

Prepared for:

Canadian Securities Administrators

# CSA Investor Index

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# 1. Executive Summary

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Investor education is a key priority for securities regulators across Canada. In particular, Canadian provincial securities regulators have a mandate to:

- help investors make appropriate investments decisions; and
- help investors recognize, avoid and report investment scams.

In June of 2006, the Canadian Securities Administrators (CSA) commissioned Innovative Research Group Inc. (INNOVATIVE) to conduct the CSA Investor Index. The study has three key areas of focus:

- Understanding to what degree Canadians invest their money and whether they have the necessary knowledge and skills to invest appropriately.
- Benchmarking Canadians' understanding of, and experience with, financial fraud.
- Benchmarking Canadians' awareness of their Securities regulators and expectations for them.

The CSA Investor Index is a mixed method study combining a random digit dialling telephone study with an in-depth online study.

- A 5,568-person online study was used to develop a profile of Canadian investors, as well as provide a large sample of Canadians who have actually experienced fraud.
- In addition to the online survey, a national telephone survey of 2,000 Canadians was conducted to determine the incidence rate for particular investment behaviours. This incidence rate was used to weight the online sample, making it representative of the Canadian population.

## 1.1 Overview

### On Investing

- Almost three quarters of all Canadians have some form of savings, but just one-in-five are active investors.
- Generally, Canadians have the right attitudes when it comes to investing, however, many Canadian investors lack key investing tools.
- Canadians produce mixed performance when it comes to taking appropriate precautions when making their investment decisions.

### On Fraud

- Canadians generally recognize the common indicators of fraud.
- More than one-in-three Canadians has been approached with a fraudulent investment.
- An estimated 900,000 Canadians have been victims of financial fraud.
- While two thirds of the cases involve \$5,000 or less, 12% involve \$25,000 or more.
- 70% of the time, no money is recovered from scams.
- Despite this level of fraud attempts and experience, only 51% believe they are just as likely to be a victim as anyone else and only 47% believe fraud is common.
- Only 14% of fraud attempts are reported to authorities.

## On Regulators

- Regulatory issues are not top-of-mind issues for Canadian investors, although they are interested in investor education and greater transparency.
- Less than half of Canadians are sure they have a provincial securities regulator.
- Banning rule-breakers and educating investors are what Canadian investors think should be the highest priorities for regulators.

## 1.2 Key Findings on Investing

### Almost three quarters of all Canadians have some form of savings but just one-in-five are active investors

- The CSA Investor Index investor segmentation shows 23% of Canadians are active investors, 27% are passive investors, 20% are non-investing savers and 30% report having no savings at all.
  - 60% of those with no savings today say they plan to save in the future

### Majority of Canadians have the right attitudes when it comes to investing

- 96% of Canadians agree “Whether you contribute to a pension plan or save some other way, it is important to build up your own personal savings and investments”.
- 92% of Canadians believe “You should never make an investment without doing independent research on any new investment opportunity”.
- 88% believe “Having a financial plan is important for people like me”.

### Most Canadians reject most dangerous investing myths

- Just 19% of Canadians say “One of the best ways to make money in the stock market is to look for inside tips”.
- Only 18% believe “The only way to make good returns in the stock market is to make risky investments”.
- Just over one in four (26%) of Canadians say “If you don’t act immediately on a new investment opportunity you have recently heard about, you may miss a good opportunity”.

### Many Canadian investors lack key investing tools

- Although Canadians say having a plan is important, 58% report they do not have a financial plan with clear investment goals and 55% do not have regular financial advisers.
- However, among those Canadians who hold stocks, bonds and mutual funds, 86% say they understand how risky each of their investments are today and 62% have reviewed the level of risk they are prepared to take with their investments within the last year.

### Canadians show moderate levels of investment knowledge

- Given three questions to test their investment knowledge, almost all Canadians got more correct answers than incorrect answers and 21% got all three questions right.

## Canadians show moderate levels of investment confidence

- On average, 51% of Canadians are confident when it comes to making investments.
  - Among Canadians who report owning stocks, bonds and mutual funds, 70% are confident when making investments.
- 65% of Canadians are confident they know where to look for information to check out investment opportunities.
  - Among Canadians who report owning stocks, bonds and mutual funds, 77% are confident they know where to access information.

## Canadians produce mixed performance when it comes to taking appropriate precautions in their investment decisions

Looking at the most recent financial investment made by Canadians who own stocks, bonds or mutual funds:

- Only 48% report personally researching the last investment they purchased even though 92% said you should never make an investment without independent research.
  - Almost half of those who did not personally research their investment bought the investment on the advice of their financial adviser suggesting they feel that the research can be done by someone else.
- Although 65% took the time to consider the investment before buying. However, 22% still reported purchasing the investment as soon as they heard about it.
- Only 10% report being in a situation where they were told if they didn't act immediately, they might miss a good opportunity.

## What drives good investing behaviour?

The study results help us understand more about which factors drive good investing behaviour.

- Having an advisor encourages investors to take shortcuts.
- Believing in the importance of independent research leads to good financial practices.
- Both overall confidence and confidence in being able to find information to base sound investment decisions are strong predictors of good financial behaviour.
- Understanding your risk tolerance and the risk of your holdings is another key driver of good practice.
- Finally, men and Anglophones are more likely to follow good financial behaviour than women and Francophones.

## 1.3 Key Findings on Fraud

### Canadians tend to recognize the 'red flags' of fraud

- Although there was some confusion of the CDIC/QDIB deposit insurance, most potential red flags of a fraudulent investment were readily recognized by Canadians.

## **Fraud attempts: a common experience**

- More than one in three (36%) claim to have been approached or offered a potentially fraudulent investment opportunity.
  - Most people who report being approached with an investment fraud have been approached several times.
  - Spam email is the most common approach.
  - A telephone call from a stranger and being introduced to a scam artist through a friend, relative or neighbour are also common means of being introduced to a fraud.
  - Very few scam artists who approach Canadian investors have a relationship of trust with the target, but those attempts that do develop trust are much more likely to be successful.
- One in twenty-five Canadians (4%) report having made an investment in a fraudulent investment opportunity.
  - In almost two thirds (65%) of the cases, less than \$5,000 was invested.
  - 12% of the actual frauds involved more than \$25,000.
  - Seven out of ten times none of the money was recovered.
  - 27% of the time the victim did not tell friends or family about the fraud.
  - 58% of the victims report feeling that some of their friends and family felt the fraud was at least partially the victim's fault.
  - 37% of fraud victims have been defrauded more than once.
  - Results reveal fraud attempts are twice as likely to be successful if the victim was experiencing a stressful life event.

## **Despite these findings, Canadians do not see fraud as a common or personal threat**

- Only half of Canadians agree (51%) that they are just as likely to be a victim of investment fraud as anyone else.
- 47% believe investment fraud is common in their province.

## **Reporting behaviour fails to match beliefs**

- While 86% agree it is important to report even the suspicion that someone has approached them with a fraud ...
- ... only 14% reported their own experience with attempted frauds.

## **What drives likelihood of being a fraud victim?**

It is very hard to predict who will be a victim of fraud. Almost anyone can be a victim, regardless of the amount or nature of their assets, how much they know about investing or how careful they are in their everyday investments.

The CSA Investor Index study reveals that the key indicator of likelihood to be a victim of fraud is who approaches you. If you have a friend or financial advisor who wants to defraud you, or if anyone who you are particularly likely to trust wants to defraud you, you could be a victim.

Our findings show there are a few characteristics of people slightly more likely to victims – men, people confident in their investing skills, and those open to the argument that they need to act immediately or they could lose their opportunity. However, the reality is women, people who are less confident, and those resistant to the act now pitch are also victims, just with a little less frequency.

## 1.4 Key Findings on Regulatory Agencies

### Regulator issues low on investor issue agenda

- The three top concerns for investors – market volatility, return on investment and having enough savings for retirement - have few implications for securities administrators. (see client comments)
- Only 8% of investors mention investor education as their most important issue.
- 6% mention market transparency.

### Less than half have unaided awareness of securities regulators

- Only 45% say yes there is a provincial agency responsible for regulating financial investments in their province.
  - Particularly low awareness in the Atlantic Provinces (23%).

### Aided awareness also low

- Just over one-in-three are very familiar (7%) or somewhat familiar (28%) with their provincial regulator. Ontario has the strongest level of awareness at 45% (9% of Ontarians claiming to be very familiar and 36% somewhat familiar).
- 23% report they have not heard of the agency.

### Positive impression of regulator among those with a firm opinion

- 63% either don't know what their impression of their provincial regulator is or claim it is neither favourable nor unfavourable.
- Among those with an impression, favourables (27%) outweigh unfavourables (7%) by a three to one margin.

### Half believe regulators can ban scam artists from selling investments

- 52% say it is true provincial regulators can ban fraud artists from selling investments, while only 13% believe that is false.
  - However, there exists no strong relationship between this belief and an individual's likelihood of reporting investment fraud attempts.

### Banning rule breakers tops priorities for regulators

- 71% say it is extremely important to ban anyone from selling investments if they break the rules.
- 59% say it is extremely important to educate investors to better protect themselves against fraud.
- 48% say it is extremely important to jail anyone who breaks the rules.
- 44% say it is extremely important to set the rules of the province's investment community.

## 2. Introduction

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Investor education is a key priority for the Canadian Securities Administrators (CSA) and the 13 securities regulators across Canada. The education efforts of Canada's securities regulators and the CSA come down to two primary goals:

- To help investors learn how to make appropriate investment decisions
- To help investors recognize, avoid and report investment fraud

In reviewing its own research and research available from other sources, the CSA found that very little is known about investor competence, attitudes, behaviour and investment fraud in Canada.

The CSA requires investment behaviour information about investors and their awareness of the role of securities commissions across the country in order to make investor education programs relevant and effective nationally and regionally.

The objective of this study is to create a **CSA Investor Index** that will:

- measure a series of key investor understandings and behaviours;
- synthesize these findings into a single index (or series of indicators) to assess overall investor competence and awareness of fraud in four provinces, two regions and nationally;
- establish a 2006 benchmark for subsequent tracking studies;
- allow for cross-referencing of results by key demographic groups;
- measure awareness of the provincial and regional securities regulators' corporate brand; and
- support *investor education* planning, including risk profiling and target market identification.

### 2.1 About this Study

The CSA Investor Index is a mixed methodology study combining a random digit dialling 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, as well as provide a large sample of Canadians who have actually experienced fraud.

The CSA Investor Index online survey was conducted by Innovative Research Group, Inc. ([www.innovativeresearch.ca](http://www.innovativeresearch.ca)), a national public opinion research firm, between August 10 and August 31, 2006. Results from the survey are based on 5,568 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  $\pm 1.79$  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 About CSA**

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.

### **2.1.2 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 and communications research, reputation management, issue and crisis management, performance assessment and public affairs advice.

## **2.2 Methodology**

### **2.2.1 Sample Design**

Given the two priorities – fraud prevention as well as appropriate investing - the main survey audience was the 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. It is possible that non-investors with access to funds are a uniquely vulnerable population who lack the basic knowledge or access to financial advisers.

An online survey approach was used to ensure the largest sample size as possible. This allowed the CSA to profile small incidence groups in more detail and with more confidence. This was particularly important in profiling the victims of various types of fraud.

