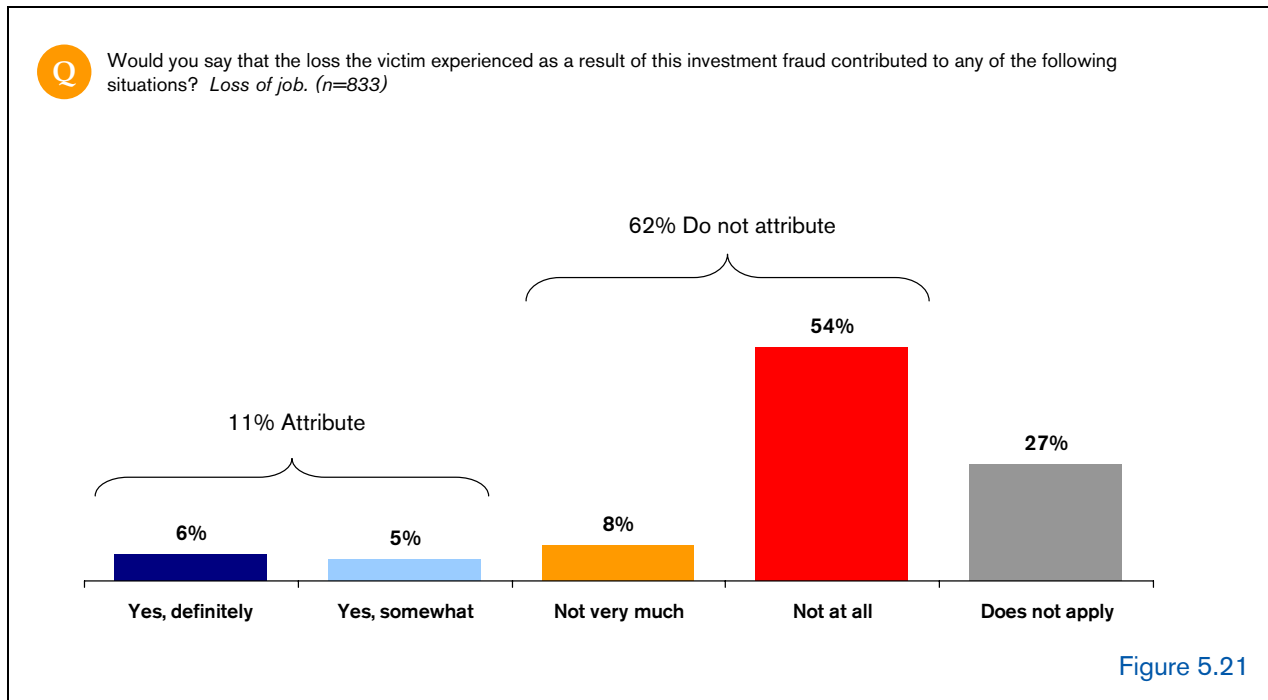
- Similar to other results, those in Alberta are most likely to notice changes in patterns of volunteerism among the friends and family victimized by investment fraud (34%) while those in BC are least likely to do so (20%).
- The greater the level of savings and investments a person has, the less likely they are to observe a decrease in their friends' or relatives' volunteering patterns that they attribute to that person's loss in a fraud; 29% of those with no savings at all observe this change in their friend's or relative's behaviours, while only 18% of those active investors note the same thing.

There are always more sides to a story of separation than are told, but here we see at least two perspectives, relayed in terms of investment fraud. While only 3% of victims feel their separation or divorce is attributable to their loss as a result of investment fraud, more than six times that proportion (17%) of family and friends of victims feel that this is the case. Because of both the wide margin between victims and friends and relatives' reporting, as well as the sensitive nature of the subject, this is the most striking opinion gap of all the situations listed.



- Residents of the Prairies (30%) are most likely to feel that the victim they know experienced a separation or divorce on account of their loss by fraud. Residents of the Atlantic Region (5%) and Albertans (7%) are least likely to report the same.
- Those with no savings or investments are more likely than other groups of investors to attribute a separation or divorce of the victim they know to that victim's loss by investment fraud. One-fifth (23%) of this group makes that observation, while less than 16% of those in other groups report same.

Friends and families of victims are slightly more likely to report that said victim's job loss is attributable to their victimization by investment fraud than victims themselves: while 7% of victims feel this way, 11% of friends and relatives of victims report this change in situation. This result is on par with the other results we have seen in the social impact section.

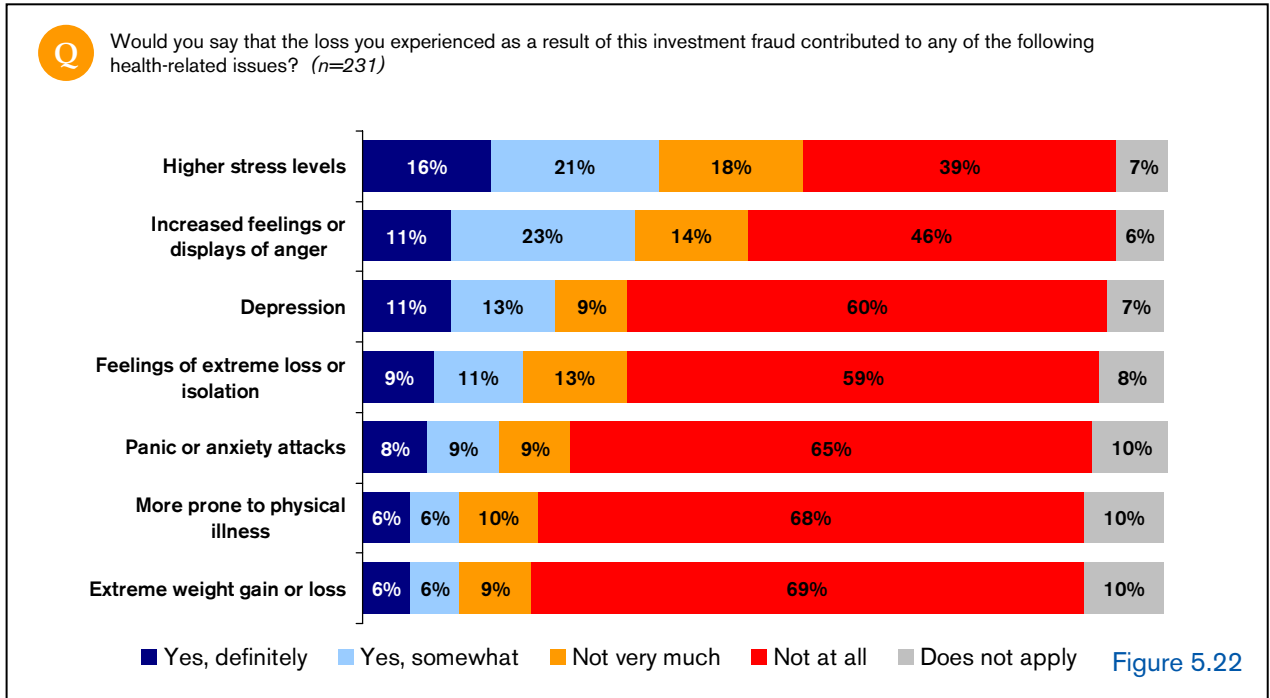


- Residents of the Prairies (14%) are more likely than those in other regions to report that their friend's or relative's job loss is attributable to that victim's loss in an investment fraud. Residents of the Atlantic Region are the least likely to do so (2%).
- The level of investment a person has made in his or her future does not appear to make a difference in attribution of job loss to an investment fraud: All investor segments report statistically equal proportions of friends or relatives who feel that the victim they know lost his or her job because (or in part due to) loss in investment fraud (approximately 10%).

It appears to be the case that these results show a sort of "he said, she said" pattern. Indeed, victims are less likely to attribute changes in their social patterns than are those around them. At the same time, it presents a "two-faced" vision of friends and families around the victim; while a great number of them claim to have supported the victim through the loss of investment fraud, they are quicker to attribute changes in social patterns – such as job loss or social engagement – to a loss by investment fraud than the victims themselves.

## 5.3 Health Impact

Previous research suggests that victims of financial fraud not only experience social side effects, but also health side effects, such as higher stress levels and panic attacks. To build a comprehensive understanding of the impacts of investment fraud on Canadians, fraud victims and those reporting to know a fraud victim were asked whether they attributed any negative health impacts to the loss experienced in the fraud.



Again, as with social impacts, there is a clear hierarchy among health effects. Higher stress levels and increased feelings or displays of anger top the list of health impacts. Depression and feelings of extreme loss or isolation form the second tier of effects. Falling behind, a third distinct group are more physical effects including panic or anxiety attacks, increased susceptibility to illness and extreme weight gain or loss.



Would you say that the loss you experienced as a result of this investment fraud contributed to any of the following health-related issues? (n=231)

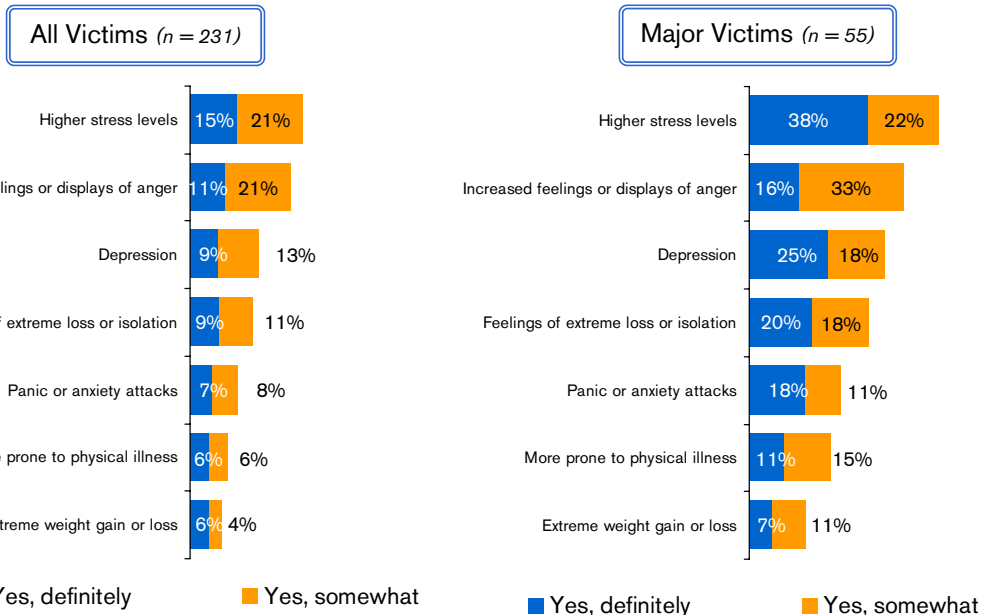


Figure 5.23

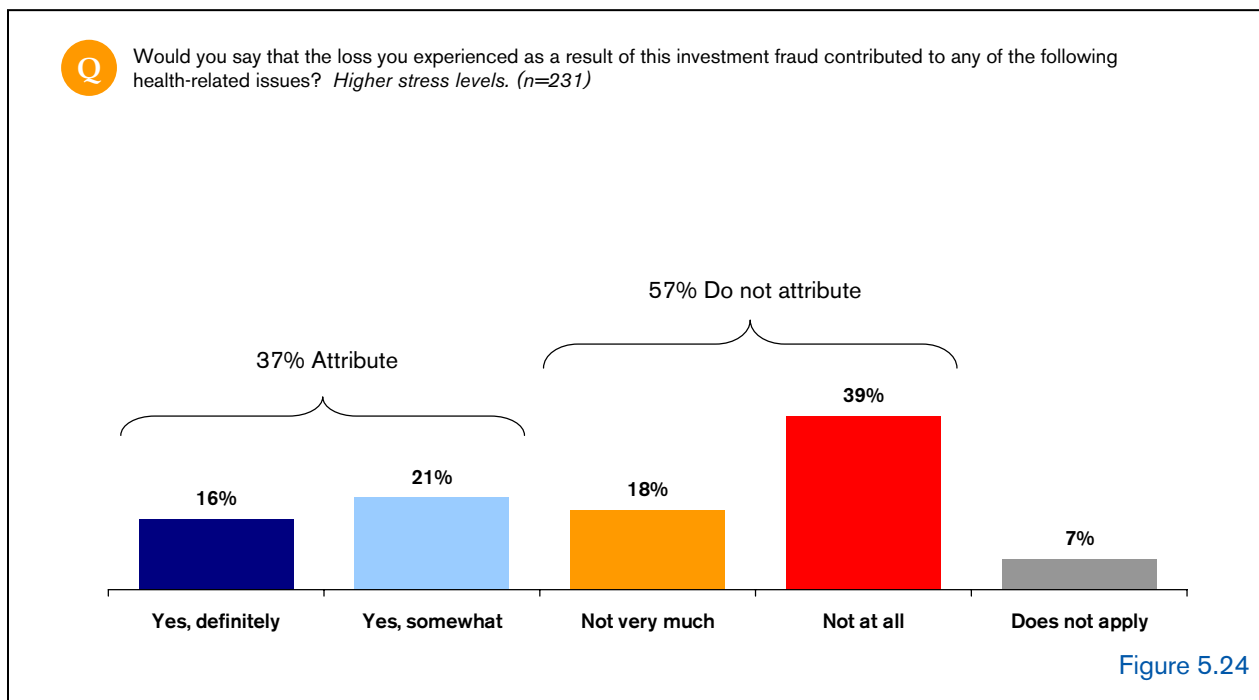
As well, there is also a clear pattern of differences between fraud victims who lose \$10,000 or more and the average impact among all fraud victims.

Major victims, or those who have lost \$10,000 or more, report more significant health results than victims who have lost less. Six-in-ten (60%) report higher stress levels and almost half (49%) report increased feelings or displays of anger. More than four-in-ten (43%) report experiencing depression and slightly fewer (38%) say they have feelings of extreme loss or isolation.

Almost three-in-ten (29%) report anxiety or panic attacks while one-in-four (26%) say they are more prone to physical illness. Even the least reported health impact, extreme weight loss or gain, is experienced by one out of six (18%) of the major fraud victims.

## Blood pressure starting to rise

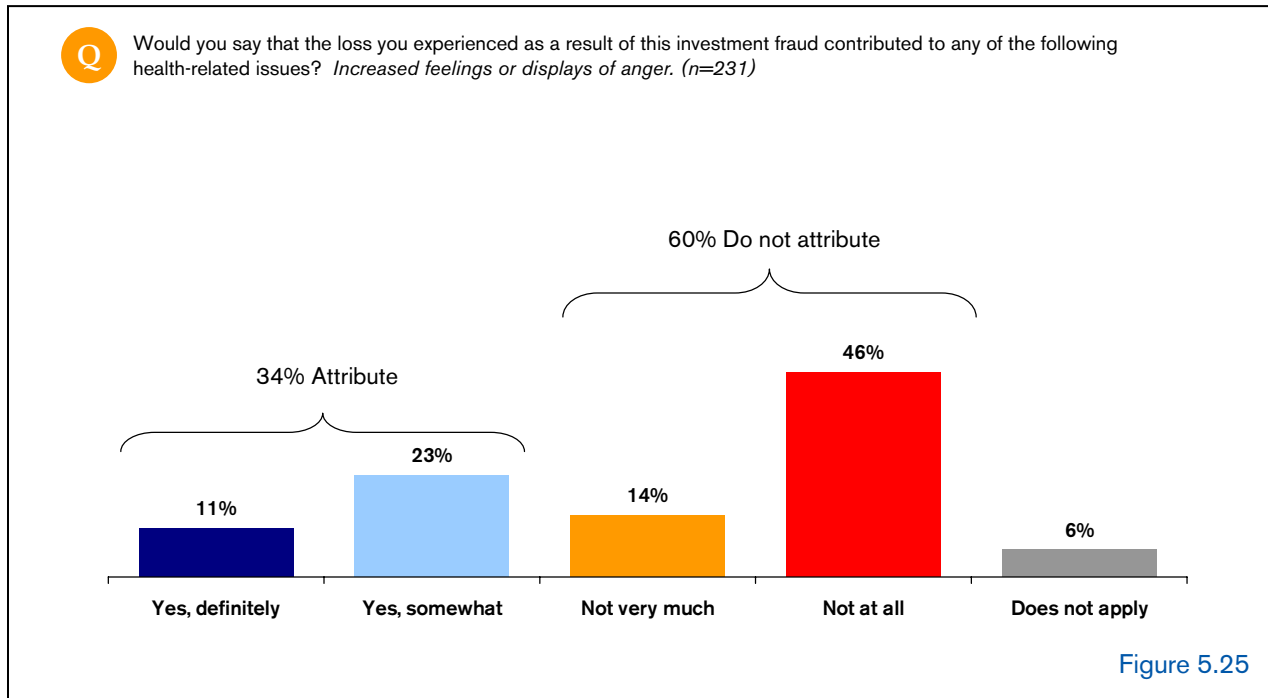
The most common effect attributed to victimization by investment fraud by both victims and friends and family alike is higher stress levels. One-in-seven victims (16%) feel their stress level has increased as a definite result of the loss they experienced in an investment fraud, while an additional 21% at least partially attributes this health effect to their victimization. Less than a majority (39%) feel that their stress levels are not at all a result of their victimization, while approximately one-in-twenty (7%) feel this effect does not apply to them.