The online results were weighted both by Statistics Canada demographic data and by key investment measures (Q1, Q2, Q28 and Q56 as seen in *Appendix A*) generated through a parallel telephone survey of 2000 Canadians.

The national survey was weighted down to a sample of n=3,000. This allows the CSA to evaluate the responses from four provinces and two regions in detail. 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	686	684	269	1,898	1,216	815	<b>5,568</b>
Weighted Sample	408	285	203	1,134	739	231	<b>3,000</b>
Margin of Error	±3.74%	±3.75%	±5.97%	±2.25%	±2.81%	±6.45%*	<b>±1.79%</b>

\* *Note: the margin of error for the Atlantic region is based on weighted data as the unweighted sample consists of a large New Brunswick oversample, making it unrepresentative of the Atlantic population. Only after weighting the Atlantic sample do we get a representative sample for which we can calculate the margin of error.*

## 2.2.2 Survey Design

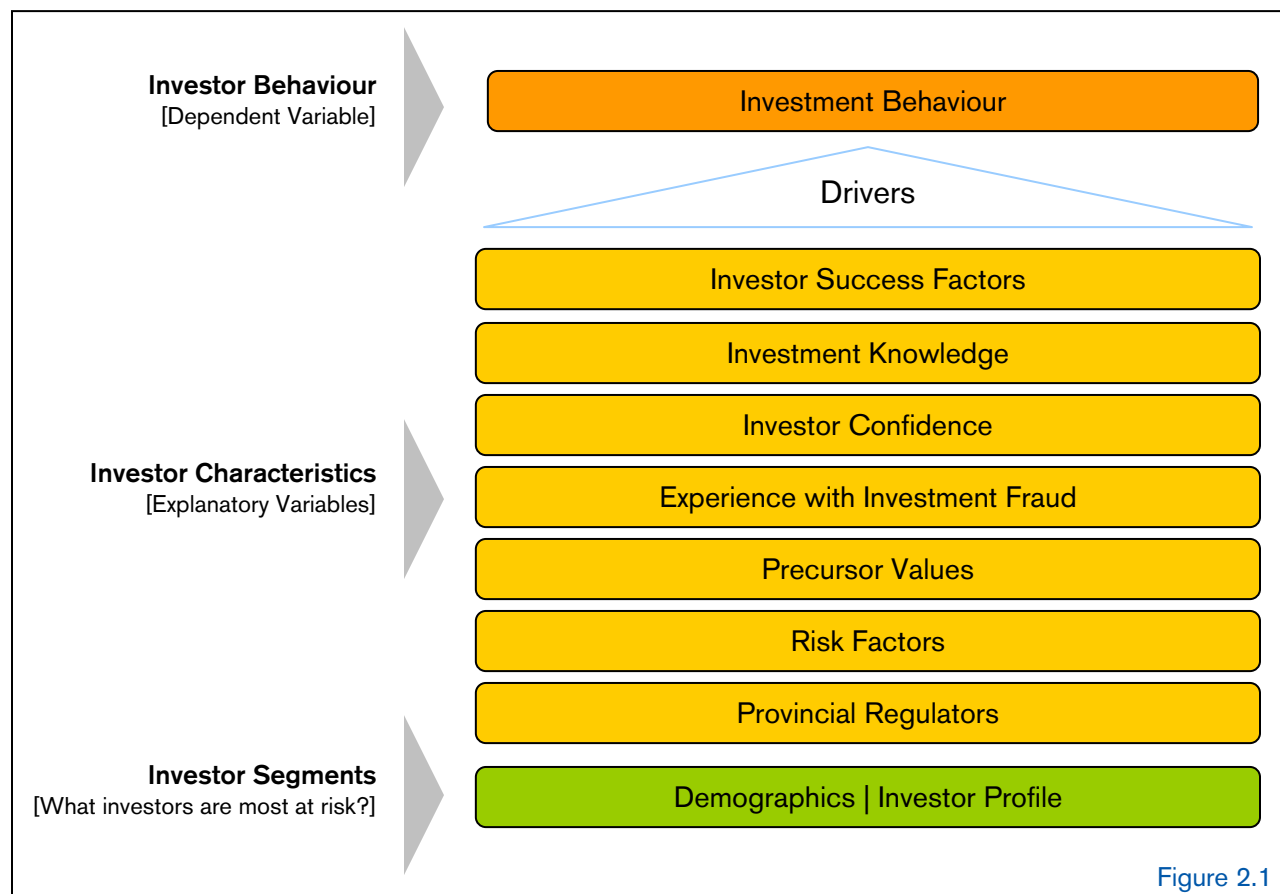
The CSA Investor Index Model is designed to explain what particular investor characteristics affect:

- a) good investment behaviours; and
- b) their likelihood to become victim to investment fraud

Working in collaboration with the CSA, INNOVATIVE developed the *CSA Investor Index Model* to guide the survey questionnaire development. Each of the key variables identified in the model are covered by at least one question in the survey.

The complete questionnaire is included under Appendix A of this report.

## 2.2.3 CSA Investor Index Model



An overview of the model's components is described below:

**Demographics:** The majority of the demographic variables required for this study have already been captured among the Canada 20/20 panel participants. As such, a large number of demographic and investor profiling questions will not need to be asked in this survey – leaving room for other, more important questions.

**Investor Profile:** These questions are designed to divide the survey participants into four categories; active investors, passive investors, non-investors with savings and those without any savings.

**Investor Behaviour:** These questions ask respondents how they approached their most recent investment decisions. We ask these questions in order to gain a better understanding of how well individuals apply critical thinking skills and prudent investing practices in real life. A key element of the survey analysis will be to explore the major differences between investors who employ critical thinking and prudent investment practices and those who do not.

**Investor Success Factors:** These questions ask whether individuals have the three pillars of success: 1) a regular financial adviser; 2) a long-term financial plan with investment goals; and 3) an assessment/understanding of financial risk exposure. We anticipate these factors will be key predictors of prudent investing and fraud avoidance.

**Investment Knowledge:** These questions are designed to assess the respondents' investment knowledge and experience. Findings from these questions will help determine the extent to which investment knowledge affects investment behaviour. Again, we anticipate knowledge will be a key predictor of prudent investing and fraud avoidance.

**Investor Confidence:** In financial markets, not all investors feel equally competent in making investment decisions. *However, it is worthwhile emphasizing that confidence is a self-perceived skill or knowledge, not necessarily the true level of skill or information an investor has.* With that in mind, we will combine the knowledge questions with the confidence measure to identify an 'over-confident' segment.

**Experience with Investment Fraud:** In this section, we ask a battery of questions concerning the individual's perceived experience with financial fraud to identify if and how such experience has affected their investment behaviour. This will be the first time anyone has attempted to define the scale of investment fraud in Canada.

**Precursor Values:** Here we ask a battery of attitudinal questions related to investing and investment fraud. Topics include attitudes towards the prevalence of fraud, norms for investing behaviour and attitudes that potentially increase vulnerability to fraud.

**Risk Factors:** This section contains questions pertaining to what the literature refers to as behaviours or events which increase the likelihood that a fraudulent solicitation will be received including community engagement, general trust, online or telephone purchasing and participation in contests or sweepstakes.

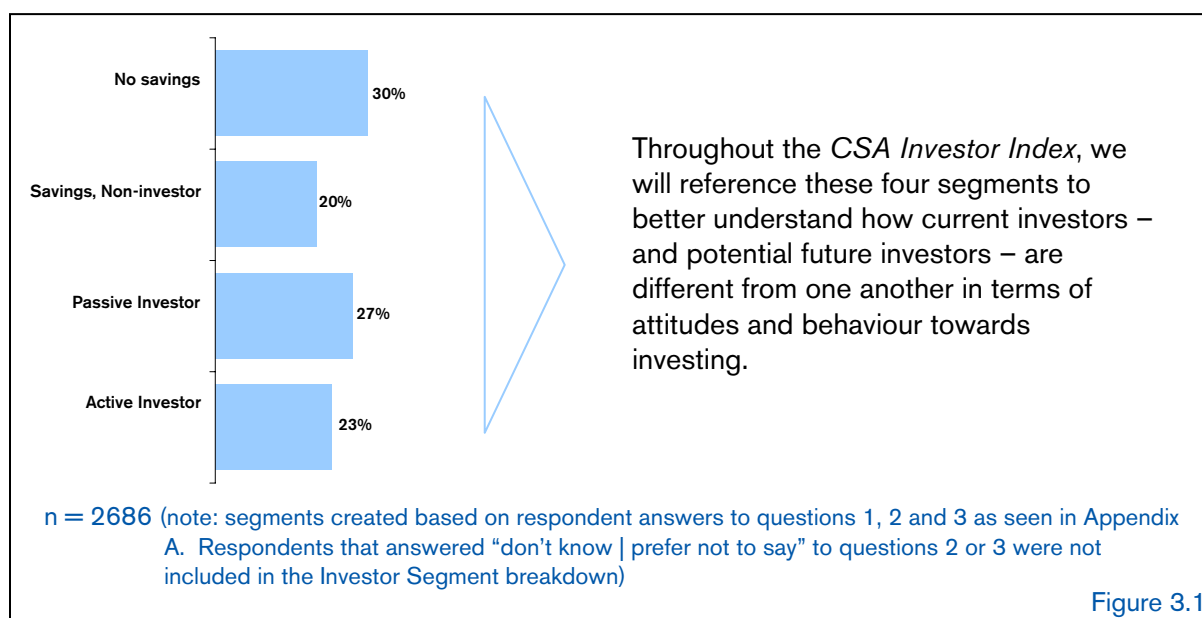
**Provincial Regulator Questions** – A battery of questions was developed to gauge the public's attitude towards and awareness of the image and role of Canada's provincial regulatory agencies.

## 3. Profile of Canadian Retail Investors

### 3.1 Investor Segments

The majority of Canadians (70%) claim to have some form of savings, whether it is stocks, bonds or other types of savings. On the flipside, three-in-ten (30%) Canadians, 18 years or older, have no savings set aside for the future. Two-in-ten Canadians (20%) have savings, but do not hold securities. This leaves half of all Canadians, 18 years or older, owning securities, whether in or outside an RRSP or pension fund.

Of these investors, just over half are passive investors (27% of Canadians) while just under half are active investors (23% of Canadians). Passive investors are defined as individuals who adjust their portfolios less than once every three months. On the other hand, active investors are defined as those who adjust their portfolio more than every quarter.



### How are Canadians preparing for their future?

The majority of respondents report they are saving or investing in their future.

- Seven-in-ten Canadians (72%) are saving or investing in their future, mostly in RRSP or pension plans.
- Nearly one-third of Canadians (30%) save/invest in an RRSP or pension plan, whereas only one-in-ten save or invest exclusively outside an RRSP or pension plan.
- 32% of Canadians have both savings in AND outside an RRSP or pension plan.
- Three-in-ten (27%) Canadians do not have any savings or investments set aside for their future.

**Q** 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. This could be in an RRSP or outside of an RRSP.

n = 3000

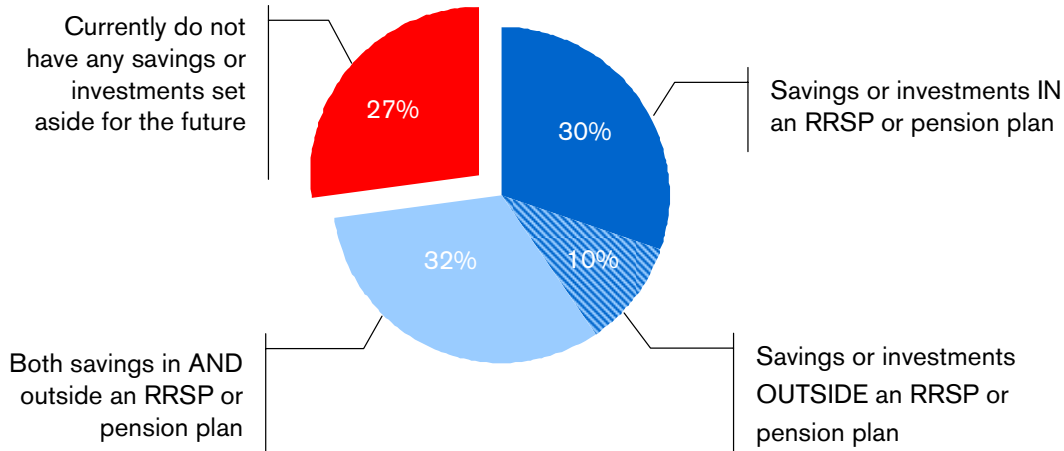


Figure 3.2

In addition, seven-in-ten (72%) Canadians who have savings or investments set aside for the future own stocks, bonds or mutual funds (or in other words, 52% of Canadians own stocks, bonds or mutual funds).

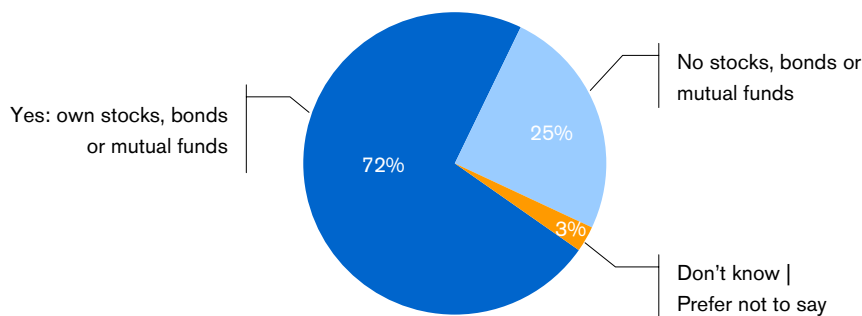
- Among Canadians who have savings or investments set aside for the future, one-in-four do not own any stocks, bonds or mutual funds in their savings portfolios.

Most Canadians do not manage their own funds on a regular basis.

- 46% of Canadians do not invest more than once or twice a year.
- 15% of Canadians invest quarterly.
- One-in-four (24%) Canadians buy or sell investments at least once a month.

**Q** To the best of your knowledge, do you own any stocks, bonds or mutual funds?

n = 2187



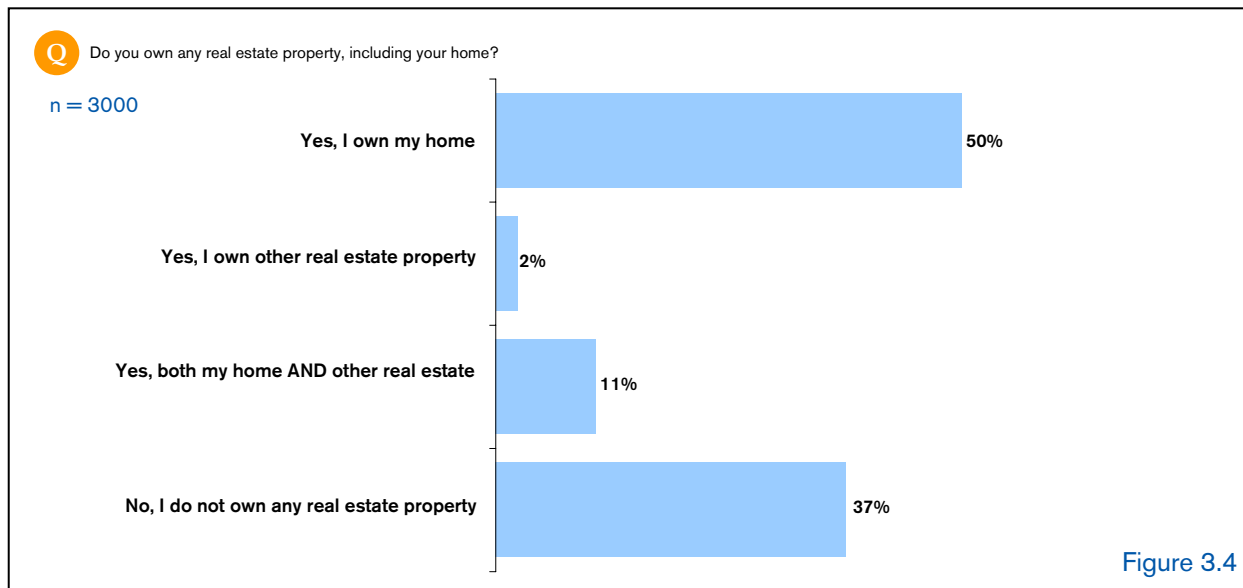
Those who responded 'yes, they own stocks, bonds or mutual funds'

Regions	%
BC	73%
Alberta	77%
Prairies	74%
Ontario	74%
Quebec	69%
Atlantic	66%

Figure 3.3

Most Canadians (63%) own at least real estate property, with 50% of those owning a home.

- Half of Canadians own their own home, while 13% own other real estate property.
- 37% of Canadians do not own any real estate property.



### 3.2 Investment Knowledge and Competence

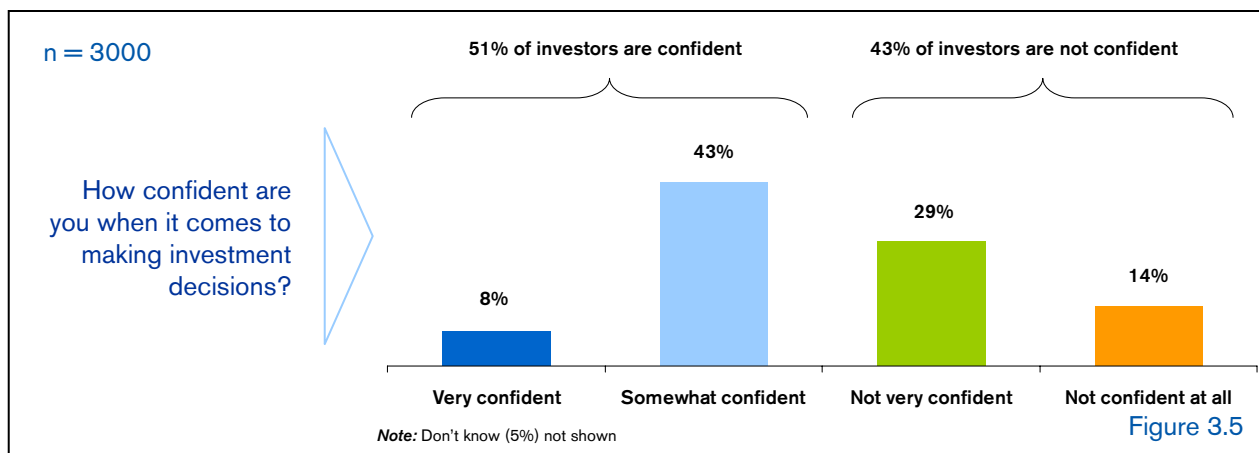
Canadians feel confident when it comes to investment knowledge, but when tested in the survey, many prove to be unclear on a number of financial concepts. We quizzed Canadians on their investment knowledge and found that many investors lack an understanding of fundamental investment concepts.

Canadians know there is ‘no free lunch’ in investing.

- 86% of Canadians answered the following true-or-false statement correctly: ‘generally speaking, investments that offer higher than average rates of return have a higher than average level of risk’.

More often than not, Canadians are confident in their investment decisions.

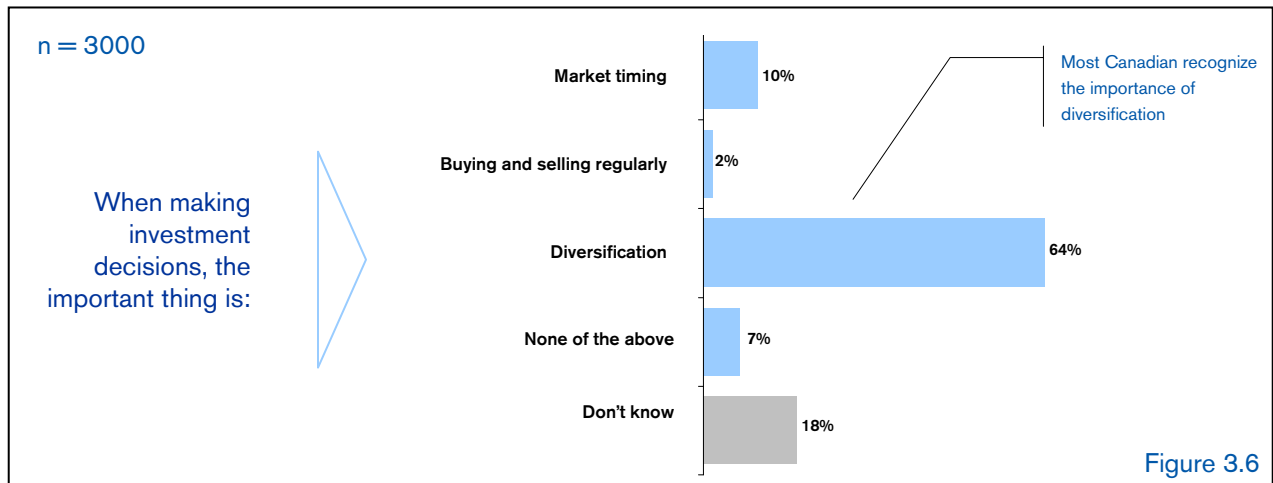
- Over half of Canadians (51%) are confident in their investment decisions, whereas 43% of investors are not confident.



- Nearly half of Canadians (48%) did not answer the question 'which of these investments are pretty much like cash in hand' correctly. Both Treasury Bills and savings accounts are like cash in hand, which 39% answered correctly.