- Victims in the Atlantic Region (43%) and in British Columbia (41%) are most likely to report increased stress levels that they attribute to their investment fraud experience. Those in Alberta (31%) are least likely to report such effects.
- Victims with no savings for the future (55%) are understandably the most frequent reporters of feeling higher stress levels because of their loss by investment fraud. Those in other investment segments are considerably less often affected by this health effect (average 33%).
- A significantly greater proportion of those who lost \$10,000 or more (59%) than who lost less (24%) experienced fraud-related stress level increases.
- Those who experienced fraud more recently (40%) are more likely to report higher fraud-related stress levels than those who experienced the fraud prior to the year 2000 (30%).

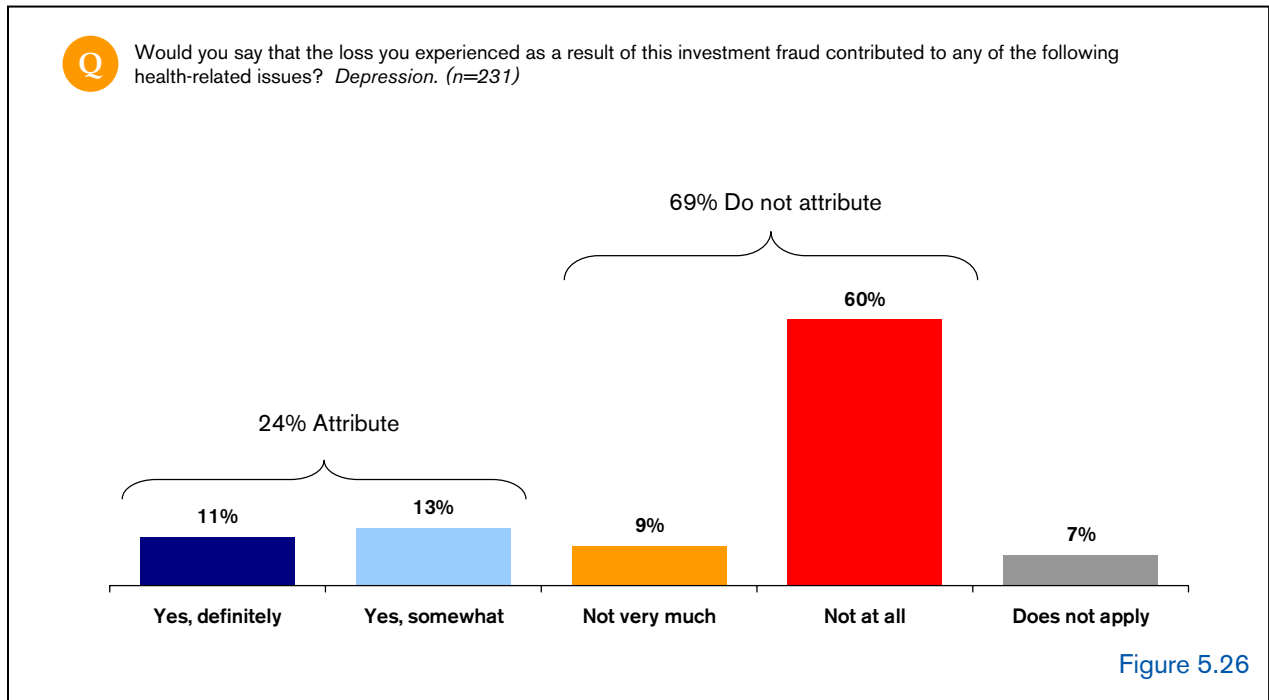


A corollary result to higher stress levels would be displays of anger. Indeed, many victims feel they became angrier because of their victimization by fraud. One-third of respondent victims feel that they had increased feelings of or displays of anger, which they attribute at least in part to the loss they experienced in the investment fraud (34%). However, a majority (60%) feel that this was not the case, indicating that anger and frustration occurred most often for a particular group of victims.



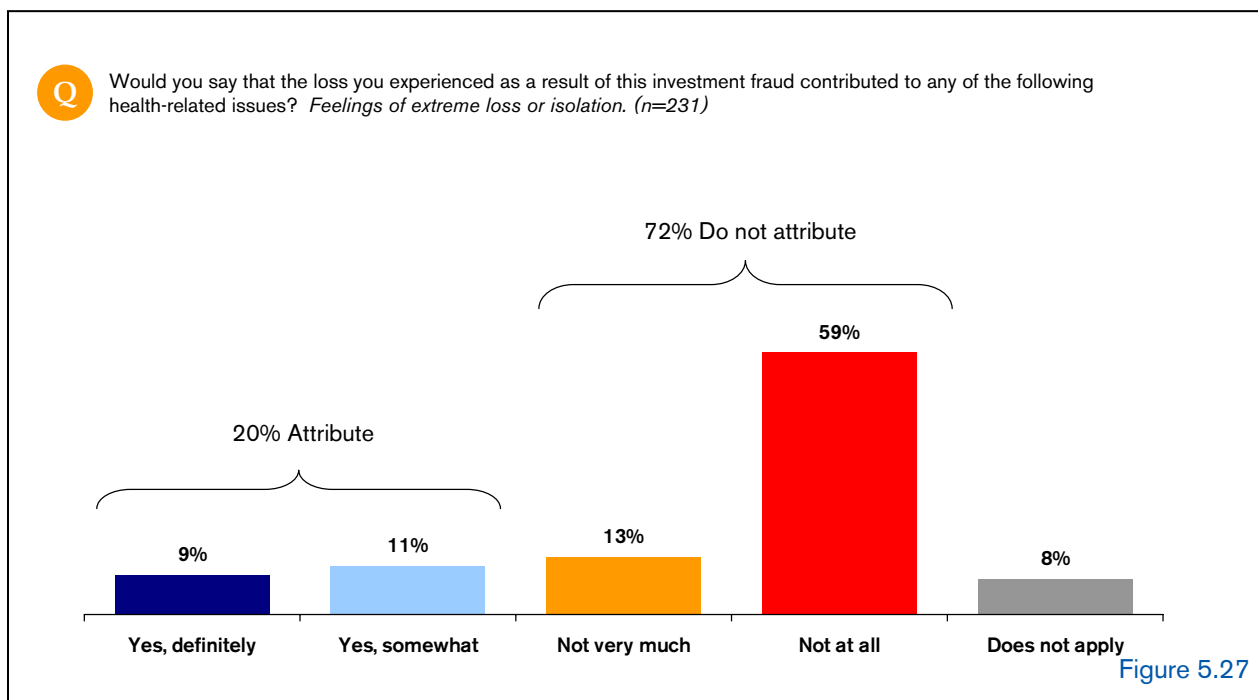
- Quebeckers (52%) are most likely to report feeling increased anger levels, while those in the Prairies (17%) are considerably less likely to feel this way.
- Once again, those with no savings for the future (47%) are more likely than those in other groups to feel increased levels of anger because of their victimization by fraud. Active investors (21%) are the least likely to report these feelings.
- Repeat victims (41%) are somewhat more likely than one-time victims (31%) to feel anger about being defrauded.
- Losing a great amount of money increases the likelihood that a victim attributes increased feelings or displays of anger to his or her fraud experience: those who lost over \$10,000 (44%) were significantly more likely than those who had lost between \$1,000 and \$10,000 (27%) or less than that amount (18%) to report feeling angrier.
- Victims who experienced a fraud between 1980 and 2004 (37%) are more likely than those who were victimized more recently (26%) or prior to the 1980s (32%) to report increased feelings or displays of anger.

The third-most likely after-effect victims attribute to investment fraud is depression. Less than one-quarter (24%) report feeling depressed because of the loss they experienced; this is more than double the overall estimated lifetime Canadian depression rate. On the other hand, 69% do not attribute depressed feelings to the loss they experienced in the investment fraud.



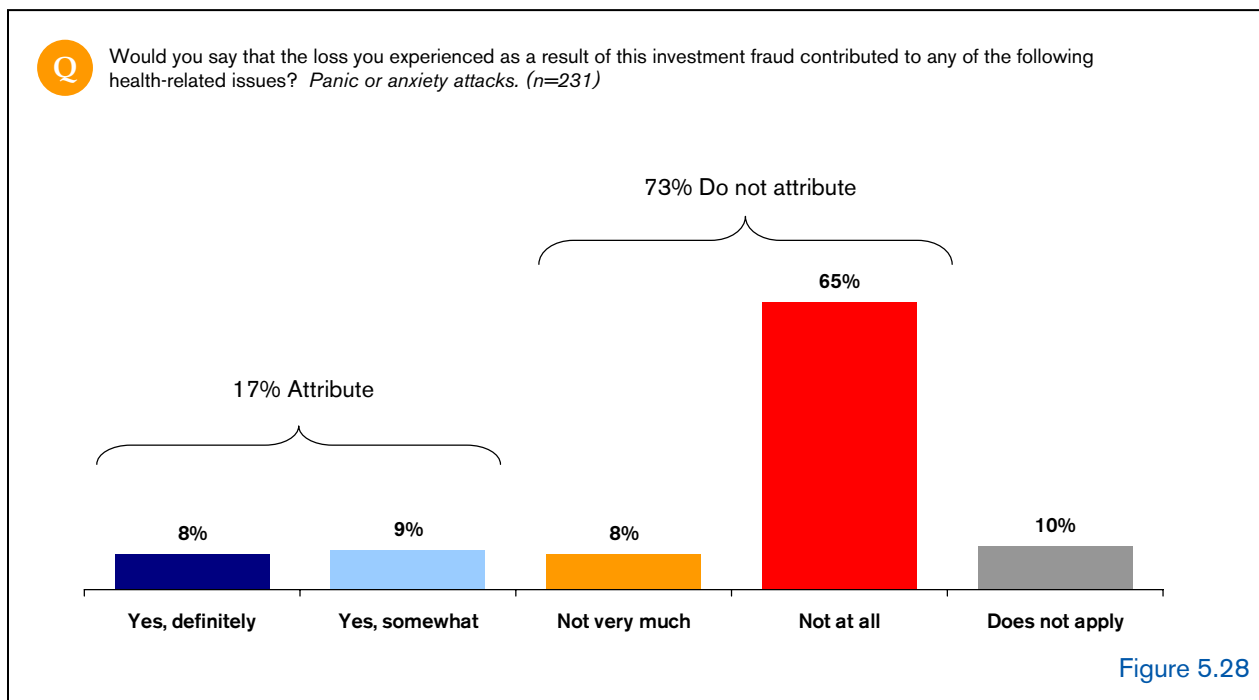
- The highest reported rates of depression among victims are on either coast of the nation: Those in the Atlantic Region (31%) and BC (30%) are most likely to attribute their depression to loss by investment fraud. The lowest such reported rate is in Quebec (16%).
- Those with no savings for the future more often attribute their depression to investment fraud (34%) than their actively-investing counterparts (16%).
- Repeat victims report fraud-related depression (32%) considerably more often than do those who have only been victimized once (21%).
- Those who lost over \$10,000 were more than twice as likely to report feeling depressed as those who lost less (38% and 14%, respectively)

Common sense dictates that a feeling of extreme loss would correlate to the amount a victim lost. Overall, 20% of victims report feeling an extreme sense of loss or isolation which they attribute at least in part to their loss in the fraud; nearly three-quarters (72%) do not feel this way. However, only 8% of individuals feel this does not apply, suggesting that nearly all victims felt some feeling of loss or isolation – it just was not always attributed to the fraud.



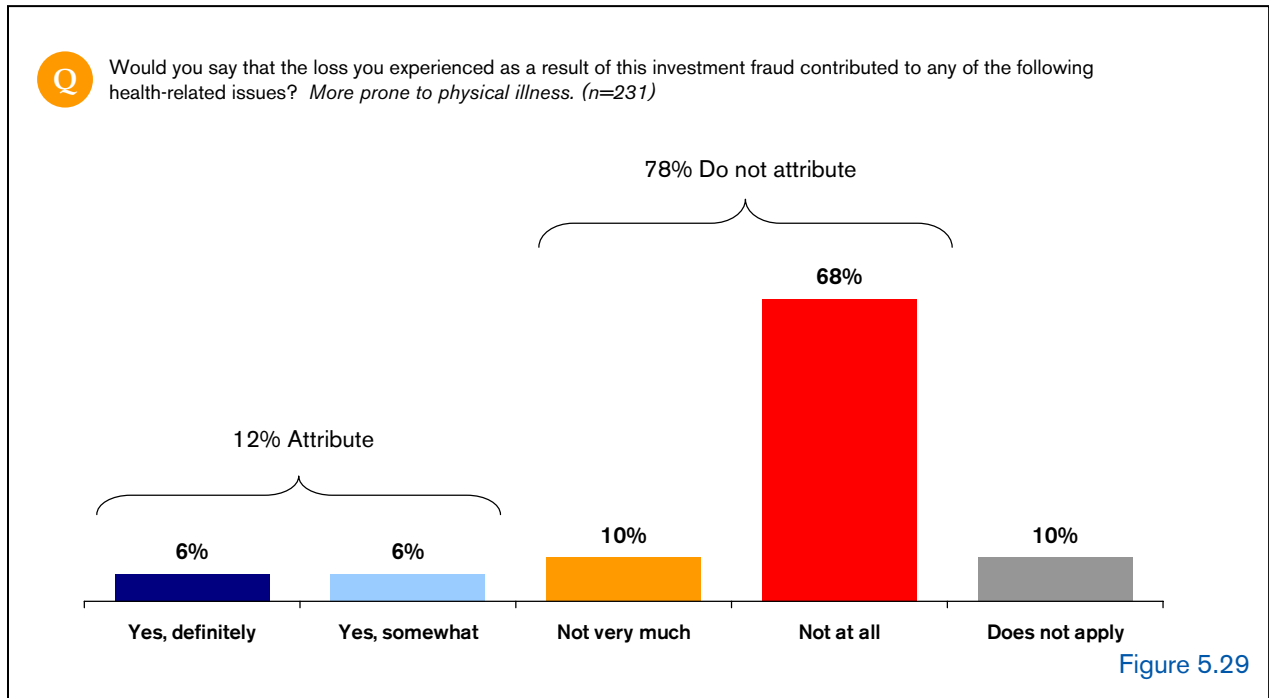
- Those in the Atlantic Region (32%) and Quebec (28%) are the most likely to report feeling a sense of loss and isolation they attribute to fraud. Those in Ontario (17%) are the least likely to feel this way.
- Once again, those with no savings for the future (34%) are more likely than those active investors (9%) to feel a sense of loss or isolation.
- Repeat victims, (28%) perhaps because of the sense of being duped *again*, are more likely to report attributing a sense of loss or isolation to their loss by fraud than one-time victims (18%).
- As suggested above, those who felt the loss had an extremely large impact on their financial situation were the most likely to report a sense of loss or isolation they attributed to fraud (71%). This decreases co-ordinately with the impact the loss had on the victim's finances: those who felt the loss was immaterial or had very little impact were the most likely to say they did not experience a great sense of loss or isolation (88%).

One side effect of fraud loss suggested by the literature was panic attacks, and what we found supports this suggestion. One-in-seven (17%) victims report feeling panic or anxiety attacks as a result of the loss they experienced, while (as anticipated) the majority do not report feeling this way (73%). A further one-in-ten (10%) says this effect does not apply to them.