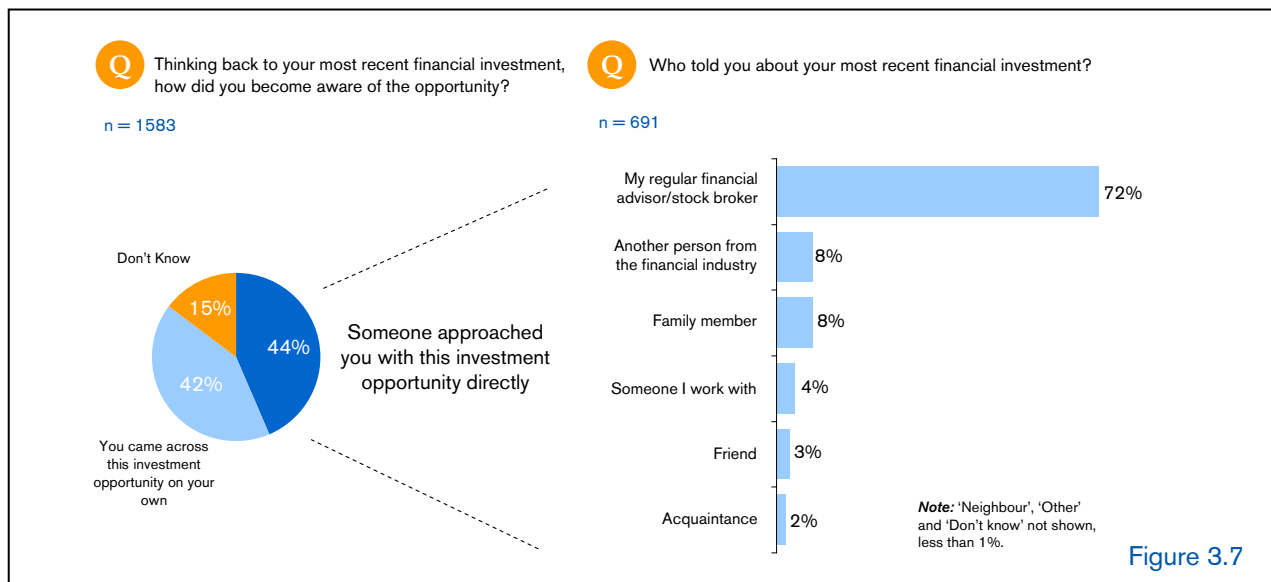
Most Canadians recognize the importance of financial diversification.

- Over 64% chose the correct response (diversification) when asked what is most important to consider when making investment decisions, but one in five (19%) answered incorrectly by choosing 'market timing', 'buying and selling regularly' and 'none of the above' instead.
- 18% of Canadians did not know the answer.



### 3.3 Patterns of Investing Behaviour

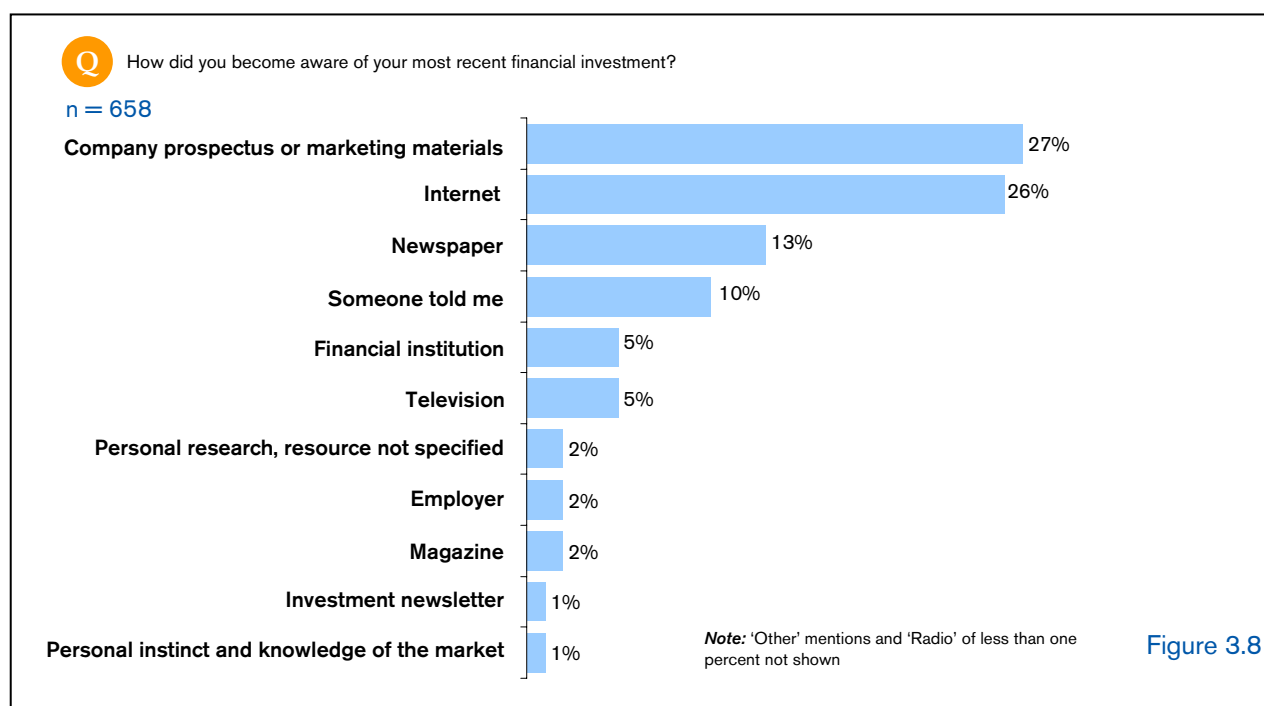
To understand investors, one must understand how they make their investment decisions and from where they receive their information. For instance, when asked how they became aware of their most recent financial investment, 44% of Canadian investors responded they had been approached directly by someone with the opportunity. Roughly the same number of investors responded that they had come across the opportunity on their own.





72% of those that reported being approached by someone for their last investment opportunity identified that someone as their regular financial adviser or stock broker. Just less than one in ten of respondents were approached by other members of the financial industry besides a regular adviser or broker (8%) or by a family member (8%). Respondents were also approached by someone they work with (4%), a friend (3%) or an acquaintance (2%).

Of those investors who found their most recent financial investment opportunity on their own, their main sources were company prospectus or investment marketing materials (27%) with the Internet (26%) as the second most popular resource. Investors also cited such sources as: media sources (such as the newspaper) (13%), 'someone told me' (10%), banks or other financial institutions (5%), and television (4%). Marginal other mentions such as personal research with unspecified sources (2%), employers (2%), magazines (2%), investment newsletters (1%), and personal instinct and knowledge of the market (1%) were also cited.

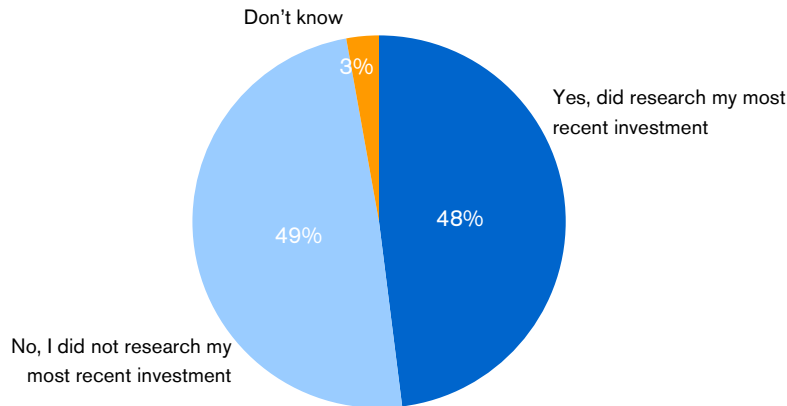


Canadian investors are divided evenly on how much time and research they put into evaluating investment opportunities. Nearly half of Canadians indicated that they personally researched their most recent investment (48%), whereas half did not do any research personally (49%).

Albertans are the most likely to personally research their investments (57% answered yes), with Ontarians being the second most likely (50%). Quebec investors (39%) are the least likely to personally research their own investments.

**Q** Again, thinking of your most recent investment, did you personally research this investment before you bought it?

n = 1583



Those who responded 'yes, they did research it'

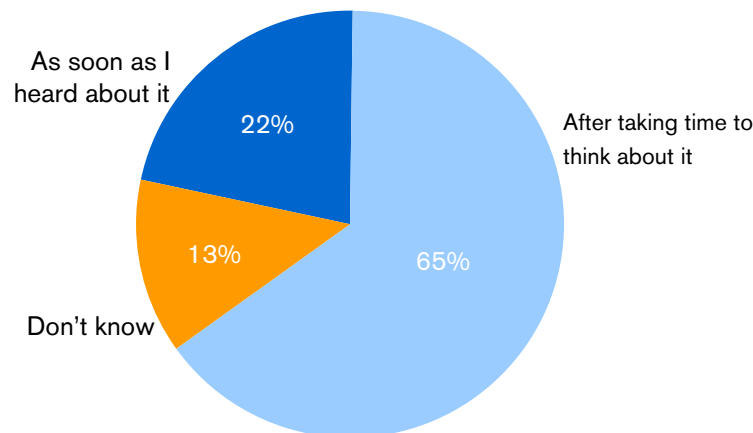
Regions	%
BC	51%
Alberta	57%
Prairies	45%
Ontario	50%
Quebec	39%
Atlantic	47%

Figure 3.9

Most Canadians take time to reflect when introduced to new investments. Two-thirds (65%) state that they take time to think about it new investment ideas, whereas one-in-five (22%) invest immediately after hearing about it.

**Q** How soon after you learned about the investment opportunity, did you invest?

n = 1583



Those who responded 'as soon as I heard about it'

Regions	%
BC	19%
Alberta	20%
Prairies	21%
Ontario	21%
Quebec	28%
Atlantic	15%

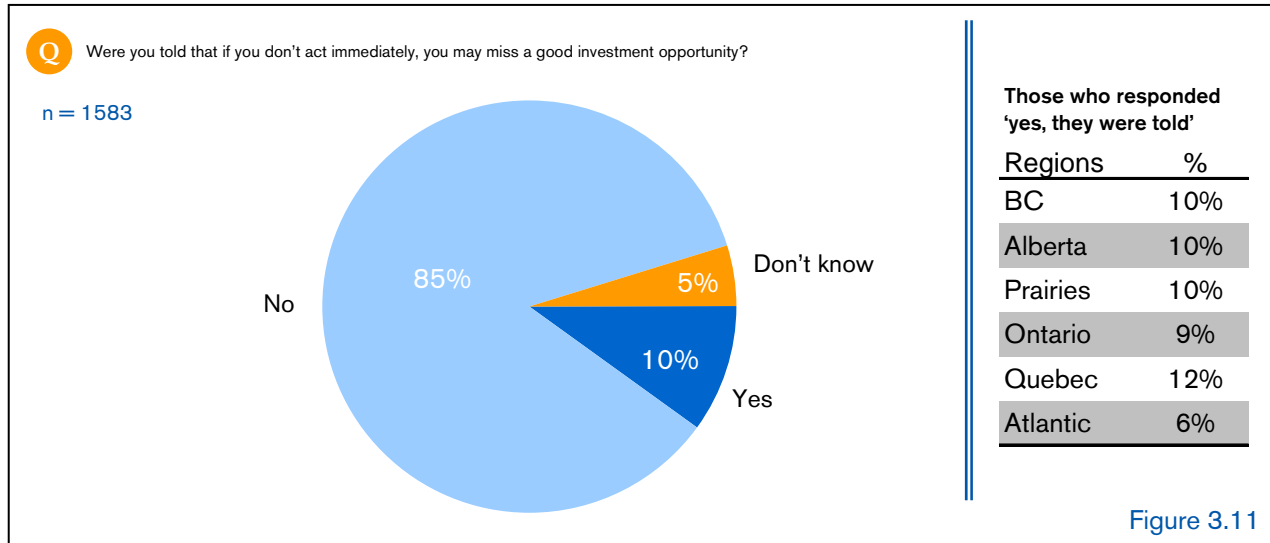
Those who responded 'after taking time to think about it'

Regions	%
BC	68%
Alberta	72%
Prairies	56%
Ontario	65%
Quebec	59%
Atlantic	70%

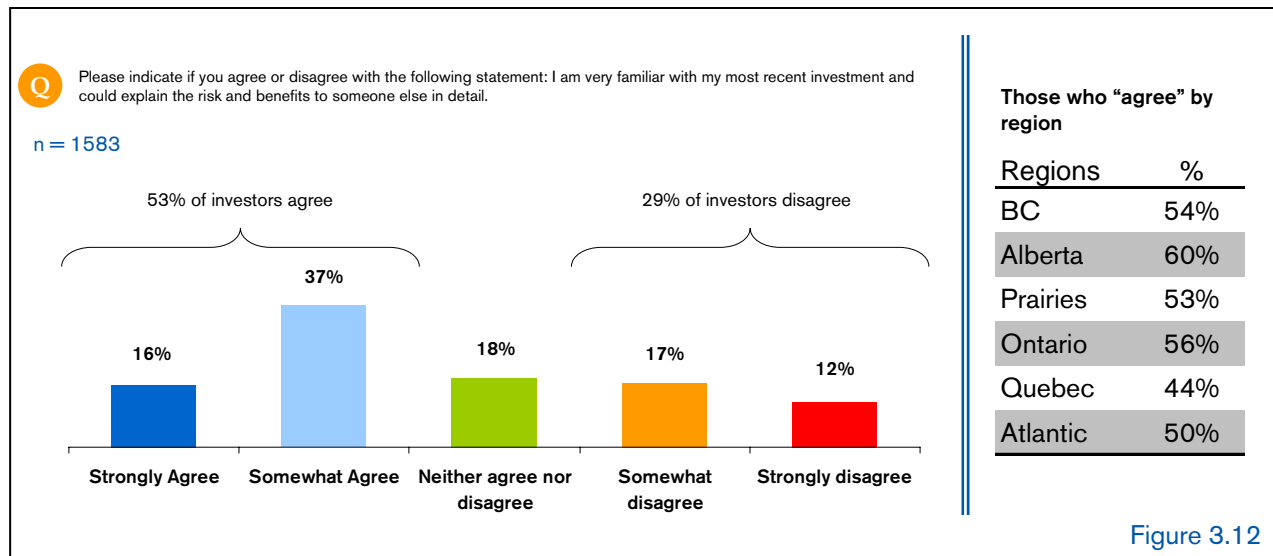
"Don't Know/Prefer Not to Say" not shown

Figure 3.10

Of those that invested immediately, one-in-ten (10%) indicate that some pressure was put on them to act immediately so that they would not miss a good investment opportunity.

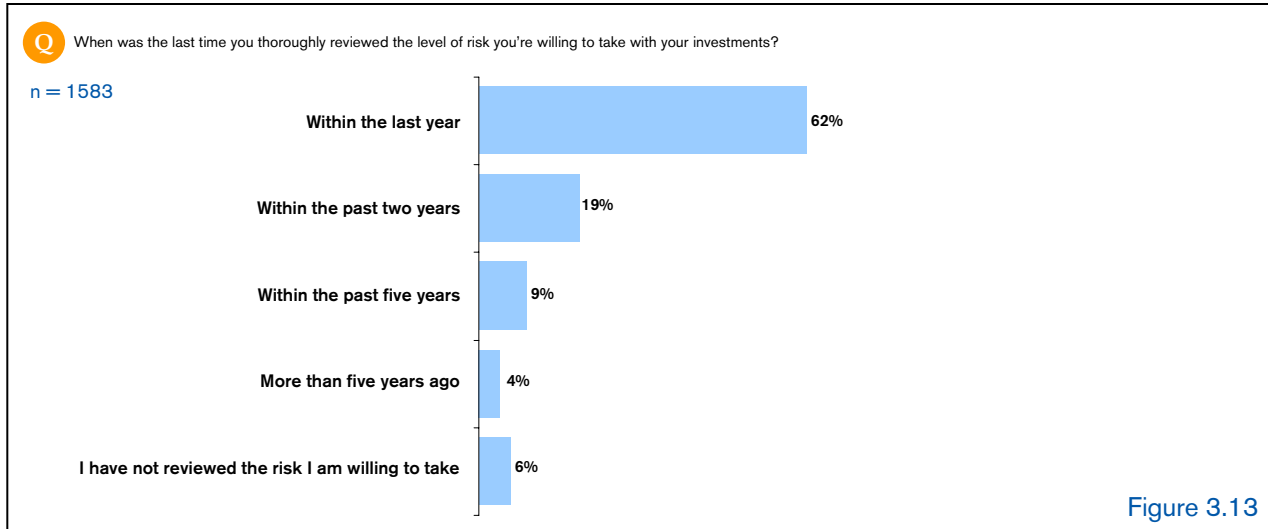


Only half of respondents (53%) stated that they could explain the risks and benefits of their most recent investment to someone else in detail



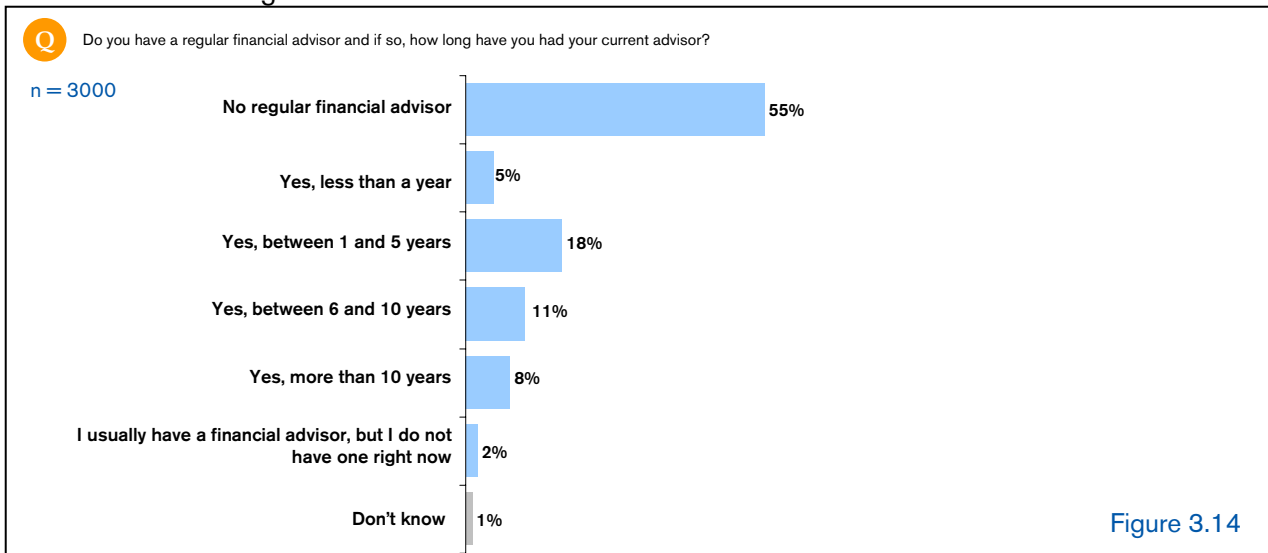
### 3.4 Investor Success Factors

Six-in-ten (62%) respondents report that within the last year, they thoroughly reviewed the level of risk they are willing to take with their investments. A further one-in-five (19%) indicate they have done this within the last 24 months. One-in-ten (9%) say they have reviewed their risk tolerance within the last five years, while half that number (4%) say they did this more than five years ago. One-in-twenty (6%) investors indicate they have never reviewed the level of risk they are willing to take with their investments.

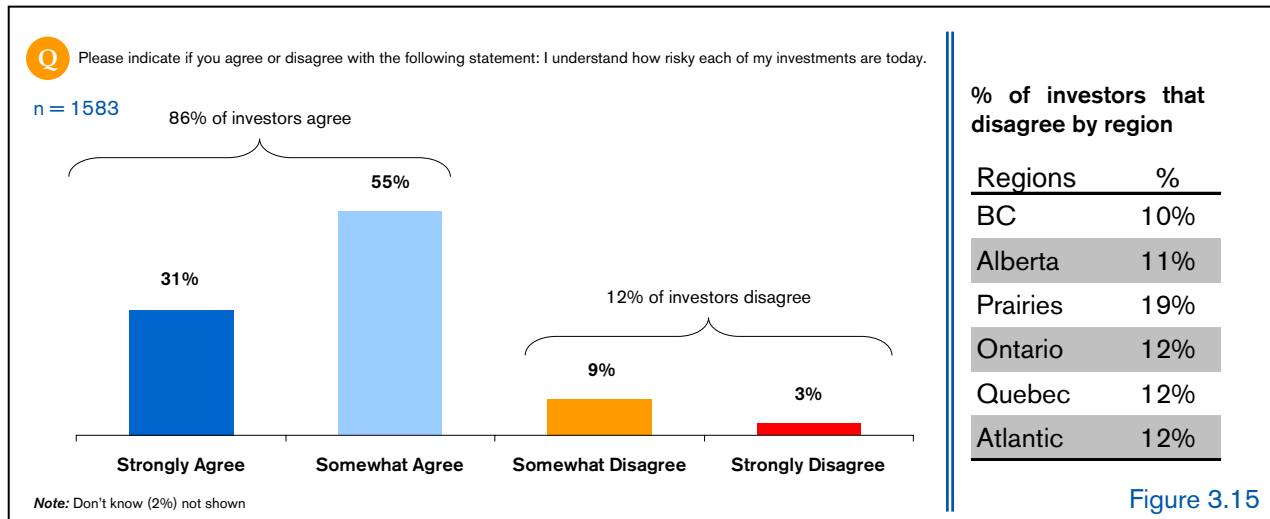


Most Canadians do not seek out regular financial advice from professionals.