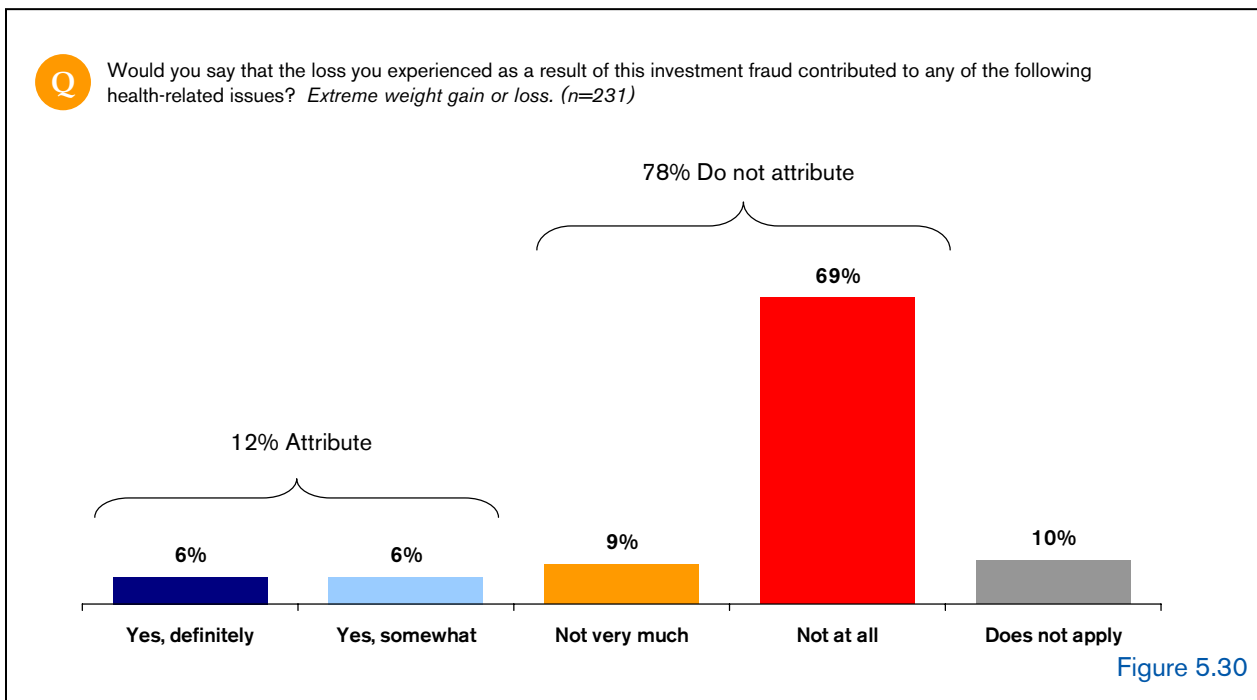
- The greatest proportion of those who have experienced panic attacks because of their loss is in the Atlantic Region (36%), while Alberta (18%) and BC (16%) follow. The lowest proportion reporting panic or anxiety attacks is in Ontario and Quebec (15% each).
- Those who do not invest (24%) are more likely than those who do, either passively (13%) or actively (8%), to report feeling an anxiety attack because of their loss in an investment fraud.
- Repeat victims (23%) are more likely than one-time victims (14%) to report a panic or anxiety attack they attribute to the loss by investment fraud.
- Feeling as if one has lost a life's savings would understandably result in a bit of panic. Indeed, those with losses totalling over \$10,000 (28%) are more than twice as likely to attribute this effect to their victimization by fraud than are those who lost less than \$1,000 (5%).

A side effect of higher stress levels is that one tends to be more prone to physical illness. However, an alternative hypothesis is that this effect can also be a direct result of suffering a great (or even moderate) financial loss. Indeed, slightly over one-in-ten (12%) feel that they were more prone to physical illness because of their victimization in a financial fraud. That said, nearly eight-in-ten disagree (78%) while an additional 10% say that this does not at all apply to them.



- Those in Quebec (20%) and the Atlantic Region (26%) are most likely to feel that they are prone to physical illness because of the loss they suffered in an investment fraud. The rest of the nation hovers around the average, with Ontarians and British Columbians having the lowest reported rate of this side effect at 10%.
- Feeling that one is more prone to physical illnesses is more common among those with no savings (27%) than it is among other groups, and least common among those who invest actively (2%).
- Those who have lost more than \$10,000 to a fraud (20%) are significantly more likely than those who have lost less (4%) to report being prone to physical illness because of being defrauded.

The least commonly reported health effect of financial fraud by victims themselves was extreme weight gain or loss. Overall, while eight-in-ten (78%) say that any weight gain or loss they experienced was not a result of their loss due to investment fraud, 12% feel that it was indeed a result of the experience. This suggests, in addition to the social impacts, that investment fraud can dramatically affect hard-grained habits that individuals have formed over the course of their lifetimes, such as eating habits.

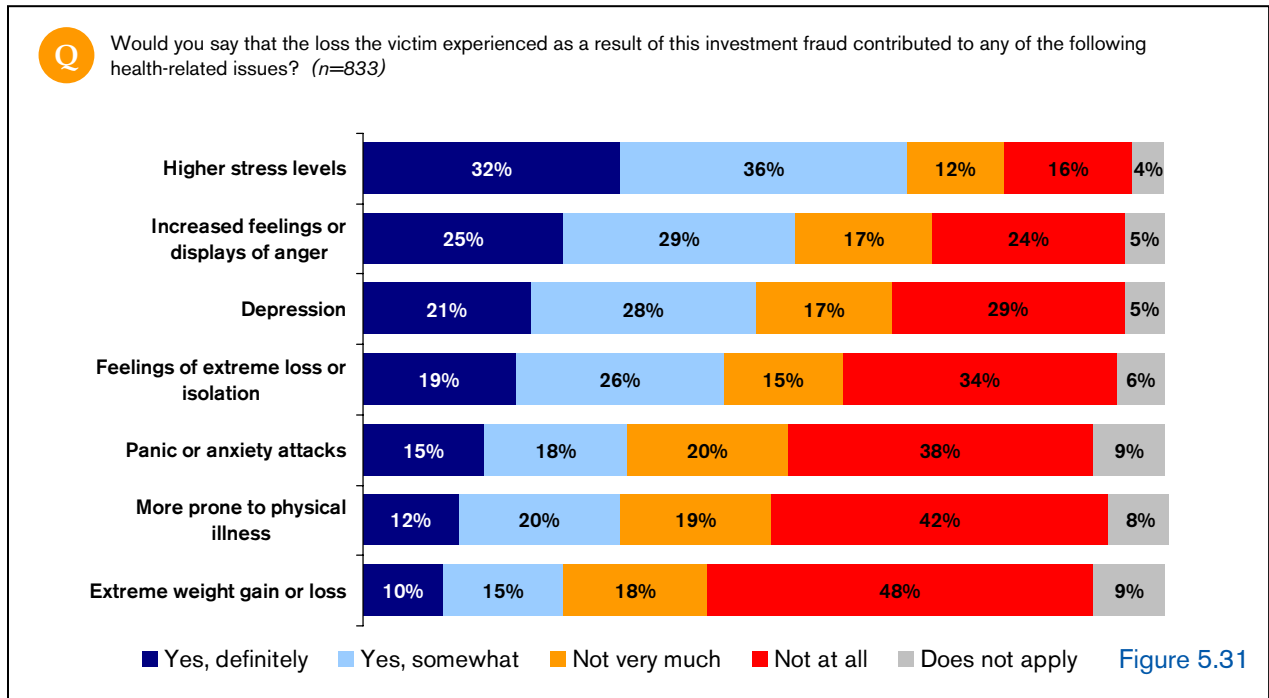


- A drastic change in the weight of a victim of investment fraud is most commonly reported in the Atlantic Region (26%), but very few in any one region of the country report this experience. The lowest proportions of respondents who experienced a loss or gain of weight due to their fraud experience are in the Prairies (5%) and Ontario and BC (9% each).
- Those with no savings for the future (28%) were significantly more likely than those with investments (5%) to experience weight gain or loss, which they attributed to a fraud experience.
- Those who have lost more than \$10,000 in a fraud (17%) are more likely than those who were defrauded of less (5%) to report an extreme weight gain or loss attributable to their victimization.

In all, while victims have not painted a bleak picture of their health-related experiences after being defrauded, they have not exactly painted a rosy one, either. Higher stress levels, feelings of anger, and other related effects do occur in some cases, and are cause for concern, given the long-term after-effects that these health issues can have on both the human body and mind.

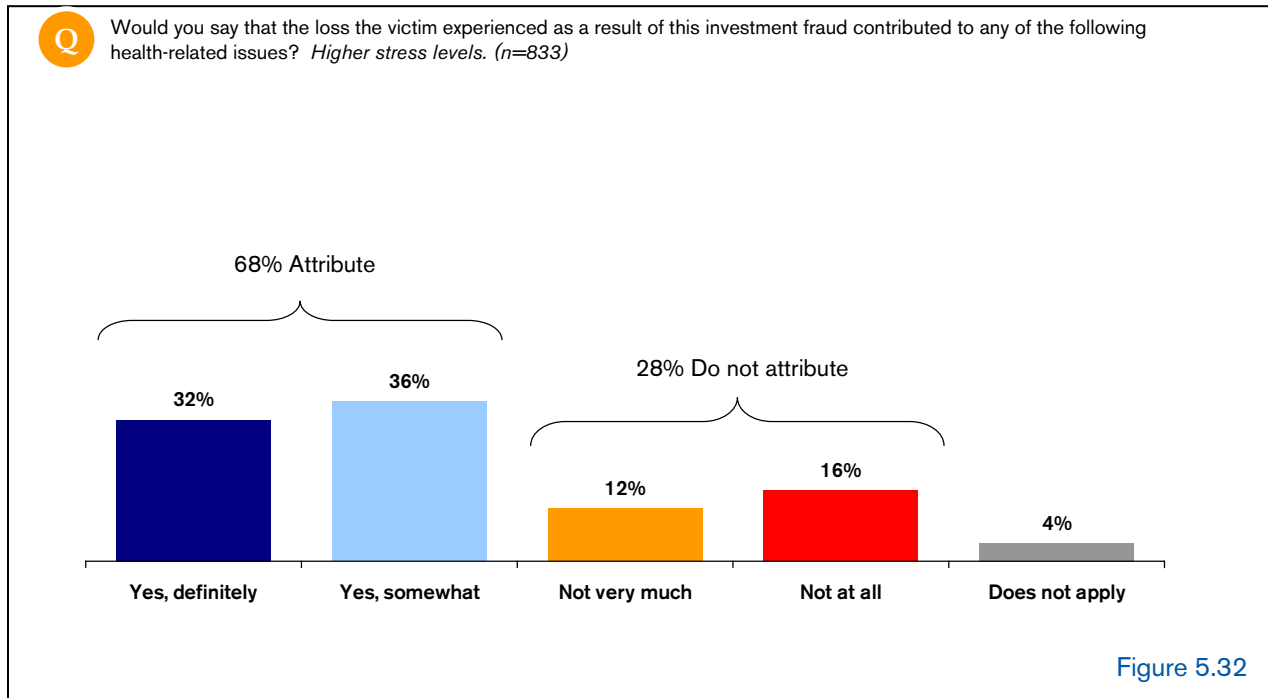
## Doctor, my friend has a problem

Watching a victim of financial fraud fall ill or experience negative health effects can be difficult for friends and family and may often result in the reporting of the effects of victimization in a more thorough manner. Consistent with the earlier results, these findings are even more dramatic than what the victims suggested themselves. Reported health effects are even higher across every category than those reported by the victims of major fraud. Given these findings, it is possible that the friends and family of victims are overemphasizing the effects of the fraud on the victim they know. However, further studies would be necessary to determine if this was indeed the case.



Friends and relatives of victims, more often than victims themselves, report that the victim they know exhibited higher levels of stress after being defrauded. Seven-in-ten (68%) friends or family members of victims report that the victim felt this way, while less than one-quarter (28%) did not really exhibit such a result. Less than one-in-twenty (4%) feel this does not at all apply to the victim they know.

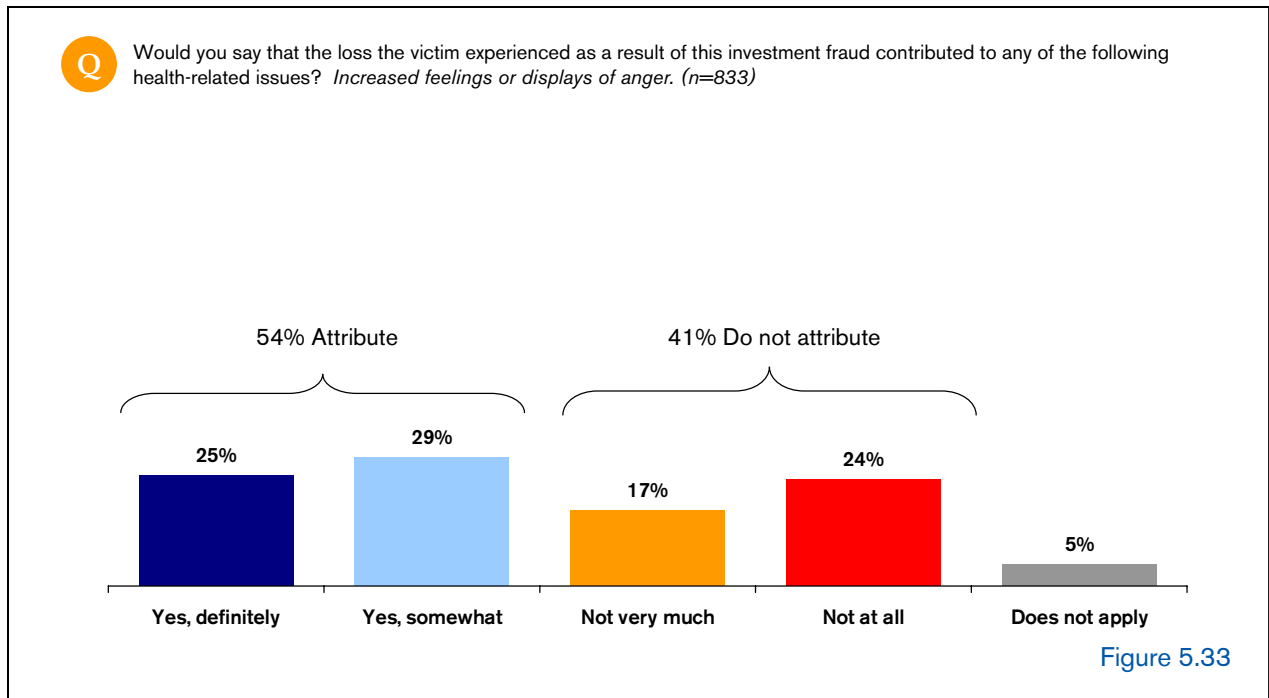
- The greatest proportion of this group that report higher stress levels among victims is in Alberta (78%), while the lowest is in the Atlantic Region (57%).



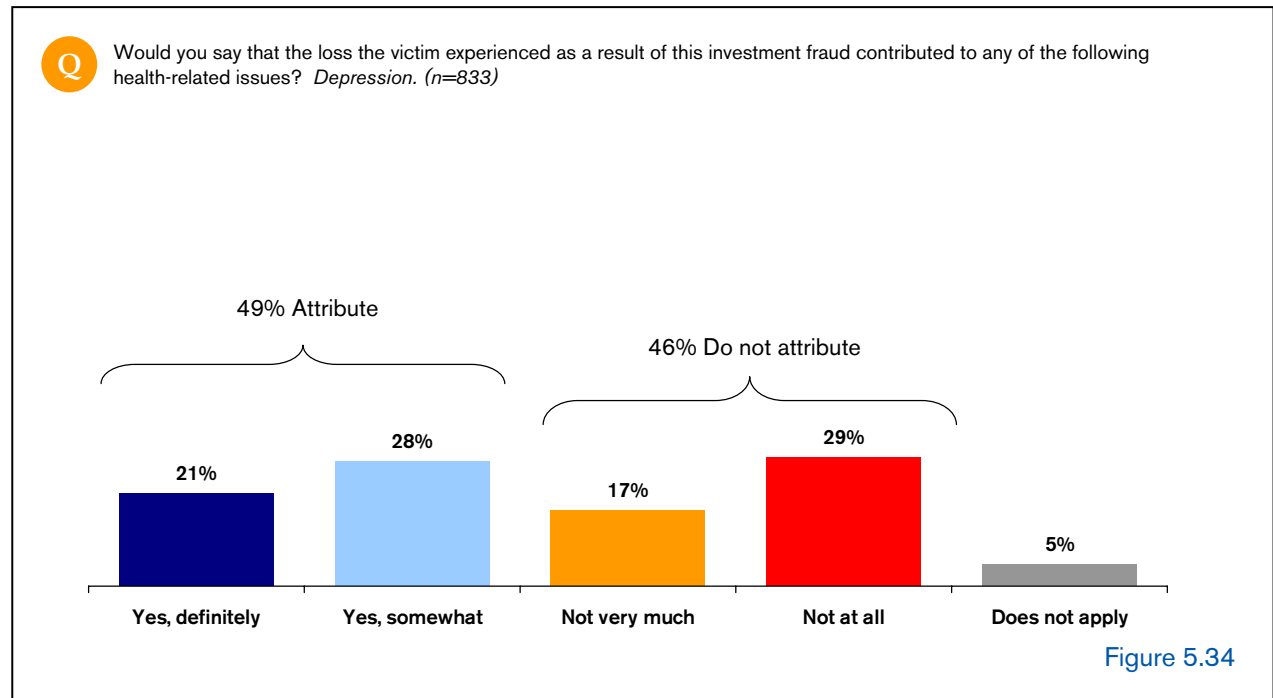


According to their friends and relatives, victims tend to display increased anger; a majority (54%) of this group feel the victim they know has grown increasingly angry as a result of their loss. A strong minority (41%) disagree, however, while less than one-in-twenty (5%) feel this does not apply to the victim they know.

- The greatest proportion of friends and family who report increased feelings of anger among the victims they know reside in the Quebec (63%) and Prairies (61%) while the lowest proportion resides in the Atlantic Region (38%).
- Those with no savings themselves tend to more often observe increased feelings of anger in the victims they know (59%) than do those who actively invest (49%).



Depression is the third-most commonly reported effect that friends and family observe in the victims of fraud that they know. A majority (49%) feel that the victim they know has experienced depression because of being defrauded, one-quarter (21%) strongly so. However, less than half (46%) feel that any depression the victim may have experienced probably was not due to being defrauded.



- The greatest proportion of friends and family members who feel that a victim of fraud became depressed after the fraud reside in Alberta (63%), while only two-in-five in Quebec (41%) and the Atlantic Region (44%) feel the same way.
- Those with no savings themselves (50%) are only slightly more likely than active investors (45%) to note depression in the victim they know that they attribute to that victim's being defrauded.