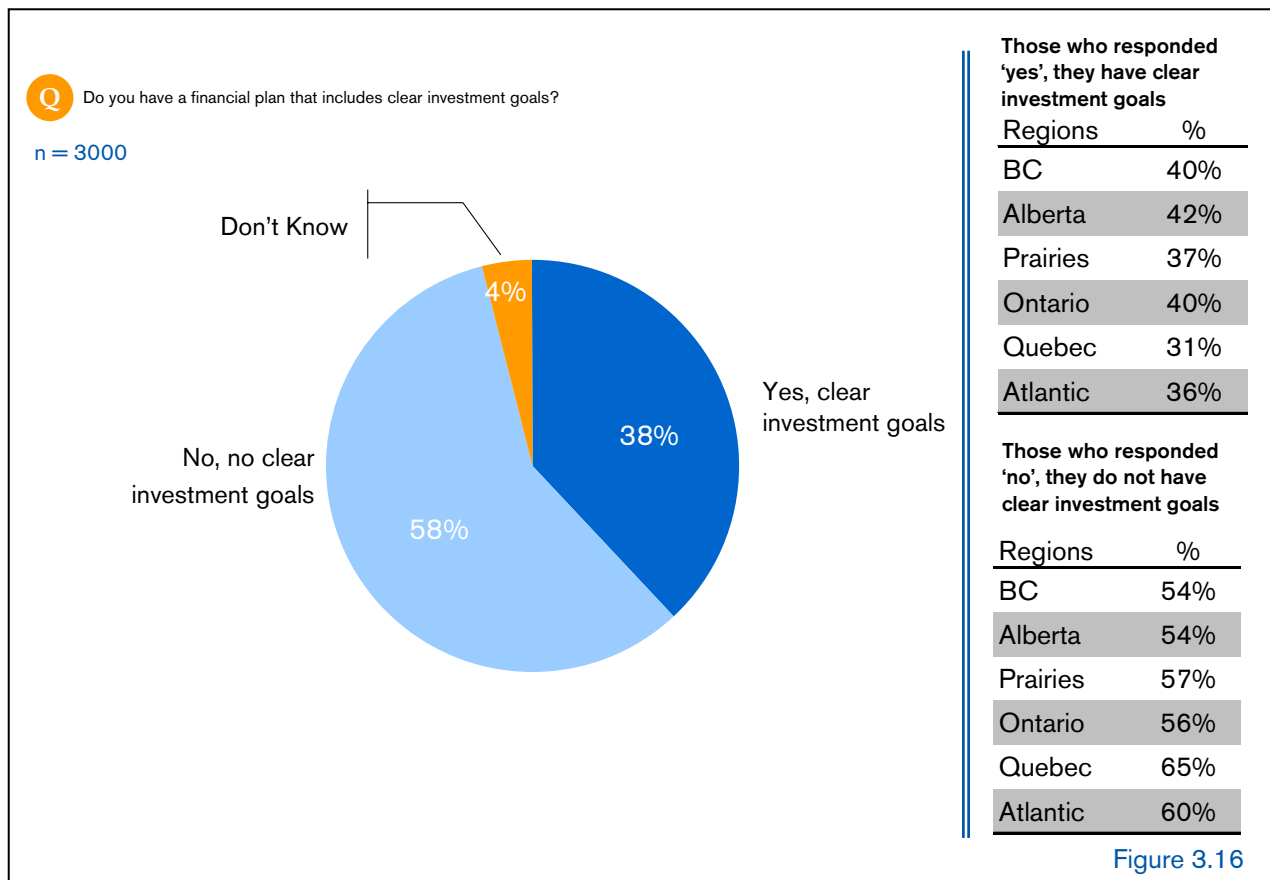
- 55% of Canadians have no regular financial adviser.
- Of those that do have regular financial advisers, one-in-twenty (5%) have had one for less than a year.
- One-in-five (18%) Canadians have had between one and five years of professional financial advice.
- One-in-ten (11%) Canadians have had an adviser for six to ten years.
- Only 2% of Canadians reported that while, they usually use a financial adviser; currently they are not using one.



86% percent of respondents feel they understand how risky each of their investments are today, with 31% feel strongly about this, and only 12 per cent do not feel they understand risk levels.



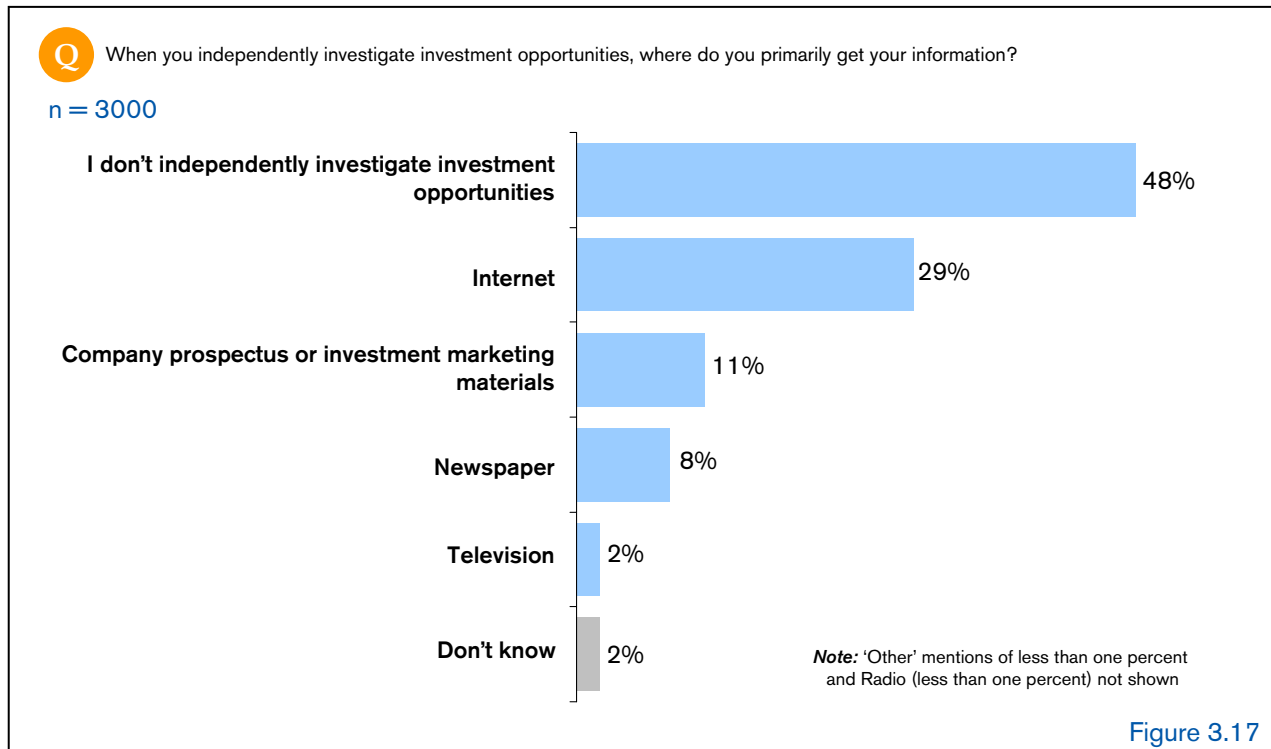
Despite a majority of investors who claim they are familiar with the benefits and risks of their most current investment, and who have recently reviewed their investment risk tolerance, a majority (58%) of Canadian investors say they do not have a financial plan which includes clear investment goals. This compares to just two-in-five (38%) who indicate that they do have a formal financial plan.



A large number of Canadians (48%) do NOT independently investigate investment opportunities.

On the other hand, those who do independently investigate investment opportunities primarily relying on the following sources of information:

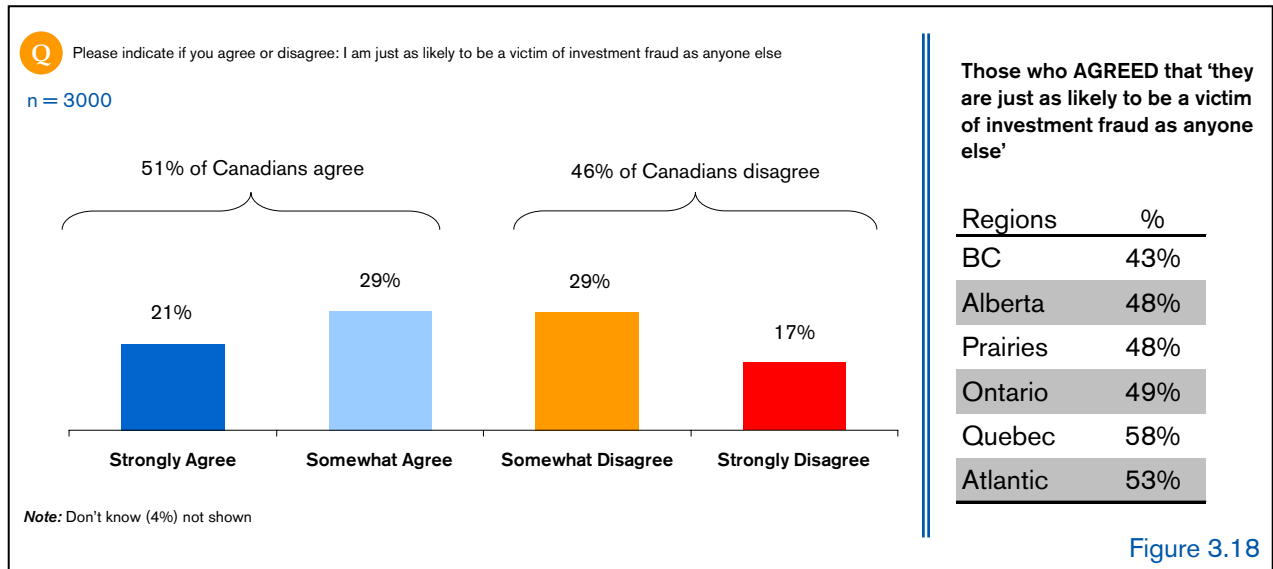
- One-in-four Canadians (29%) primarily find their information on the Internet.
- One-in-ten Canadians (11%) primarily rely on a company prospectus or investment marketing materials.
- Only 8% of Canadians use newspapers to primarily research investments.
- 2% reported they primarily rely on the television to investigate investment opportunities.



### 3.5 Precursor Values

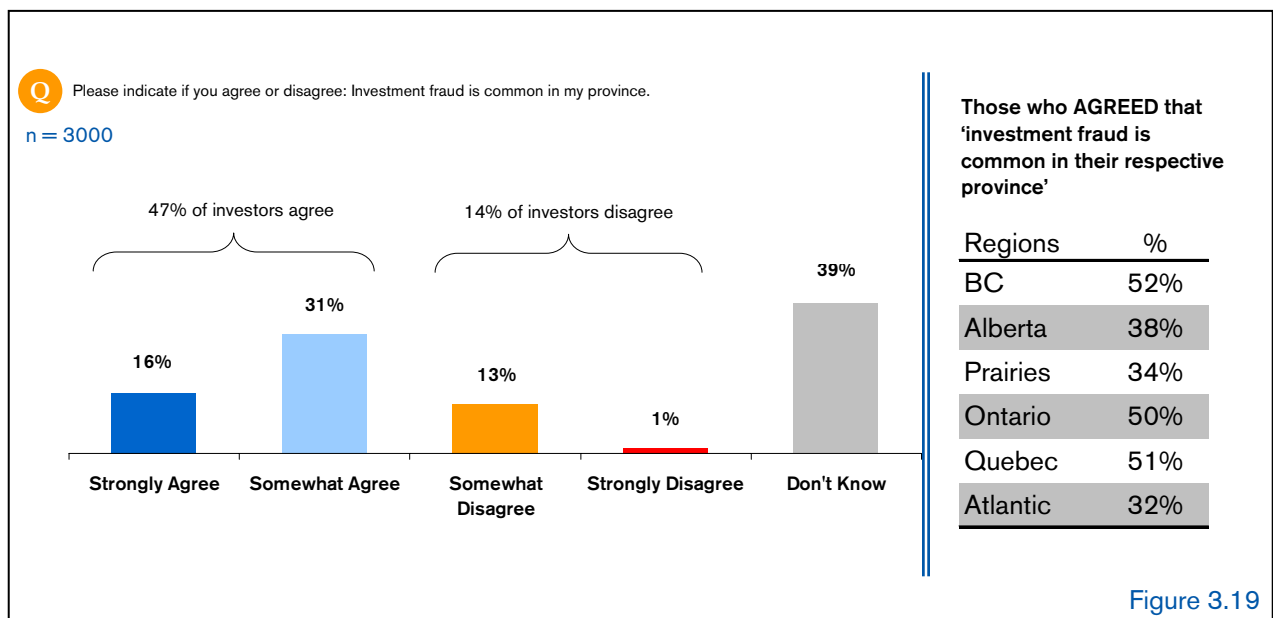
Canadians are evenly divided as to whether or not they would make probable victims for fraud.

- Half of Canadians (51%) feel they are just as likely to be victims of investment fraud as anyone else, whereas 46% disagree.

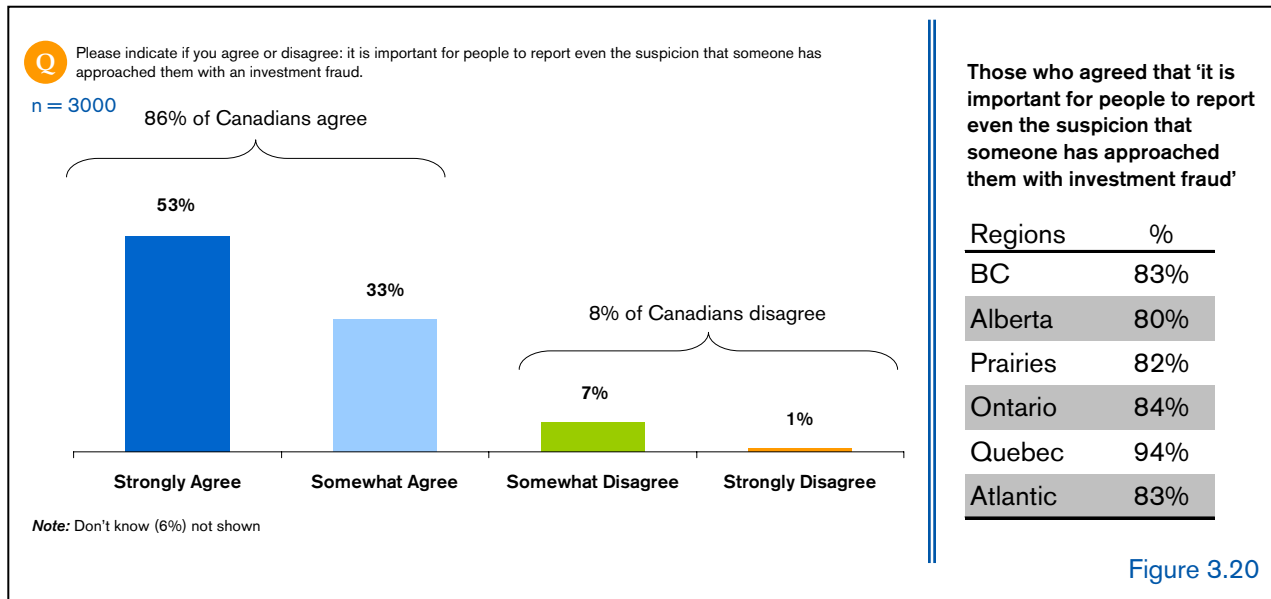


Canadians perceive that investment fraud is widespread in their provinces.

- 47% of Canadians agree that 'investment fraud is common in their respective provinces'; only 14% of Canadians disagree.



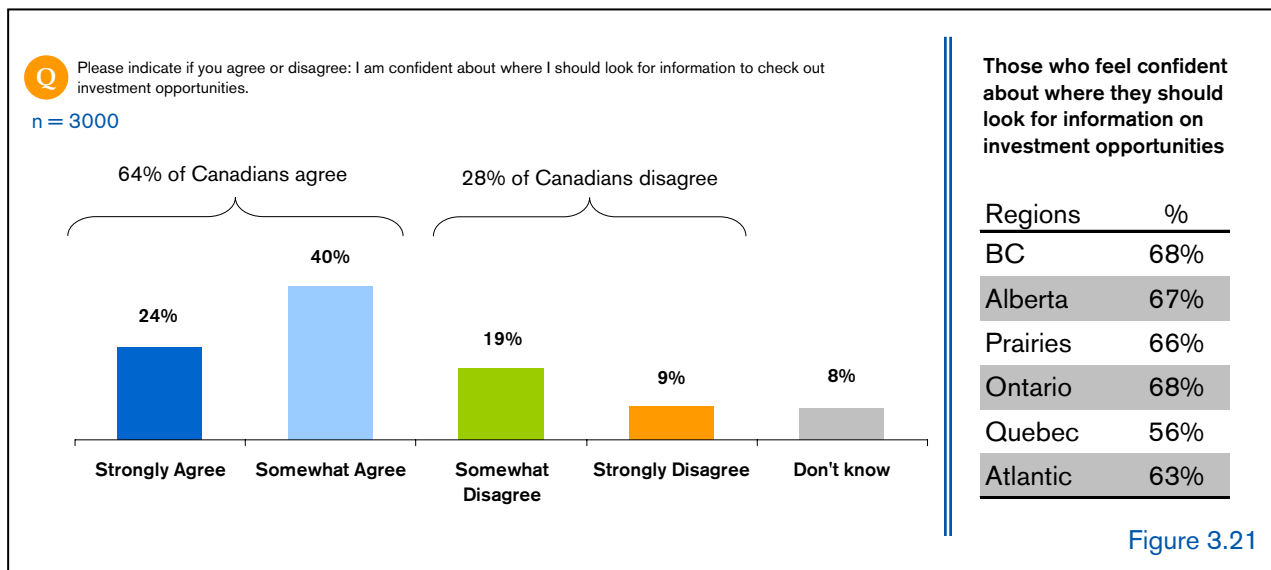
Canadians believe (86%) that it is important for people to report even the suspicion that someone has approached them with an investment fraud; only 8% of Canadians disagree.



### 3.6 Attitudes Towards Investment Skills

Most Canadians are confident in their investment research skills.

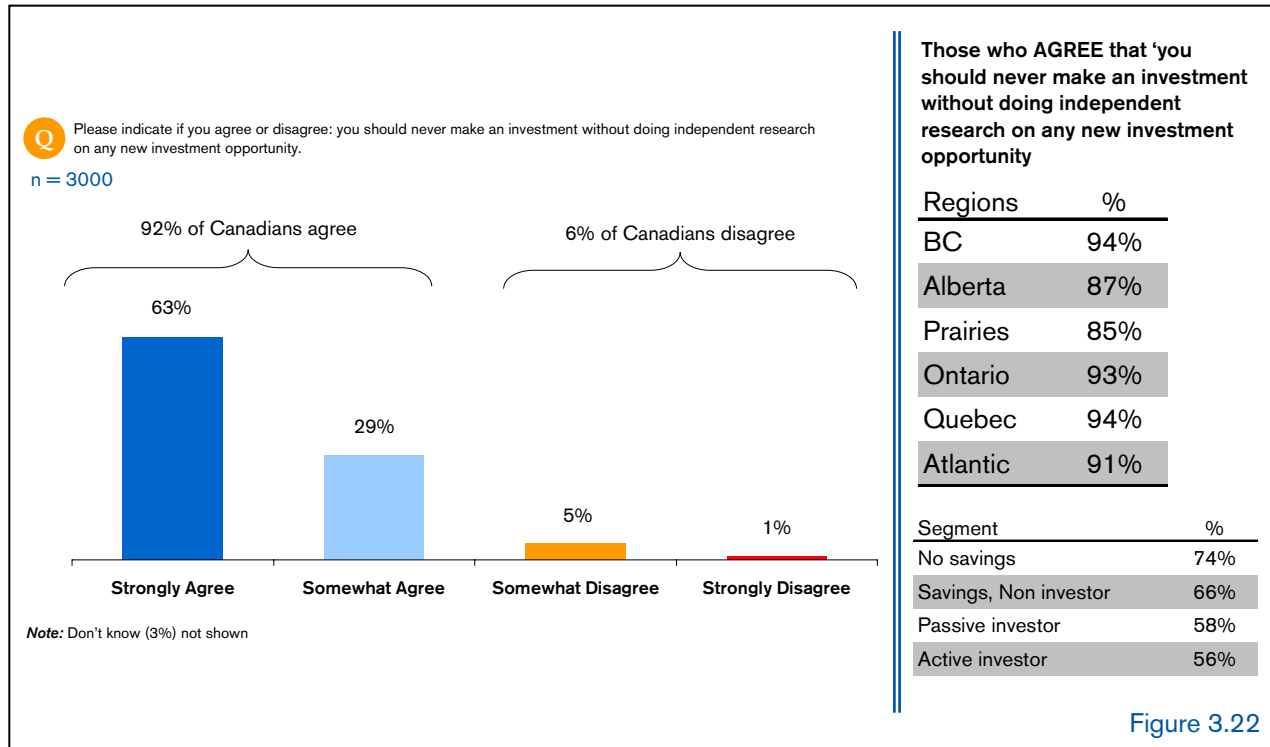
- Nearly 2/3 of Canadians report that they are confident about where they should look for information to check out investment opportunities.
- Three-in-ten (28%) Canadians are not confident about where they should look.





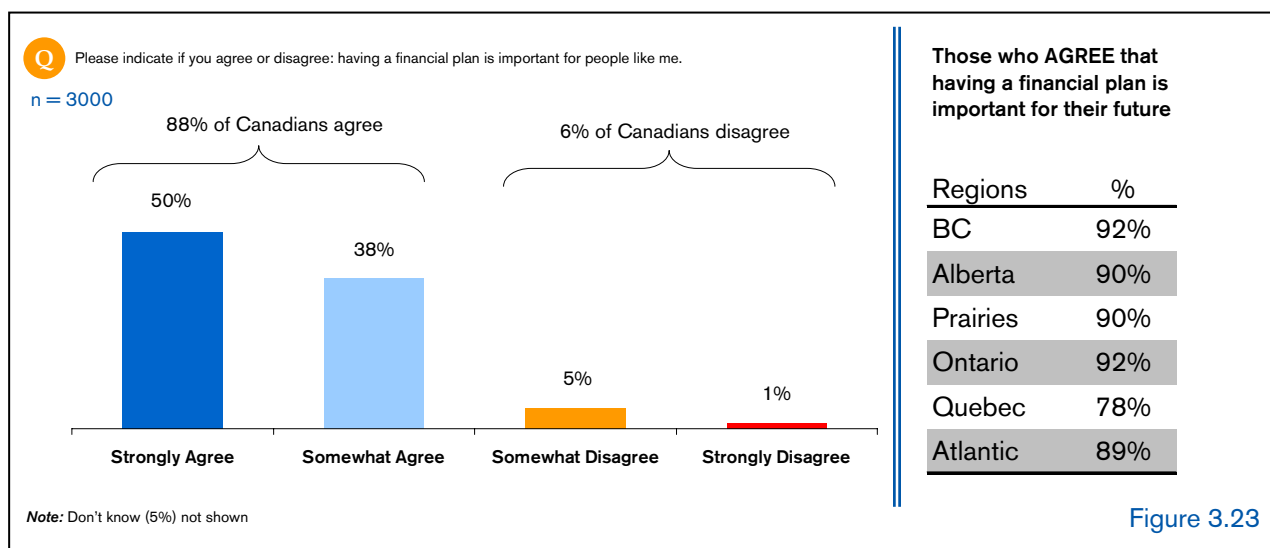
Canadians understand the importance of caution and diligence when pursuing new investment opportunities.