Losing a great amount of money would understandably lead to a sense of extreme loss or isolation. However, it is difficult to know how those around the victim would perceive this feeling: many saw the emotional change in their victim-friend or relative and attributed it to financial fraud. Almost half (45%) feel that the victim they know exhibited signs of extreme loss and isolation after the fraud occurred, while about the same (49%) disagree.

- The greatest proportion who noticed this effect in their victim-friend or relative resides in the Prairies (51%); the lowest proportion to observe this effect is in the Atlantic Region (38%).
- Once again, those who have no savings themselves (49%) are more likely to notice a feeling of isolation or loss among the victim they know, and attribute it to the loss they experienced, than are those who invest actively (39%).

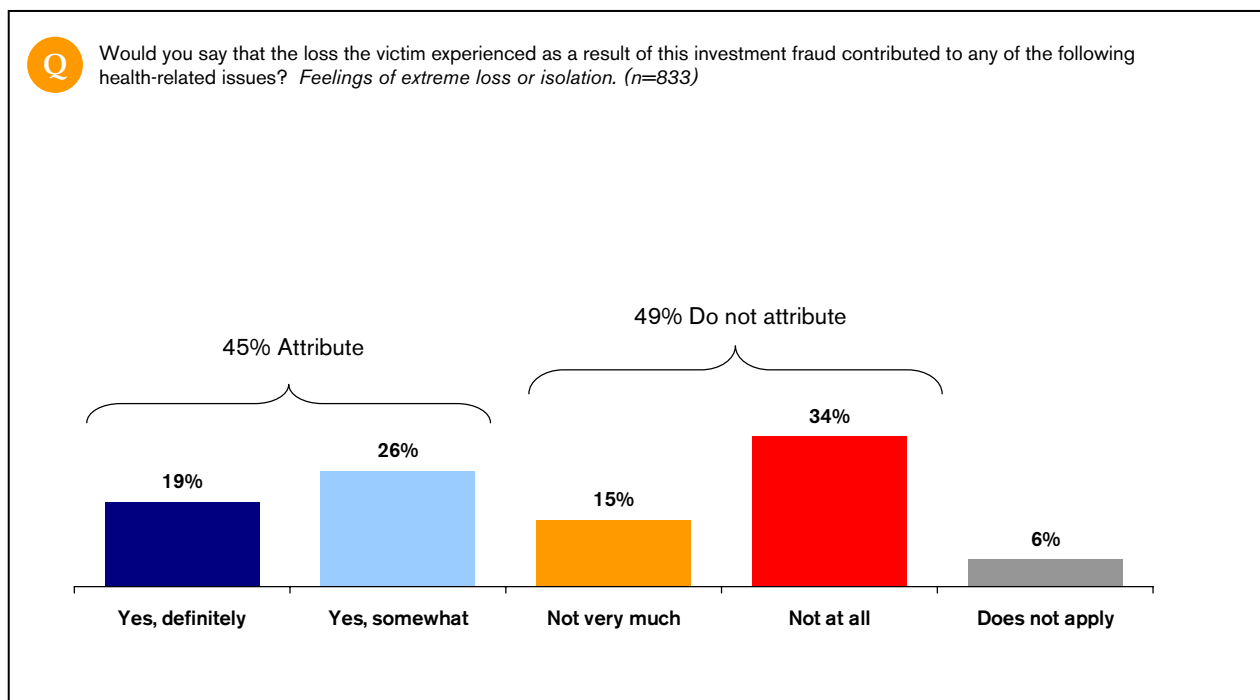
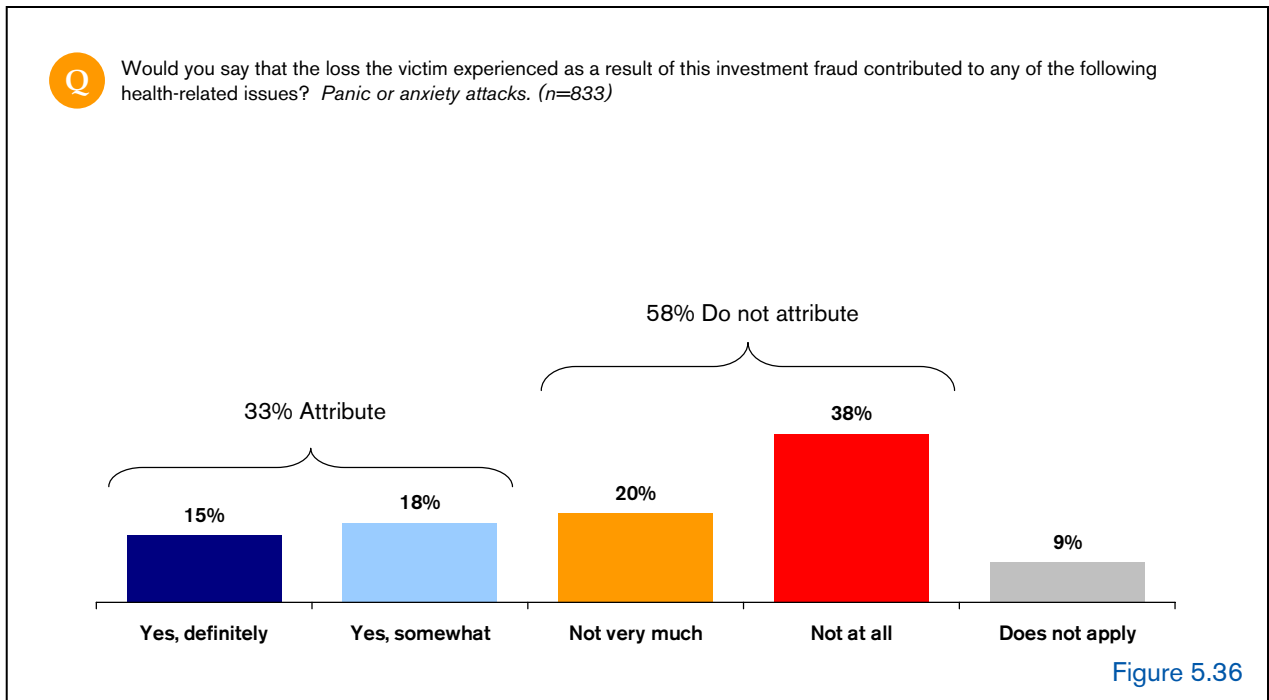


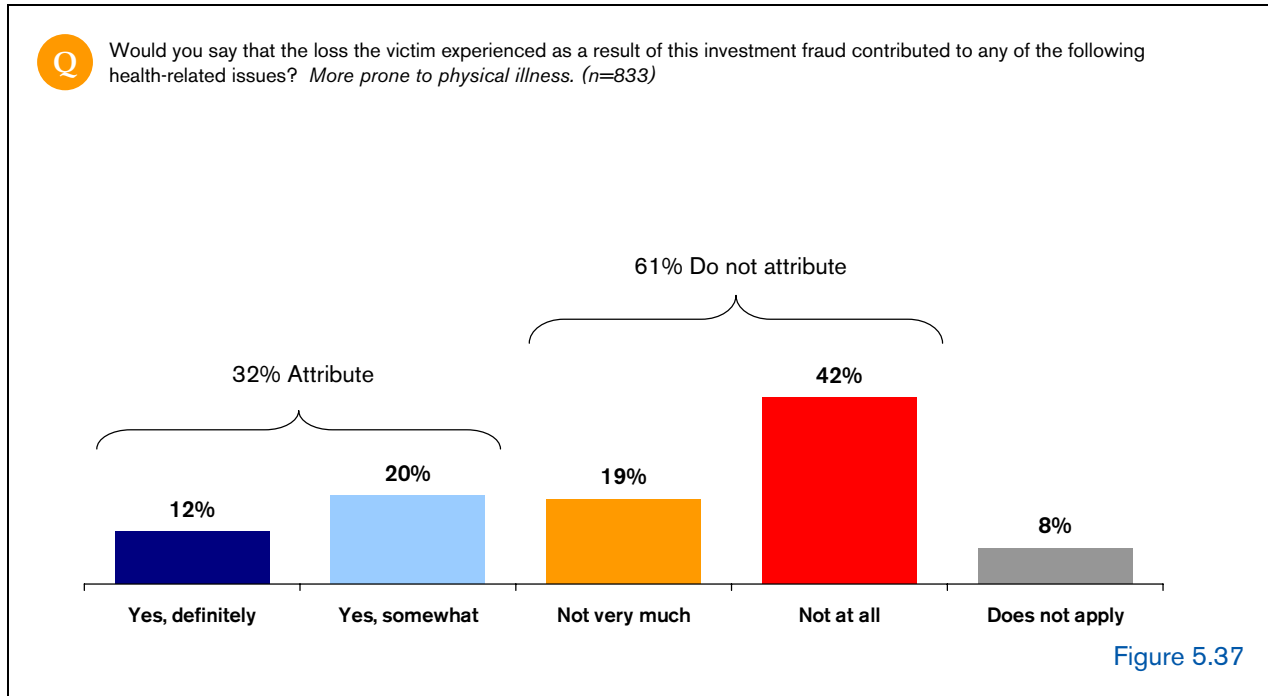
Figure 5.35

Friends and family of victims were one-and-a-half times as likely (33%) as victims themselves (14%) to report the victim having panic or anxiety attacks attributed to investment fraud loss. Over half, however, do not report such symptoms of their victim-friend or relative (58%) and an additional 9% do not feel this applies to the victim at all.



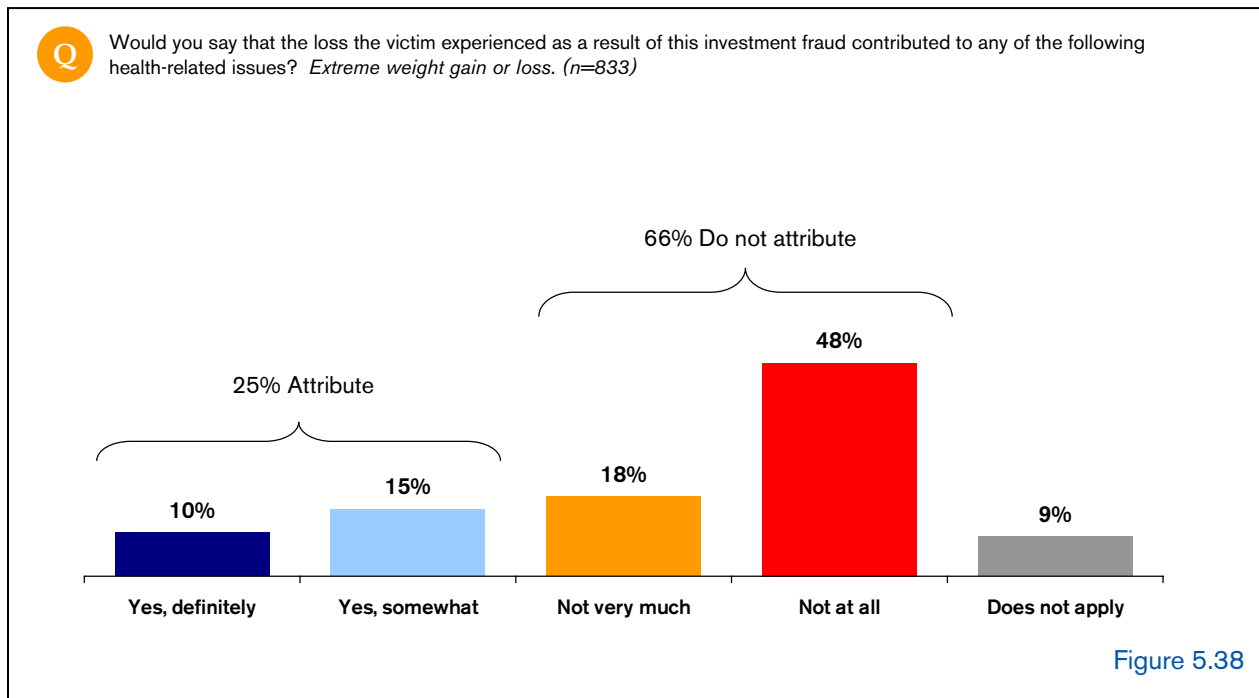
- Those in Alberta (40%) and in the Prairies (39%) are the most likely to note panic or anxiety attacks in the victim they know, while once again, those in Ontario (28%) are the least likely to observe this outcome.
- In a reversal of other results, active investors (34%) are slightly more likely than those with no savings themselves (32%) to observe panic or anxiety attacks in the victims they know.

Fewer friends and relatives of victims definitely feel that the victim they know was more prone to physical illness as a result of being defrauded (12%), but somewhat more (20%) at least partially attribute it to the fraud. Three-in-five (61%) do not feel this way at all.



- The greatest proportion that feels victims were more prone to physical illness is in the Prairies (44%) while the lowest proportions were in the Atlantic Region (27%) and in Alberta (25%).
- Those asked observe that the victims they know were more prone to physical illness in approximately the same proportions as the national average. However, those with no savings themselves (36%) do this to a greater degree, and those with savings but who do not invest (23%) find themselves on opposite ends of the scale.

One-quarter (25%) of those who are friends and relatives of victims of financial fraud report that the victim they know gained or lost a great amount of weight, while two-thirds (66%) do not feel that this occurred as a result of financial fraud.

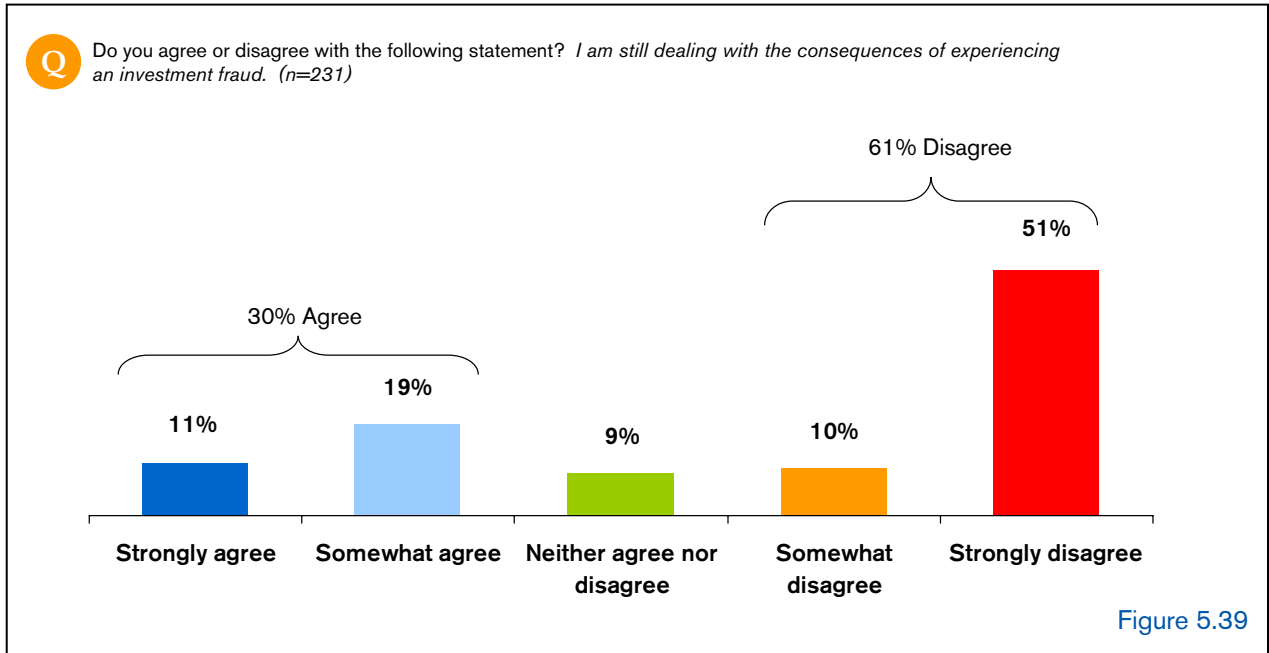


- The nation is split on this issue into two groups: Those in the Prairies (31%) and Quebec (31%) tend to note more often the occurrence of weight gain or loss among the victims they knew, while those in other regions of the country only report this effect in 17% to 24% of cases.
- Those who have no savings themselves (26%) were slightly more likely to report a weight gain or loss attributable to being defrauded than were active investors (20%).

In all, families and friends of victims tend to report health effects that they see because of the investment fraud more often than do the victims themselves: this is particularly true if the friend or relative has no savings of his or her own.

## 5.4 Recovering from fraud

Whether an individual is still dealing with the after-effects of fraud is important to understanding how they respond to fraud and whether or not they want to invest again.



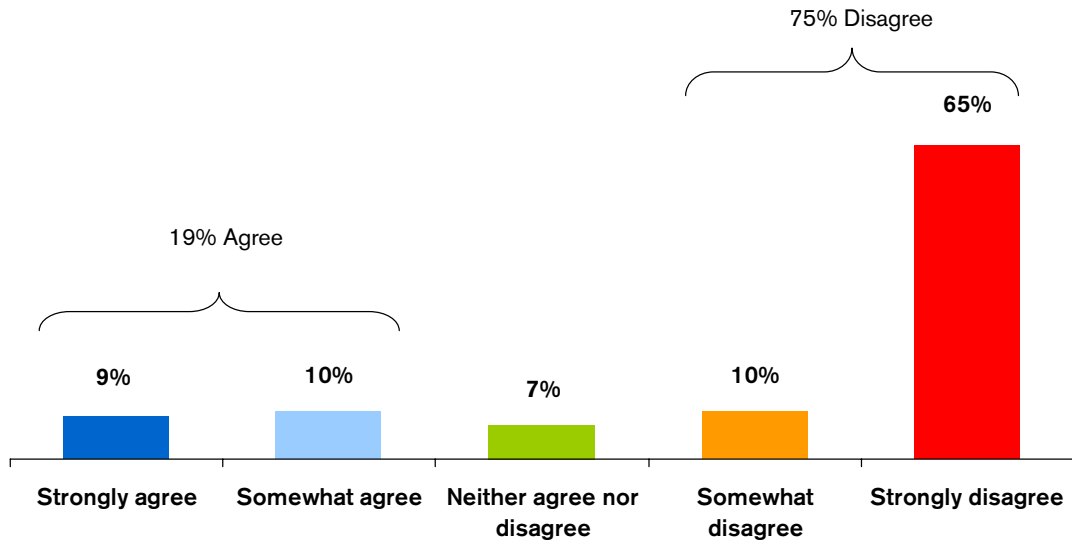
Overall, there appears to be a sense of optimism among victims concerning their ability to recover from fraud. This is especially true as time passes. Overall, three-in-ten (30%) agree that they are still dealing with the effects of the fraud. However, those who have experienced fraud in the last three years are often still dealing with the aftermath (42%); this declines to less than one-in-ten after 25 years (9%).

As well, those with any sort of savings for the future report in below-average numbers (approximately 22%) that they are still dealing with the after-effects of fraud. By comparison, those with no savings are much more likely to still be feeling the blow (54%).

Furthermore, the feeling that they will never be able to recover from fraud is low among many fraud victims: less than one-in-five (19%) feels they will never recover, while three-quarters (75%) feel at least some confidence that things will improve. This is especially true of those living on the Prairies (98%), active investors (82%), and those who experienced the fraud prior to three years ago (3 to 25 years ago: 75%, more than 25 years ago: 88%).



Do you agree or disagree with the following statement? *I feel I will never be able to recover from this investment fraud.* (n=231)



Note: Don't know (0%) not shown

Figure 5.40

There is encouragement in the findings. - victims intensely disagree with the statement *I feel I will never be able to recover from this investment fraud.* Nearly two-thirds (65%) strongly disagree, and an additional 10% somewhat disagree, leaving smaller numbers to agree with the premise, or give a neutral response.

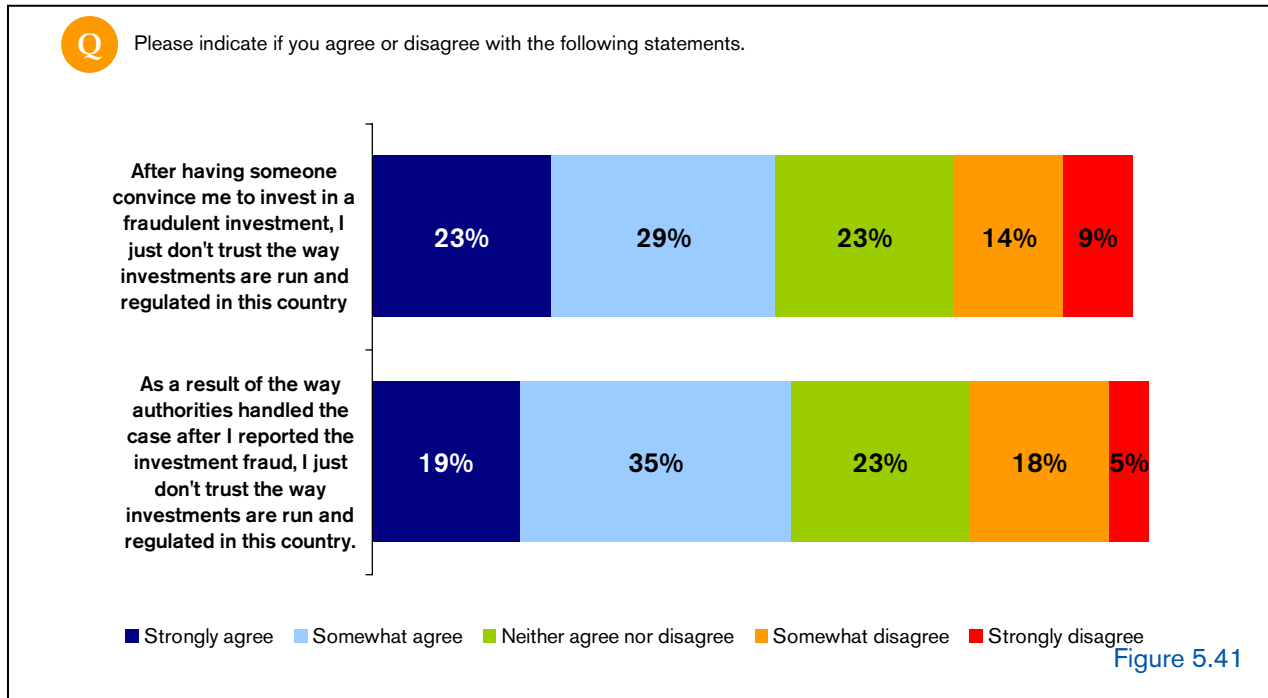
Indeed, while the effects of investment fraud can be far-reaching, resulting in increased stress levels and displays of anger, and a decreased willingness to trust others and invest in the future, these effects do not appear to be debilitating or permanent for most victims.



## 5.5 Fraud and trust

### Half of victims distrust the way investments are run and regulated

After having been victimized, victims are understandably less trusting of others. But what of the impact this declining trust has on their opinion on the running and regulation of investments?



After having been victimized, slightly more than half (52%) of victims report not trusting the way investments are run and regulated. An additional 23% do not feel more or less trust for the system, while less than one-quarter (23%) disagrees.

British Columbians (59%) are more likely than those in other regions to agree with this statement, while those on the Prairies (38%) are most likely to disagree. Those who suffered losses of \$10,000 or more (70%) are much more likely to agree than those who lost between \$1,000 and \$10,000 (52%) or less than \$1,000 (41%).

As for the way authorities handle the report, this too has an impact on whether or not, or how much victims trust the system of regulation of investments in Canada. Among those victims who reported the fraud, just over half (54%) feel that as a result of how their report was handled, they don't trust the way investments are run here. Only one-in-five (23%) disagree with this statement, while less than one quarter (23%) neither agree nor disagree.

One-time victims (60%) are significantly more likely than repeat victims (39%) to agree with this statement, while conversely, repeat victims are more likely to disagree (32%) than one-time victims (18%). While the sub-sample who answered this question is too small to offer definitive findings related to the size of the financial loss, directionally those who lost more report being more alienated than those who lost smaller amounts.

# 6. Attitudes toward provincial securities regulators

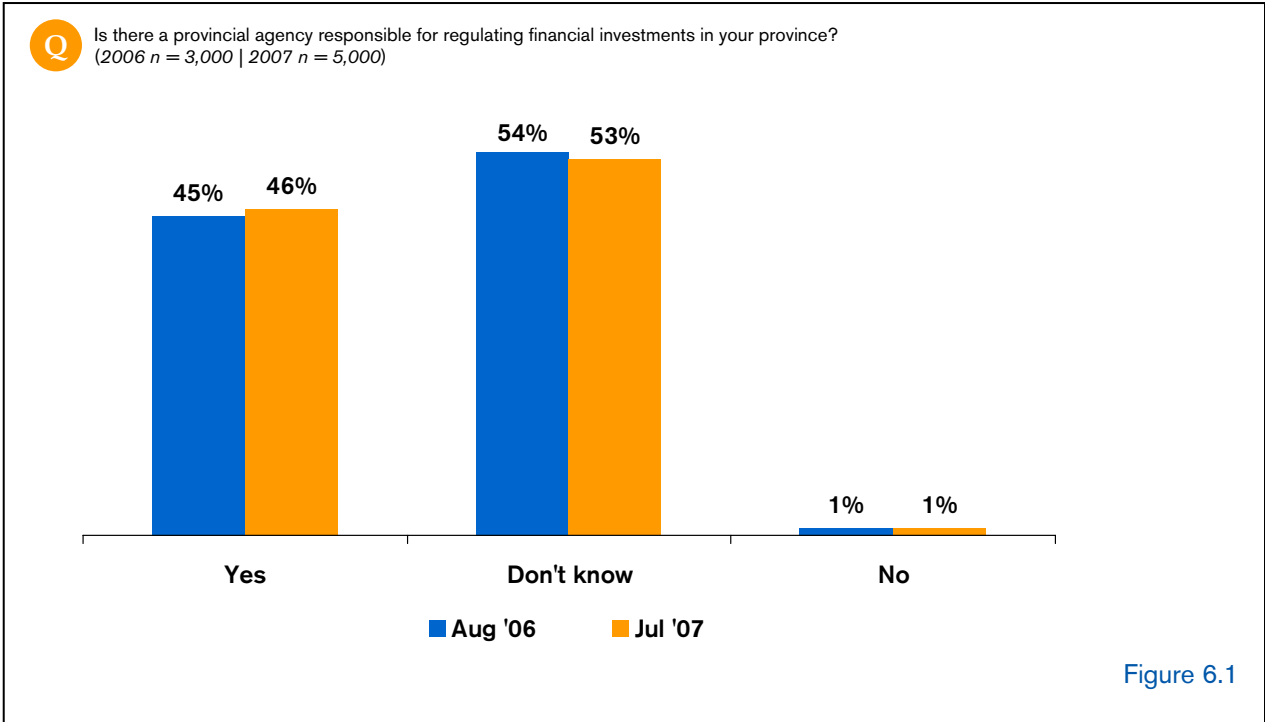
Last year's 2006 CSA Study measured public awareness and opinion of Canada's provincial securities regulators. This year's 2007 CSA study has also been designed to measure public awareness and attitudes toward provincial regulators. Where identical questions were asked, responses have been tracked between the two studies to identify trends in public awareness and opinion.

Respondents from both the 2006 CSA Study and the 2007 CSA Study came from INNOVATIVE's Canada 20/20 online research panel. Because the online survey samples were pulled from the same research panel, one-third (33%) of this year's 2007 study respondents also completed the 2006 study. To ensure the results of the tracking questions are not skewed by any potential conditioning effects that may have arisen from completing last year's survey, responses will be segmented between those who completed only the 2007 study and those who completed both studies.

## 6.1 Attitudes toward provincial regulatory agencies

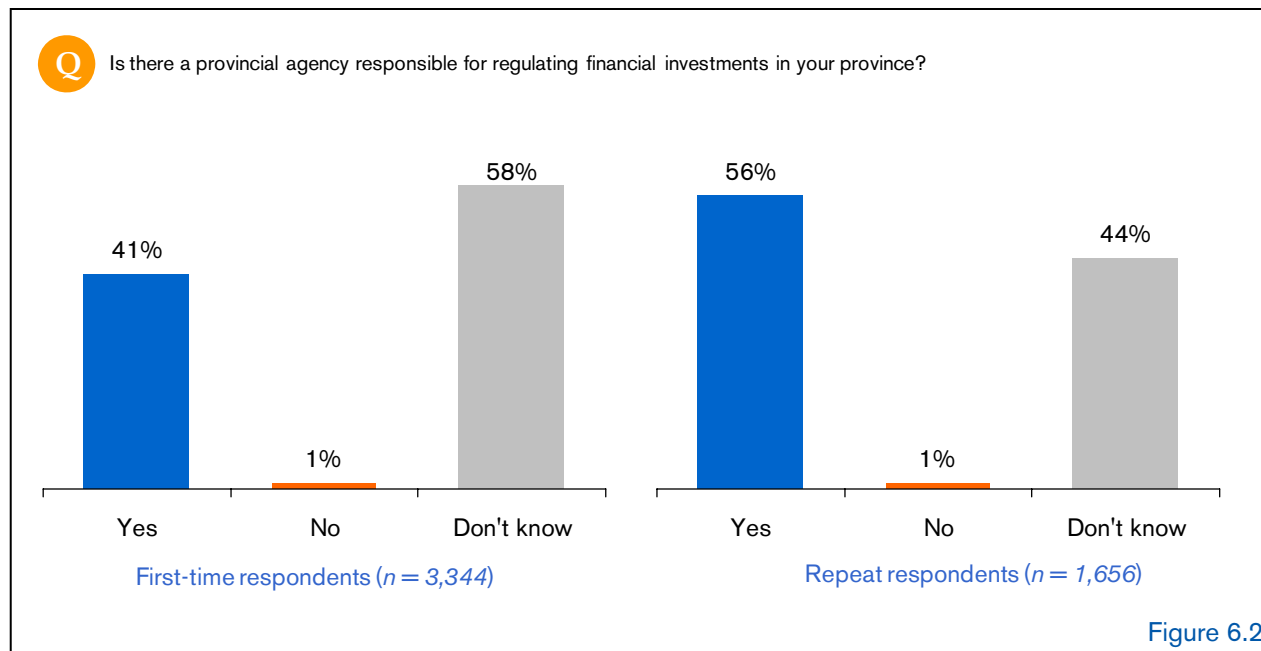
As found in last year's study, the majority of Canadians are unaware of the existence, actions, or mandate of their provincial securities regulator.

- A majority of Canadians (53%) do not know whether there is a provincial agency responsible for regulating financial investments in their province. However, just less than half of respondents (46%) are aware of their provincial regulator.



However, when these responses are segmented between those who have completed only the 2007 CSA study (first time respondents) and those who have completed both the 2006 and 2007 studies (repeat respondents); one notes the occurrence of priming.

A majority of repeat respondents are aware of a provincial agency responsible for regulating financial investments in their province whereas only two-in-five (41%) of first time respondents say they are aware of their securities regulator.



Further analysis of the demographic makeup of repeat and first time respondents suggests there is little to no difference between the two groups. This provides sufficient evidence to suggest that there is a conditioning effect on the awareness of provincial securities regulators among repeat respondents who completed both the 2006 and 2007 study. Therefore, when evaluating general awareness of provincial regulators, one should refer to only the results obtained from first time respondents. **As such, further comparisons between 2006 and 2007 will be limited to only first-time respondents.**

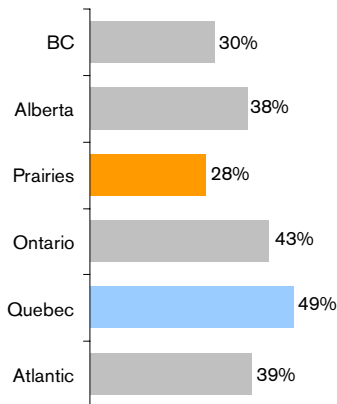
As such, when the results are compared from first time respondents in this year's study to the results from the 2006 study, there appears to be a slight increase in the level of uncertainty (don't know: 54% in 2006 vs. 58% in 2007). As well, there appears to be a slight decrease in the level of awareness (45% in 2006 vs. 41% in 2007) of the provincial securities regulators.

In terms of the regional breakdown, first time respondents from the Prairie Region are least likely to be aware of their provincial regulator (28%) while Quebeckers are most likely to say they are aware of their provincial regulator (49%). When investor types are analyzed, not surprisingly, individuals who have no savings set aside for the future are least likely to be aware of their provincial securities regulator (28%) while those who are more actively involved in financial markets have a higher level of awareness (as seen in Figure 5.3).



Is there a provincial agency responsible for regulating financial investments in your province? (Response = Yes)

**Regional Breakdown**  
First Time Respondents only (n = 3,344)



**Investor Segments**  
First Time Respondents only (n = 3,344)

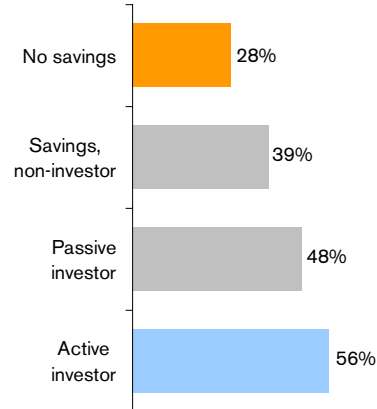


Figure 6.3

Even after prompting, seven-in-ten (69%) first time respondents exhibit a lack of familiarity with their provincial regulatory agency.

Those who say they are familiar with their provincial agency decreased 3 points, down from a level of familiarity of 35% in 2006. The proportion that has not heard of their provincial regulatory agency before this study falls only two points between 2006 and 2007.



In fact, there is a provincial agency in (Insert Province) responsible for regulating financial investments called the (Insert Agency Name). Now that (Insert Agency Name) has been mentioned, how familiar would you say you are with this agency?

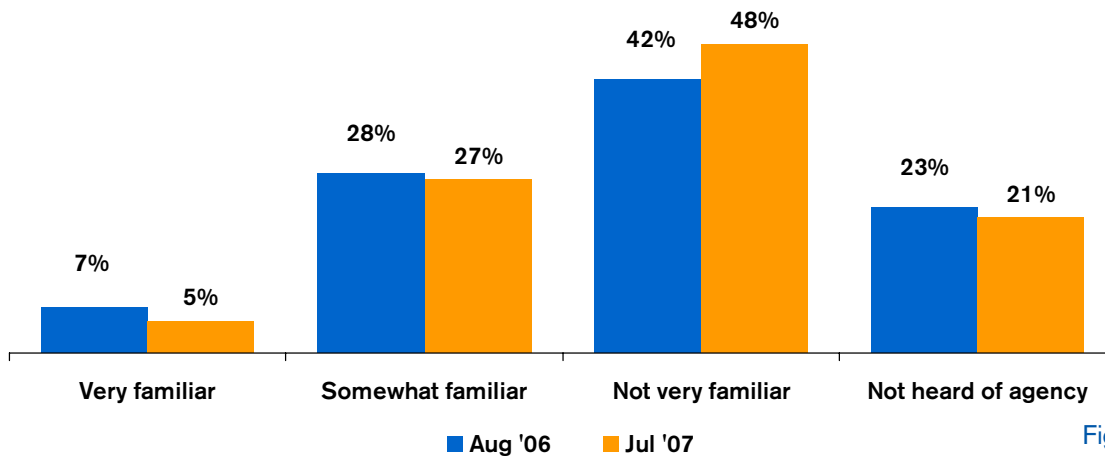


Figure 6.4

Familiarity with one's provincial regulator has decreased in all regions except for the Atlantic Region where familiarity has increased five points to 23% who say they are either very or somewhat familiar.

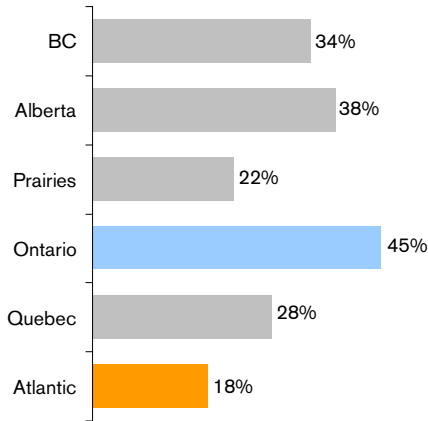
Ontarians (38%) are most likely to be very or somewhat familiar with their provincial financial investment regulator, while those in Quebec (21%) – although they have the highest unaided awareness – and the Prairie Region (21%) are the least likely to be familiar with their provincial regulator.



In fact, there is a provincial agency in (*Insert Province*) responsible for regulating financial investments called the (*Insert Agency Name*). Now that (*Insert Agency Name*) has been mentioned, how familiar would you say you are with this agency?

### Region Breakdown 2006

Total Respondents (n = 3,000)  
[Very Familiar & Somewhat Familiar]



### Region Breakdown 2007

First Time Respondents only (n = 3,344)  
[Very Familiar & Somewhat Familiar]

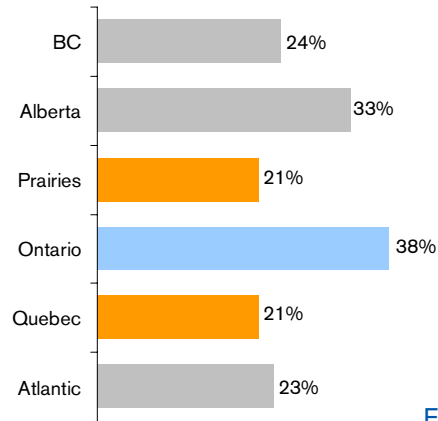


Figure 6.5

## Lukewarm attitudes towards provincial regulatory agencies prevails

Canadians are almost twice as likely to have a favourable<sup>1</sup> impression (25%) than have an unfavourable impression (12%) towards their provincial securities regulator. Nevertheless, almost half (45%) possess no strong positive or negative feelings and nearly one-in-five (18%) do not know how they feel towards their provincial securities regulator.

Quebeckers have the most intense feelings about their provincial securities regulator with both the highest favourable (30%) and the highest unfavourable (20%) impressions.

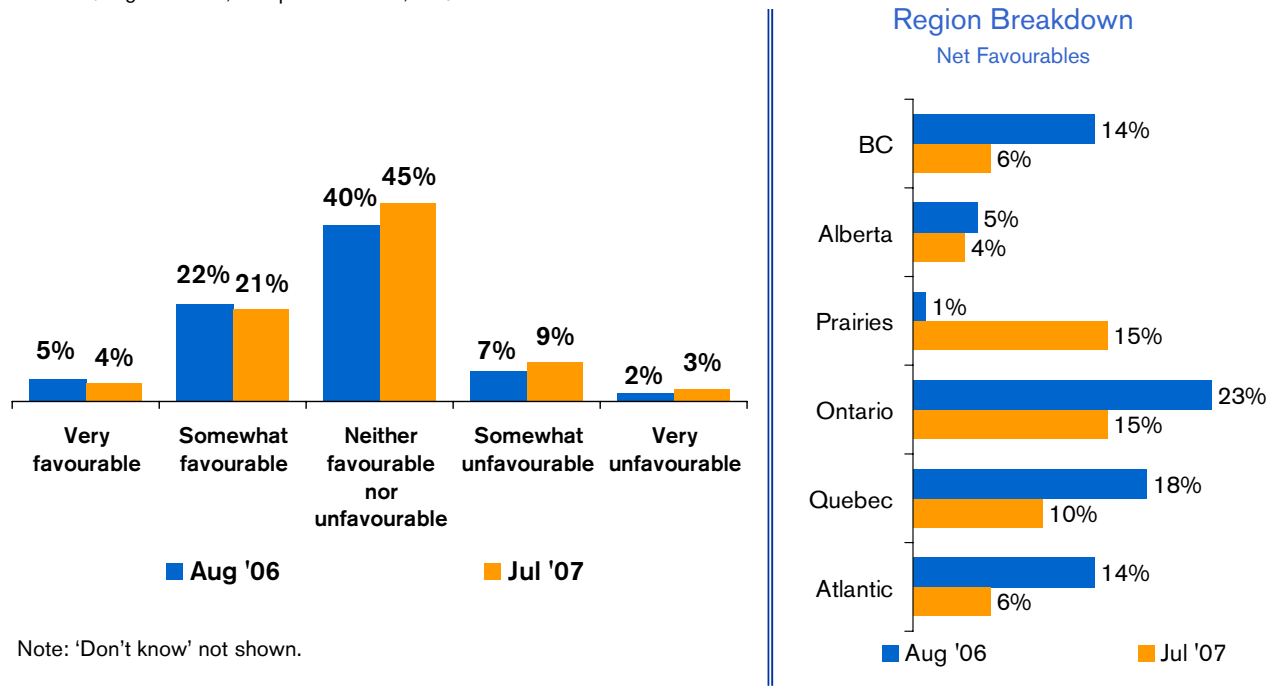
Among those who have never invested in a fraud, 25% have a favourable opinion of their provincial securities regulator. Interestingly, 14% of one-time victims of investment fraud have a favourable opinion, while 24% of repeat victims feel the same way. However, at the same time, repeat victims have a higher unfavourable impression of their regulator too. This would suggest the more one was engaged in financial market activity, the more likely they are to have an opinion of their provincial securities regulator. For Quebec, however, this theory does not entirely hold up, as they are the least engaged in the financial markets, yet have the strongest relative opinions about their regulator.

The majority of Canadians simply do not have an impression or do not know what their impression would be even if they had one (*neutral + don't know = 63%*).

<sup>1</sup> Favourable: The sum of 'very favourable' and 'somewhat favourable'.



Do you have a favourable or unfavourable impression of the (insert agency name)?  
 (Aug. '06 n=2,320 | Jul. '07 n=2,329)



Note: 'Don't know' not shown.

Figure 6.6

## Fewer Canadians today recognize a key role of their provincial regulator

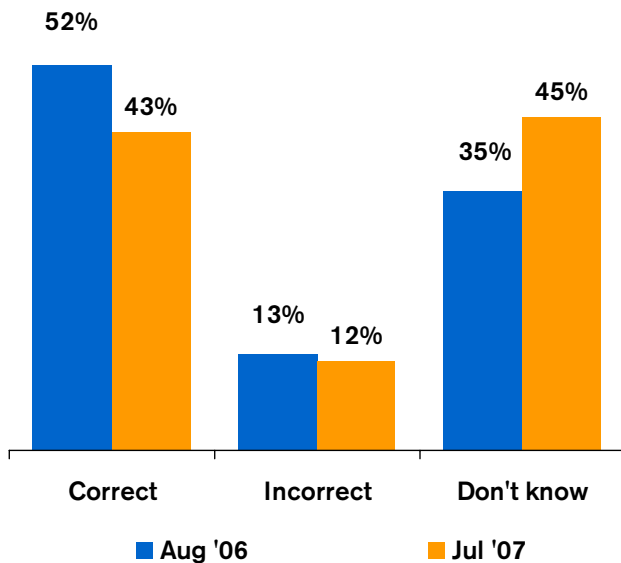
In both the 2006 CSA Investor Index and in the 2007 study, respondents were asked if provincial securities regulators could ban fraud artists from selling investments in their province. In 2006, more than one-third (35%) said they did not know, one-in-ten (13%) said that it was false, while just over half (52%) answered correctly by saying that this statement is true.

However, in this year's study, nearly half (45%) say they do not know, again one-in-ten (13%) say that it is false, and only just over two-in-five (43%) answer correctly by saying that this statement is true.

With the exception of Alberta and Ontario, the number of respondents that answered this question correctly decreases rather significantly. Unlike in the 2006 study – where four of the six regions had a majority of respondents answer this question correctly – this year saw no region with a majority answer this question correctly.



Please tell me whether the following statements are true or false. The *(insert agency name)* can ban fraud artists from selling investments in this province.  
**[correct answer: TRUE]**  
 (2006 n=3,000 | 2007 First Time Respondents only n=3,344)



Region Breakdown  
Correct Answers

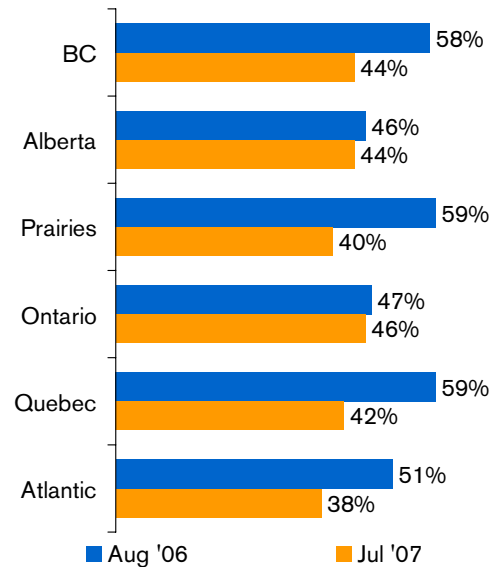


Figure 6.7

## 6.2 Priorities for Provincial Securities Regulators

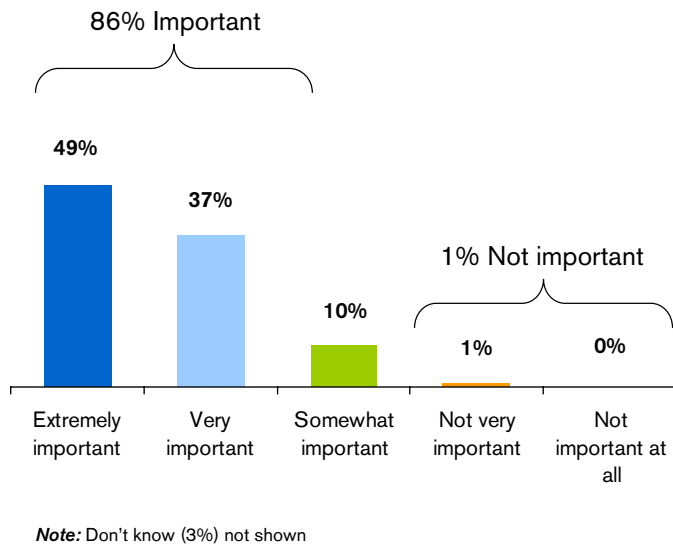
Again, as we saw in last year's 2006 CSA Investor Index study, Canadians overwhelmingly support investor protection policies and the priorities set out by the Canadian Securities Administrators. For example, less than 2% of Canadians believed that setting rules for the province's investment industry was 'not very important' (1%) or 'not important at all' (<1%). Although Canadians are unfamiliar with their provincial securities regulators, they recognize the importance of anti-fraud policies.

Almost nine-in-ten (86%) Canadians believe that setting the rules for the province's investment industry is an 'extremely important' or 'very important' priority for provincial regulatory agencies. This finding is up 4 points from last year when Canadian were polled on the same question.

Respondents from the Atlantic Region, Ontario, and British Columbia (89%, 89% and 87%, respectively) are the most likely to state that it is extremely or very important for the regulatory agency to set the rules for the investment industry.



Below is a list of things that the provincial regulator might do. Please indicate how important each of these priorities are:  
**Set the rules for the province's investment industry.** (n = 5,000)



Those who responded "extremely or very important"

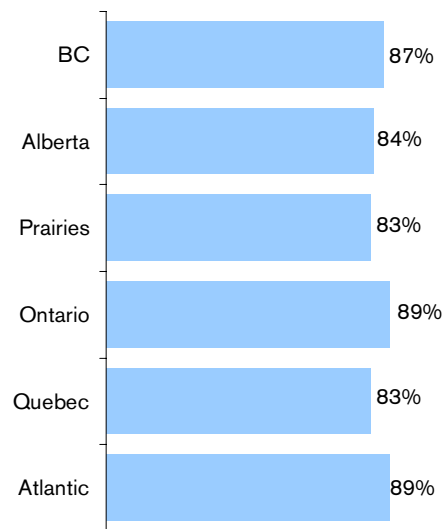


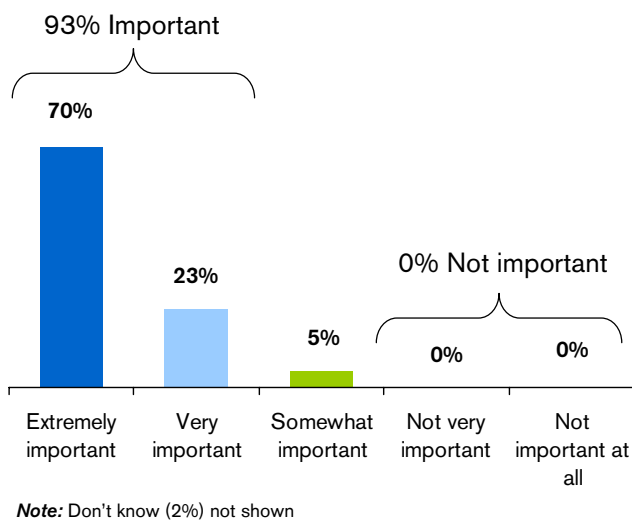
Figure 6.8

Over nine-in-ten respondents (93%) think banning those who break the rules from selling investments is an 'extremely important' or 'very important' priority. This is the exact same finding as we saw last year in the CSA Investor Index study.

Respondents from the Atlantic Region (95%) are the most likely to state and that it is extremely or very important for their securities regulator to ban anyone who breaks the rules from selling investments.



Below is a list of things that the provincial regulator might do. Please indicate how important each of these priorities are:  
**Ban anyone who breaks the rules from selling investments.** (n = 5,000)



Those who respond "extremely or very important"

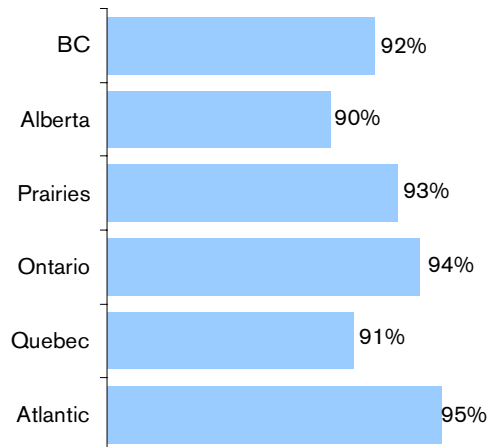
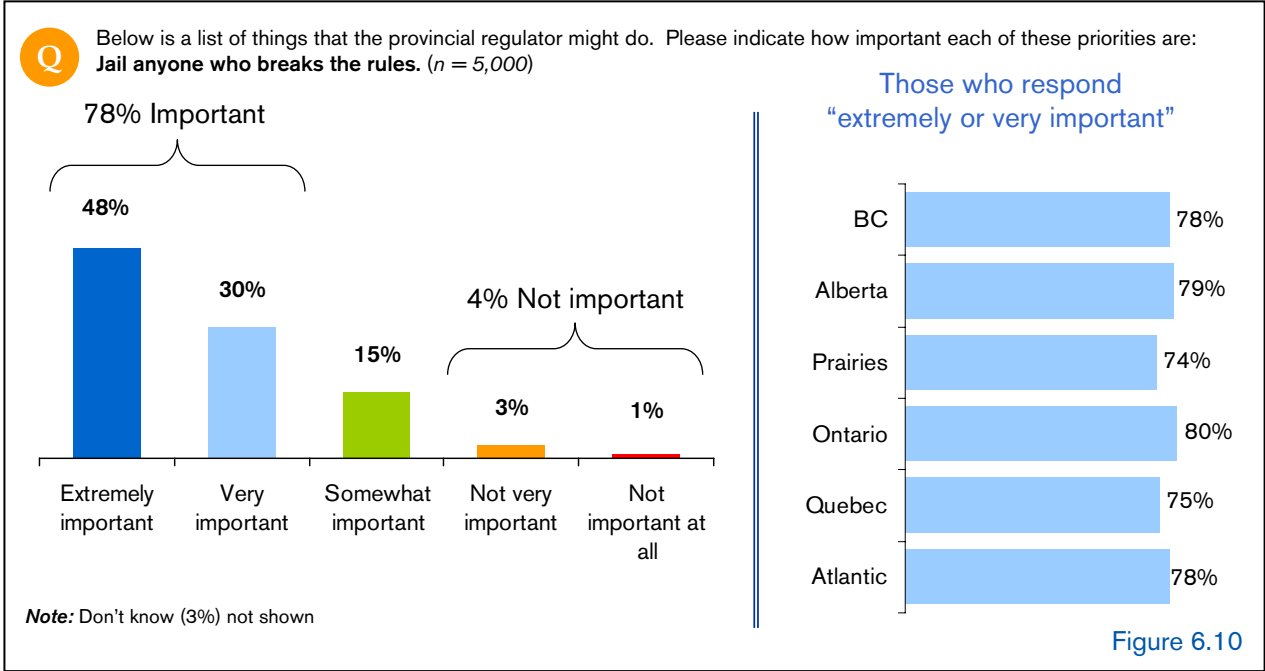


Figure 6.9



Over three-quarters of Canadians (78%) believe that 'jailing anyone who breaks the rules' is an 'extremely important' or 'very important' priority for their provincial financial regulator. This is up 2 points from last year's study.

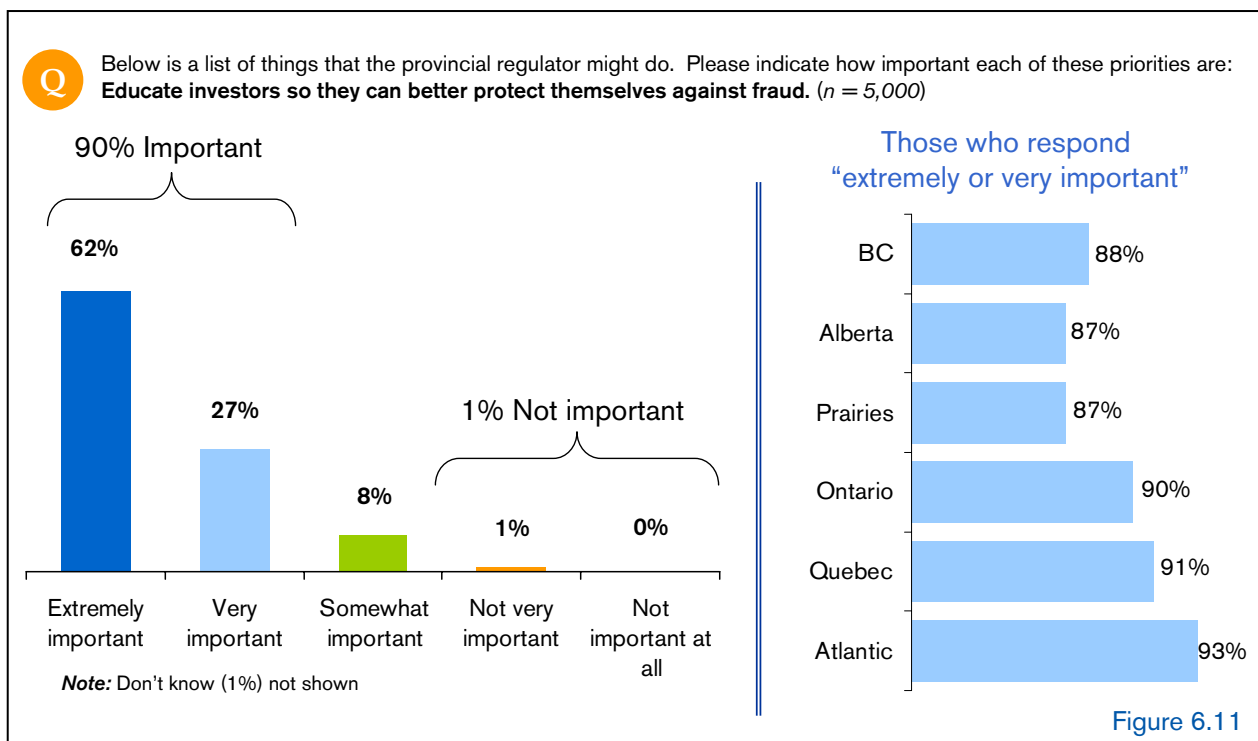
Ontarians and Albertans (80% and 79%, respectively) are most likely to believe that jailing anyone who breaks the rules is an extremely or very important priority. This belief is reinforced when the intensity of the responses are examined. Exactly half (50%) of Ontarians and Albertans believe it is extremely important to jail anyone who breaks the rules.



Nine-in-ten (90%) Canadians think that 'educating investors so they can better protect themselves against fraud' is a 'very important' or 'extremely important' priority for their province's regulatory agency.

Residents of the Atlantic Region (93%) are more likely than those in any other region to believe that this is either an extremely or very important priority.

Among victims, those who have been defrauded only once are more likely (89%) than repeat victims (83%) to say that educating investors to protect themselves against fraud is an extremely or very important priority.



# Appendix A: Questionnaire

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## Understanding the Social Impact of Investment Fraud

### 1. Investor Profile

- Q1. Do you personally have any savings or investments set aside for the future? This could be for education, retirement, a house or some other goal, in an RRSP or outside of an RRSP.
- |   |   |
|---|---|
| <input type="checkbox"/> Savings or investments <b>IN</b> an RRSP or pension plan                         | 1 |
| <input type="checkbox"/> Savings or investments <b>OUTSIDE</b> an RRSP or pension plan                    | 2 |
| <input type="checkbox"/> Both savings <b>in AND outside</b> an RRSP or pension plan                       | 3 |
| <input type="checkbox"/> Currently <b>do not have any savings or investments</b> set aside for the future | 4 |
- Q2. To the best of your knowledge, do you own any stocks, bonds or mutual funds (*outside of a company pension plan*)?
- |                                     |                 |
|-------------------------------------|-----------------|
| <input type="checkbox"/> Yes        | 1               |
| <input type="checkbox"/> No         | 2 [skip to Q4]  |
| <input type="checkbox"/> Don't know | 99 [skip to Q4] |
- Q3. **[ONLY IF Q1 = 2 or 3 OR Q2=1]** In general, how often do you buy or sell investments like stocks, bonds or mutual funds in the financial markets?
- |  |    |
|--|----|
| <input type="checkbox"/> Weekly                | 1  |
| <input type="checkbox"/> Monthly               | 2  |
| <input type="checkbox"/> Quarterly             | 3  |
| <input type="checkbox"/> Once or twice a year  | 4  |
| <input type="checkbox"/> Less than once a year | 5  |
| <input type="checkbox"/> Don't know            | 99 |

### Investment Knowledge

Are the following statements true or false?

- Q4. Mutual funds pay a guaranteed rate of return.
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> True       | 1  |
| <input type="checkbox"/> False      | 2  |
| <input type="checkbox"/> Don't know | 99 |
- Q5. Bond prices go up when interest rates go down.
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> True       | 1  |
| <input type="checkbox"/> False      | 2  |
| <input type="checkbox"/> Don't know | 99 |
- Q6. When an investor diversifies his or her investments, the risk of losing money increases.
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> True       | 1  |
| <input type="checkbox"/> False      | 2  |
| <input type="checkbox"/> Don't know | 99 |

### **Investment Confidence**

Q7. How confident are you when it comes to making investment decisions?

- |  |    |
|--|----|
| <input type="checkbox"/> <i>Very confident</i>       | 1  |
| <input type="checkbox"/> <i>Somewhat Confident</i>   | 2  |
| <input type="checkbox"/> <i>Not very confident</i>   | 3  |
| <input type="checkbox"/> <i>Not confident at all</i> | 4  |
| <input type="checkbox"/> <i>Don't know</i>           | 99 |

Q10. Thinking back to when you were a student in grade school, did any of your courses cover personal financial management, such as investments or budgeting?

- |  |    |
|--|----|
| <input type="checkbox"/> <i>Yes</i>        | 1  |
| <input type="checkbox"/> <i>No</i>         | 2  |
| <input type="checkbox"/> <i>Don't know</i> | 99 |

### **ATTITUDES TOWARDS INVESTING**

For each of the following statements, please indicate if you agree or disagree:

- |  |    |
|--|----|
| <input type="checkbox"/> <i>Strongly agree</i>             | 1  |
| <input type="checkbox"/> <i>Somewhat agree</i>             | 2  |
| <input type="checkbox"/> <i>Neither agree nor disagree</i> | 3  |
| <input type="checkbox"/> <i>Somewhat disagree</i>          | 4  |
| <input type="checkbox"/> <i>Strongly disagree</i>          | 5  |
| <input type="checkbox"/> <i>Don't know</i>                 | 99 |

### **[ROTATE STATEMENTS]**

Q14. No matter how much homework you do, every investment is a gamble.

Q15. I just don't trust investment professionals.

**[END BATTERY]**

### **GENERAL ATTITUDES TOWARDS LIFE**

Thinking about life in general, for each of the following statements, please indicate if you agree or disagree:

- |  |    |
|--|----|
| <input type="checkbox"/> <i>Strongly agree</i>             | 1  |
| <input type="checkbox"/> <i>Somewhat agree</i>             | 2  |
| <input type="checkbox"/> <i>Neither agree nor disagree</i> | 3  |
| <input type="checkbox"/> <i>Somewhat disagree</i>          | 4  |
| <input type="checkbox"/> <i>Strongly disagree</i>          | 5  |
| <input type="checkbox"/> <i>Don't know</i>                 | 99 |

### **[ROTATE STATEMENTS]**

Q16. Sometimes you have to bend the rules if you want to get ahead in life.

Q17. For me, most things usually turn out for the best.

**[END BATTERY]**

## 2. Key Investment Attitudes

So far we have focused on investments. Now we would like to turn to fraud. As you know, not every investment makes money. Some investments lose money even if everyone means well and is entirely honest in their dealings.

However, there are some cases where people propose an investment to you based on false information when they are trying to steal your money or mislead you. So, in this case, we mean a fraud occurs when someone intentionally gives you false information to get money from you.

18. From what you have read, seen or heard, which of the following do you think are indicators of a possible fraudulent investment? (Check all that apply)

- |   |    |
|---|----|
| <input type="checkbox"/> Contacted by someone you don't know  | 1  |
| <input type="checkbox"/> No written information offered or reluctant to provide written information | 2  |
| <input type="checkbox"/> A strong push to act now   | 3  |
| <input type="checkbox"/> Guaranteed high returns with little or no risk                             | 4  |
| <input type="checkbox"/> Up to \$100,000 is guaranteed by the government                            | 5  |
| <input type="checkbox"/> Offers inside information  | 6  |
| <input type="checkbox"/> <i>All of the above [Blank all others when selected]</i>                   | 98 |
| <input type="checkbox"/> <i>None of the above [Blank all others when selected]</i>                  | 99 |

### [NEW ONLINE PAGE]

#### [STATEMENT PAGE - ALL RESPONDENTS except QUEBEC]

In fact, all of the above are red flags that may indicate an attempted fraud, with the exception of the \$100,000 guarantee in some cases. A limited number of investments are insured by the Canada Deposit Insurance Corporation. All the rest, [INSERT LIST] are possible indications of fraud.

#### [STATEMENT PAGE - Only QUEBEC]

In fact, all of the above are red flags that may indicate an attempted fraud, with the exception of the \$100,000 guarantee in some cases. A limited number of investments are insured by the Deposit Insurance Fund of Quebec or the Canada Deposit Insurance Corporation. All the rest, [INSERT LIST] are possible indications of fraud.

Q8. Do you think people who attempt to defraud others ...

- |   |    |
|---|----|
| <input type="checkbox"/> Generally get caught       | 1  |
| <input type="checkbox"/> Generally get away with it | 2  |
| <input type="checkbox"/> Don't know                 | 99 |

Q9. When people who attempt to defraud others get caught, do you think they ...

- |  |    |
|--|----|
| <input type="checkbox"/> Usually get off with a light sentence at most   | 1  |
| <input type="checkbox"/> Usually face jail time and/or significant fines | 2  |
| <input type="checkbox"/> Don't know                                      | 99 |

For each of the following statements, please indicate if you agree or disagree:

- |   |    |
|---|----|
| <input type="checkbox"/> Strongly agree             | 1  |
| <input type="checkbox"/> Somewhat agree             | 2  |
| <input type="checkbox"/> Neither agree nor disagree | 3  |
| <input type="checkbox"/> Somewhat disagree          | 4  |
| <input type="checkbox"/> Strongly disagree          | 5  |
| <input type="checkbox"/> Don't know                 | 99 |

### REPORTING ATTITUDES

#### [RANDOMIZE STATEMENTS]

Q11. Reporting a fraudulent investment is more trouble than it's worth.

Q12. The authorities treat investment fraud as seriously as other crimes.

Q13. The impact of investment fraud can be just as serious as the impact of crimes like robbery and assault.

[END BATTERY]

### 3. Experience with Attempted Investment Fraud

Q19. Based on what you have read so far and what you already know, do you think anyone has ever approached you with a possible fraudulent investment?

- |                                     |                     |
|-------------------------------------|---------------------|
| <input type="checkbox"/> Yes        | 1 [continue to Q20] |
| <input type="checkbox"/> No         | 2 [skip to Q29]     |
| <input type="checkbox"/> Don't know | 99 [skip to Q29]    |

Q20. Do you think you have been approached with an investment scam in the past three (3) years?

- |                                     |                     |
|-------------------------------------|---------------------|
| <input type="checkbox"/> Yes        | 1 [continue to Q21] |
| <input type="checkbox"/> No         | 2 [skip to Q22]     |
| <input type="checkbox"/> Don't know | 99 [skip to Q22]    |

Q21. How many times over the past three years do you think someone has attempted to defraud you through an investment scam, other than from email spam?

- |  |    |
|--|----|
| <input type="checkbox"/> Never – Have only been approached by email spam | 1  |
| <input type="checkbox"/> 1 time  | 2  |
| <input type="checkbox"/> 2 times   | 3  |
| <input type="checkbox"/> 3 times   | 4  |
| <input type="checkbox"/> 4 times   | 5  |
| <input type="checkbox"/> 5 times or more                                 | 6  |
| <input type="checkbox"/> Don't know                                      | 99 |

Q22. Have you ever invested money in any investment scam?

- |                                     |                  |
|-------------------------------------|------------------|
| <input type="checkbox"/> Yes        | 1 [skip to VIC1] |
| <input type="checkbox"/> No         | 2 [continue]     |
| <input type="checkbox"/> Don't know | 99 [continue]    |

## FRAUD ATTEMPTS

- Q23. How were you first introduced to the most recent investment fraud attempt?
- |   |    |
|---|----|
| <input type="checkbox"/> Introduced to fraud by email   | 1  |
| <input type="checkbox"/> Introduced to fraud on a web site  | 2  |
| <input type="checkbox"/> Stranger called me over the telephone  | 3  |
| <input type="checkbox"/> Stranger came to front door  | 4  |
| <input type="checkbox"/> Introduced to fraud artist through friend,<br>neighbour, coworker or family member | 5  |
| <input type="checkbox"/> Recommended by financial advisor   | 6  |
| <input type="checkbox"/> Other [Please Specify] _____   | 88 |
| <input type="checkbox"/> Don't know   | 99 |
- Q24. How would you describe the level of trust you had with the person or persons who most recently approached you with a fraudulent investment opportunity?
- |  |    |
|--|----|
| <input type="checkbox"/> Very strong       | 1  |
| <input type="checkbox"/> Somewhat strong   | 2  |
| <input type="checkbox"/> Not very strong   | 3  |
| <input type="checkbox"/> Not strong at all | 4  |
| <input type="checkbox"/> Don't know        | 99 |
- Q25. Did you report this most recent fraudulent investment scam to the authorities?
- |                                     |                     |
|-------------------------------------|---------------------|
| <input type="checkbox"/> Yes        | 1 [continue to Q26] |
| <input type="checkbox"/> No         | 2 [skip to Q28]     |
| <input type="checkbox"/> Don't know | 99 [skip to Q28]    |
- Q26. To which authorities did you report this fraudulent investment scam?  
**[select all that apply]**
- |   |    |
|---|----|
| <input type="checkbox"/> RCMP/Provincial Police   | 1  |
| <input type="checkbox"/> Local Police Force   | 2  |
| <input type="checkbox"/> My financial advisor   | 3  |
| <input type="checkbox"/> The person who sold me the investment  | 4  |
| <input type="checkbox"/> The company that sold me the investment  | 5  |
| <input type="checkbox"/> An investment industry association, like the Investment<br>Dealers or Mutual Fund Dealers Associations | 6  |
| <input type="checkbox"/> My lawyer  | 7  |
| <input type="checkbox"/> The Better Business Bureau   | 8  |
| <input type="checkbox"/> Other (please specify) _____   | 88 |
| <input type="checkbox"/> Don't know   | 99 |
- Q27. How satisfied were you with the way the authorities handled your report?
- |   |    |
|---|----|
| <input type="checkbox"/> Very satisfied                     | 1  |
| <input type="checkbox"/> Somewhat satisfied                 | 2  |
| <input type="checkbox"/> Neither satisfied nor dissatisfied | 3  |
| <input type="checkbox"/> Somewhat dissatisfied              | 4  |
| <input type="checkbox"/> Very dissatisfied                  | 5  |
| <input type="checkbox"/> Don't know                         | 99 |

**[ASK ONLY IF Q25 = 2 or 99]**

Q28. Why did you not report this attempted investment fraud? [OPEN]

**[ASK ONLY IF Q19a/b = 2 or 99 OR IF Q22 = 2 or 99]**

- Q29. Do you have a close friend or family member who has ever been a victim of investment fraud?
- |   |                  |
|---|------------------|
| <input type="checkbox"/> Yes, family member                           | 1 [Skip to Q30]  |
| <input type="checkbox"/> Yes, close friend                            | 2 [Skip to Q30]  |
| <input type="checkbox"/> Yes, both a close friend and a family member | 3 [Skip to Q30]  |
| <input type="checkbox"/> No   | 4 [skip to Q49]  |
| <input type="checkbox"/> Don't know                                   | 99 [skip to Q49] |

#### 4. Fraud Victim Experience

**[ONLY IF Q22 = 1]**

- VIC1. How many times have you been a victim of investment fraud?
- |   |   |
|---|---|
| <input type="checkbox"/> Once                         | 1 |
| <input type="checkbox"/> Twice                        | 2 |
| <input type="checkbox"/> Between three and five times | 3 |
| <input type="checkbox"/> More than 5 times            | 4 |

**Two Streams: 1 – One-time Victims, 2 – Repeat Victims**

- VIC.2 When were you most recently a victim of financial fraud?
- |  |    |
|--|----|
| <input type="checkbox"/> In the past 12 months                       | 1  |
| <input type="checkbox"/> Between the past 12 months and past 3 years | 2  |
| <input type="checkbox"/> Between 2000 and 2004                       | 3  |
| <input type="checkbox"/> In the 1990s                                | 4  |
| <input type="checkbox"/> In the 1980s                                | 5  |
| <input type="checkbox"/> Before the 1980s                            | 6  |
| <input type="checkbox"/> Don't know                                  | 99 |

- VIC.3. **[If VIC1 = 2,3,4: INSERT "Thinking about your most recent fraud experience..."]** Were you able to report the incident to the authorities after you realized the investment was fraudulent?
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> Yes        | 1  |
| <input type="checkbox"/> No         | 2  |
| <input type="checkbox"/> Don't know | 99 |

- VIC.4 **[IF VIC3 = 2, 99]** Why is it that you **did not** report the fraudulent investment to the authorities?  
**[OPEN]**

- VIC.5 How were you introduced to the **[IF VIC1=2,3,4, INSERT most recent]** investment fraud?
- |  |   |
|--|---|
| <input type="checkbox"/> Introduced to fraud by email  | 1 |
| <input type="checkbox"/> Introduced to fraud on a web site   | 2 |
| <input type="checkbox"/> Stranger called me over the telephone                                       | 3 |
| <input type="checkbox"/> Stranger came to front door   | 4 |
| <input type="checkbox"/> Introduced to fraud through friend,<br>neighbour, coworker or family member | 5 |
| <input type="checkbox"/> Recommended by financial advisor  | 6 |

- VIC.6 How would you describe the level of trust you had with the person or persons who **[IF VIC1=2,3,4, INSERT most recently]** approached you with this investment opportunity?
- |  |   |
|--|---|
| <input type="checkbox"/> Very strong       | 1 |
| <input type="checkbox"/> Somewhat strong   | 2 |
| <input type="checkbox"/> Not very strong   | 3 |
| <input type="checkbox"/> Not strong at all | 4 |



*Don't know* 99

Please indicate if you were experiencing any of the following events when you were approached with the most recent fraudulent investment opportunity. **[RANDOMIZE]**

*Yes* 1  
 *No* 2  
 *Don't know* 99

VIC7. Major illness (you personally, or within your immediate family)

VIC8. Job loss

VIC9. Getting divorced or separated

VIC10. Recently retired

VIC11. Approaching retirement (within 5 years)

VIC12. Received an inheritance or other large sum of money

**END BATTERY**

VIC13. Did you tell any friends or family about the proposed investment?

*Yes* 1 [Continue to VIC14]  
 *No* 2 [Skip next VIC15]  
 *Don't know* 99

VIC14. Did any of your friends or family who learned of this investment through you also invest in the **[IF VIC1=2,3,4, INSERT most recent]** fraudulent investment?

*Yes* 1  
 *No* 2  
 *Don't know* 99

VIC15. How much money did you invest in this **[IF VIC1=2,3,4, INSERT most recent]** investment fraud?

*Less than \$1,000* 1  
 *\$1,000 to under \$5,000* 2  
 *\$5,000 to under \$10,000* 3  
 *\$10,000 to under \$25,000* 4  
 *\$25,000 to under \$50,000* 5  
 *More than \$50,000* 6  
 *Don't Know* 99

VIC16. Did you recover any of your money from the **[IF VIC1=2,3,4, INSERT most recent]** fraud, and if so, how much?

*Did not recover any of the investment* 1  
 *Less than 10% of the investment* 2  
 *Between 10% and 24% of the investment* 3  
 *Between 25% and 49% of the investment* 4  
 *Between 50% and 74% of the investment* 5  
 *Between 75% and 99% of the investment* 6  
 *Recovered the entire investment* 7

VIC17. What impact did the [IF VIC1=2,3,4, INSERT **most recent**] investment fraud have on your personal finances?

- |  |    |
|--|----|
| <input type="checkbox"/> An extremely large impact | 1  |
| <input type="checkbox"/> A significant impact      | 2  |
| <input type="checkbox"/> A moderate impact         | 3  |
| <input type="checkbox"/> Very little impact        | 4  |
| <input type="checkbox"/> No material impact        | 5  |
| <input type="checkbox"/> Don't know                | 99 |

VIC18. [IF VIC3=1] To which authorities did you report this fraudulent investment?

- |  |    |
|--|----|
| <input type="checkbox"/> RCMP/Provincial Police  | 1  |
| <input type="checkbox"/> Local Police Force  | 2  |
| <input type="checkbox"/> My financial advisor  | 3  |
| <input type="checkbox"/> The person who sold me the investment   | 4  |
| <input type="checkbox"/> The company that sold me the investment   | 5  |
| <input type="checkbox"/> An investment industry association, like the Investment Dealers or Mutual Fund Dealers Associations | 6  |
| <input type="checkbox"/> My lawyer   | 7  |
| <input type="checkbox"/> The Better Business Bureau  | 8  |
| <input type="checkbox"/> Other (please specify) _____  | 88 |
| <input type="checkbox"/> Don't know  | 99 |

VIC19. How satisfied were you with the way the authorities handled your report?

- |   |                     |
|---|---------------------|
| <input type="checkbox"/> Very satisfied                     | 1                   |
| <input type="checkbox"/> Somewhat satisfied                 | 2                   |
| <input type="checkbox"/> Neither satisfied nor dissatisfied | 3                   |
| <input type="checkbox"/> Somewhat dissatisfied              | 4                   |
| <input type="checkbox"/> Very dissatisfied                  | 5                   |
| <input type="checkbox"/> Don't know                         | 99 [SKIP to VIC 21] |

VIC20. (IF SATISFIED OR DISSATISFIED) Why do you say that? [OPEN]

VIC21. Which of the following statements describes your family and social situation when the fraud occurred? (PLEASE CHECK ALL THAT APPLY)

- |   |   |
|---|---|
| <input type="checkbox"/> I was married or living with a partner   | 1 |
| <input type="checkbox"/> I was living in the same home with family members who were not my spouse or partner                      | 2 |
| <input type="checkbox"/> I spoke or visited with family members who were not my spouse or partner at least once a week            | 3 |
| <input type="checkbox"/> I had one or more close friends outside my family with whom I discussed personal problems and challenges | 4 |
| <input type="checkbox"/> None of the above applied to me when the fraud occurred  | 5 |
- [Exclude other options if checked]**

VIC22. Please indicate using the scale below which of the following statements is closest to your point of view.

- There was nothing I could have done to prevent being a victim of the most recent investment fraud. 1
- PROGRAM: 2-4; 3 titled "Neutral", as radio buttons**
- I feel the most recent fraud I experienced was my own fault. 5
- Don't know* 99

Please indicate if you agree or disagree with the following statements.

- Strongly agree* 1
- Somewhat agree* 2
- Neither agree nor disagree* 3
- Somewhat disagree* 4
- Strongly disagree* 5
- Don't know* 99

### [ROTATE STATEMENTS]

VIC23. After having someone convince me to invest in a fraudulent investment, I just don't trust the way investments are run and regulated in this country.

[IF VIC3 = Yes(1)]

VIC24. As a result of the way authorities handled the case after I reported the investment fraud, I just don't trust the way investments are run and regulated in this country.

[END BATTERY]

## 5. Social Impact of Fraud [VICTIMS and their FRIENDS & FAMILY]

Now we would like to ask you some questions about your personal experience with investment fraud.

[For Q30:

USE "MY" OR EQUIVALENT WHEN Q22=1 AND VIC13=1;

USE "THE VICTIM" OR EQUIVALENT WHEN Q29=1, 2, 3]

NOTE: IF Q22=1 AND NO BOXES CHECKED AT VIC21 (=5), SKIP Q30

Q30. Please indicate if you agree or disagree with the following statement: After the fraud, the people closest to [me/the victim] were generally supportive and helped [me/the victim] recover from the loss.

- Strongly Agree* 1
- Somewhat Agree* 2
- Neither Agree nor Disagree* 3
- Somewhat Disagree* 4
- Strongly Disagree* 5

**[For Q31 to Q46]:**  
**USE "MY" OR EQUIVALENT WHEN Q22=1;**  
**USE "THE VICTIM" OR EQUIVALENT WHEN Q29=1, 2, 3]**

Q31. How did this fraudulent investment affect **[your/the victim's]** personal relationships with friends and family?  
**[OPEN]**

**SOCIAL IMPACT**

Would you say that the loss **[you/the victim]** experienced as a result of this investment fraud contributed to any of the following **situations**?

- |   |    |
|---|----|
| <input type="checkbox"/> <i>Yes, definitely</i> | 1  |
| <input type="checkbox"/> <i>Yes, somewhat</i>   | 2  |
| <input type="checkbox"/> <i>Not very much</i>   | 3  |
| <input type="checkbox"/> <i>Not at all</i>      | 4  |
| <input type="checkbox"/> <i>Does not apply</i>  | 99 |

**[RANDOMIZE LIST]**

- Q32 Separation/divorce from a spouse or partner
- Q33 Loss of job
- Q34 Loss of friends
- Q35 Decreased participation in social activities
- Q36 Decreased participation in family activities
- Q37 Decreased participation in volunteer activities
- Q38. Less willing to make investments
- Q39 Less willing to trust others

**[END BATTERY]**

**IMPACT ON HEALTH**

Would you say that the loss **[you/the victim]** experienced as a result of this investment fraud contributed to any of the following **health-related issues**?

- |   |    |
|---|----|
| <input type="checkbox"/> <i>Yes, definitely</i> | 1  |
| <input type="checkbox"/> <i>Yes, somewhat</i>   | 2  |
| <input type="checkbox"/> <i>Not very much</i>   | 3  |
| <input type="checkbox"/> <i>Not at all</i>      | 4  |
| <input type="checkbox"/> <i>Does not apply</i>  | 99 |

**[RANDOMIZE LIST]**

- Q40 Higher stress levels
- Q41 Panic or Anxiety Attacks
- Q42 Feelings of extreme loss or isolation
- Q43 Extreme weight gain/loss
- Q44 Depression
- Q45 Increased feelings or displays of anger
- Q46 More prone to physical illness

**[END BATTERY]**

**[ASK ONLY Q47-48 only IF Q22=1]**

Do you agree or disagree with the following statements:

- |  |    |
|--|----|
| <input type="checkbox"/> <i>Strongly agree</i>             | 1  |
| <input type="checkbox"/> <i>Somewhat agree</i>             | 2  |
| <input type="checkbox"/> <i>Neither agree nor disagree</i> | 3  |
| <input type="checkbox"/> <i>Somewhat disagree</i>          | 4  |
| <input type="checkbox"/> <i>Strongly disagree</i>          | 5  |
| <input type="checkbox"/> <i>Don't know</i>                 | 99 |

**[ORDER MATTERS]**

Q47. I am still dealing with the consequences of experiencing an investment fraud.

Q48. I feel I will never be able to recover from this investment fraud.

**[END BATTERY]**

**6. Provincial Regulator Questions [ALL RESPONDENTS]**

Q49. Is there a provincial agency responsible for regulating securities investments in your province?

- |  |    |
|--|----|
| <input type="checkbox"/> <i>Yes</i>        | 1  |
| <input type="checkbox"/> <i>No</i>         | 2  |
| <input type="checkbox"/> <i>Don't know</i> | 99 |

**NEW PAGE**

Q50. In fact, there is a provincial agency in **[INSERT PROVINCE]** responsible for regulating financial investments called the **[INSERT AGENCY NAME]**. Now that we have mentioned the **[INSERT AGENCY NAME]**, how familiar would you say you are with this agency?

- |   |                        |
|---|------------------------|
| <input type="checkbox"/> <i>Very Familiar</i>                               | 1                      |
| <input type="checkbox"/> <i>Somewhat Familiar</i>                           | 2                      |
| <input type="checkbox"/> <i>Not Very Familiar</i>                           | 3                      |
| <input type="checkbox"/> <i>I had not heard of that agency before today</i> | 4 <i>[skip to Q52]</i> |

Q51. Do you have a favourable or unfavourable impression of the **[INSERT AGENCY NAME]**?

- |   |    |
|---|----|
| <input type="checkbox"/> <i>Very favourable</i>                     | 1  |
| <input type="checkbox"/> <i>Somewhat favourable</i>                 | 2  |
| <input type="checkbox"/> <i>Neither favourable nor unfavourable</i> | 3  |
| <input type="checkbox"/> <i>Somewhat unfavourable</i>               | 4  |
| <input type="checkbox"/> <i>Very unfavourable</i>                   | 5  |
| <input type="checkbox"/> <i>Don't know</i>                          | 99 |

Q52. Please indicate whether the following statement is true or false. The **[INSERT AGENCY NAME]** can ban fraud artists from selling investments in this province.

- |  |    |
|--|----|
| <input type="checkbox"/> <i>True</i>       | 1  |
| <input type="checkbox"/> <i>False</i>      | 2  |
| <input type="checkbox"/> <i>Don't know</i> | 99 |

Below is a list of things the [INSERT AGENCY NAME] might do. Please indicate how important each of these priorities are.

- |   |    |
|---|----|
| <input type="checkbox"/> Extremely important  | 1  |
| <input type="checkbox"/> Very important       | 2  |
| <input type="checkbox"/> Somewhat important   | 3  |
| <input type="checkbox"/> Not very important   | 4  |
| <input type="checkbox"/> Not important at all | 5  |
| <input type="checkbox"/> Don't know           | 99 |

**[RANDOMIZE LIST]**

Q53 Set the rules for the province's investment industry.

Q54 Jail anyone who breaks the rules.

Q55 Ban anyone who breaks the rules from selling investments.

Q56 Educate investors so they can better protect themselves against fraud.

**[END BATTERY]**

## 7. Conclusion [ALL RESPONDENTS]

**[DEMOGRAPHIC TRACKING - UPDATE]**

We have just two more question for you, for tracking purposes.

Q57. Do you own or rent your home?

- |                               |   |
|-------------------------------|---|
| <input type="checkbox"/> Own  | 1 |
| <input type="checkbox"/> Rent | 2 |

Q58. **[X3]** Which of the following categories does your yearly total household income before taxes fall within?

- |   |    |
|---|----|
| <input type="checkbox"/> Under \$20,000               | 1  |
| <input type="checkbox"/> \$ 20,000 to under \$40,000  | 2  |
| <input type="checkbox"/> \$ 40,000 to under \$60,000  | 3  |
| <input type="checkbox"/> \$ 60,000 to under \$80,000  | 4  |
| <input type="checkbox"/> \$ 80,000 to under \$100,000 | 5  |
| <input type="checkbox"/> \$100,000 or more            | 6  |
| <input type="checkbox"/> Prefer not to answer         | 99 |