- 92% of Canadians agree that one should never make an investment without doing independent research on the opportunity.
- Only 6% of investors disagree.
- Interestingly, respondents with no savings are most likely to 'strongly agree' (74%) that one should never make an investment without doing independent research.

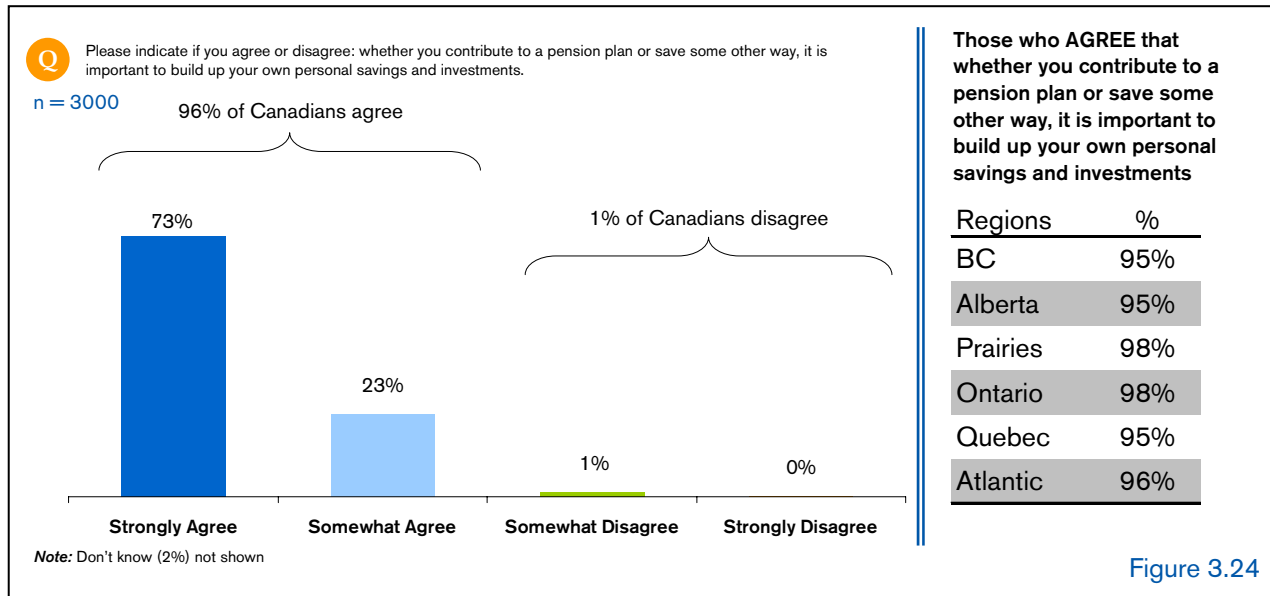


Canadians recognize the importance of sound financial planning.

- 88% of Canadians agree that having a financial plan is important for people like them.
- Only 6% disagree and 5% don't know.



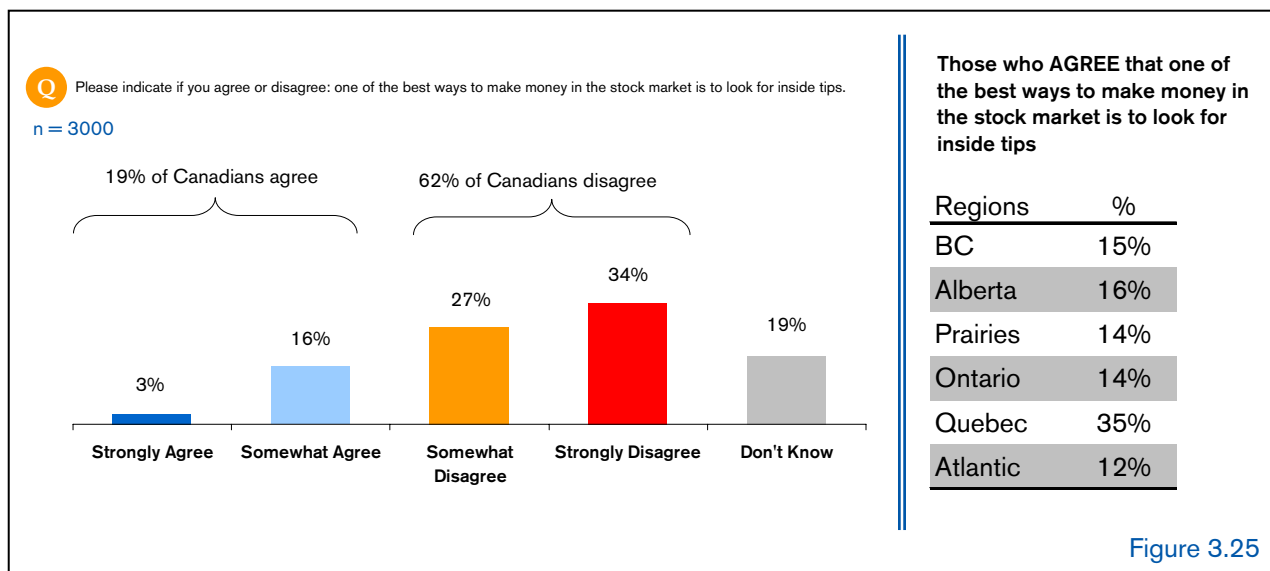
Almost all Canadians (96%) agree that contributing to a pension or other savings plan is an important way to build up personal savings and investments; only 1% of Canadians disagree.



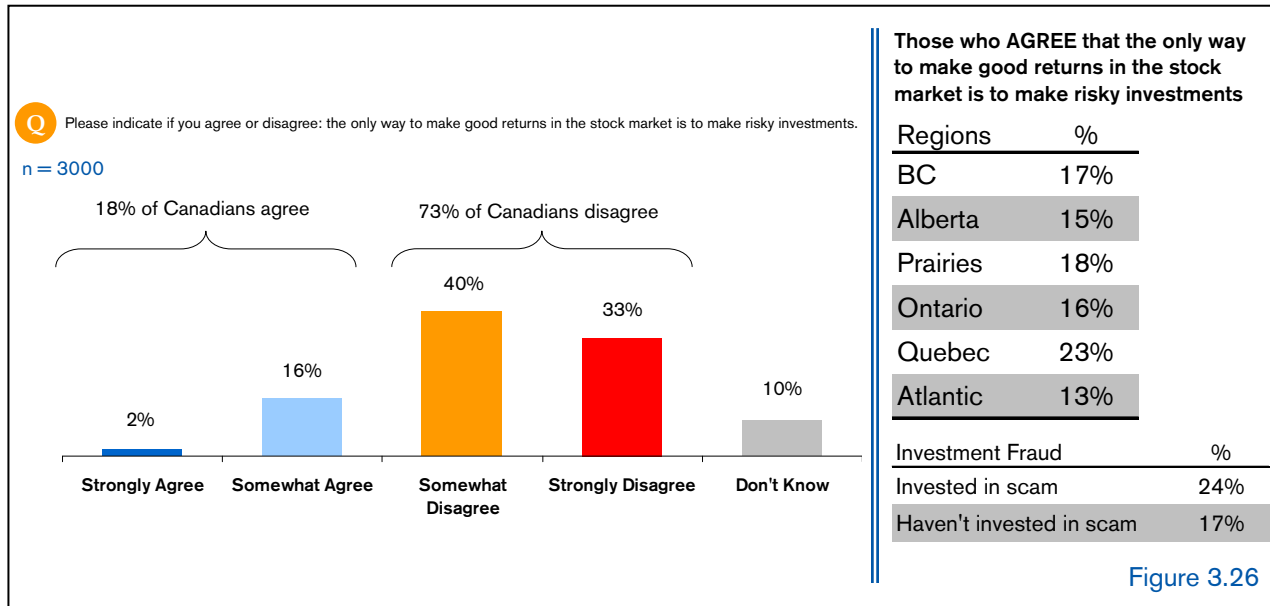
### 3.7 Fraud Related Attitudes

Canadians generally believe they have a cautious and conservative attitude towards investments, avoiding risky or fraudulent opportunities.

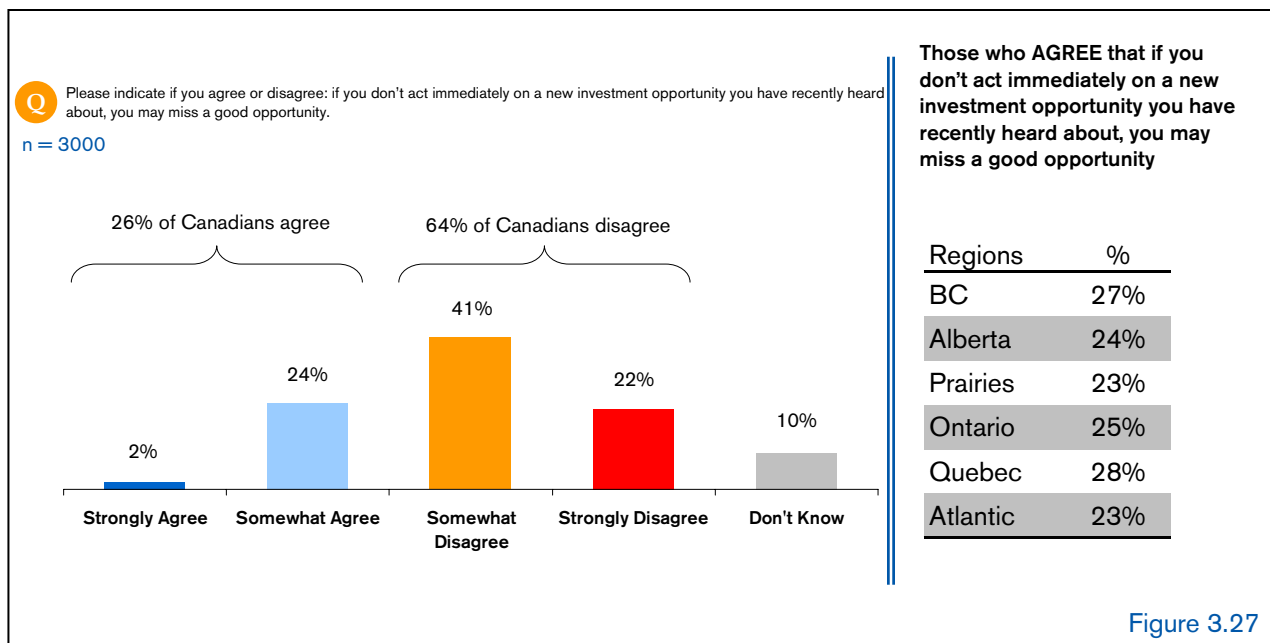
- Only 19% of Canadians agree that 'one of the best ways to make money in the stock market is to look for inside tips', whereas 62% of Canadians disagreed.



Nearly three out of every four Canadians (73%) disagreed that 'the only way to make good returns in the stock market is to make risky investments'; while only 18% of Canadians agreed with this statement.

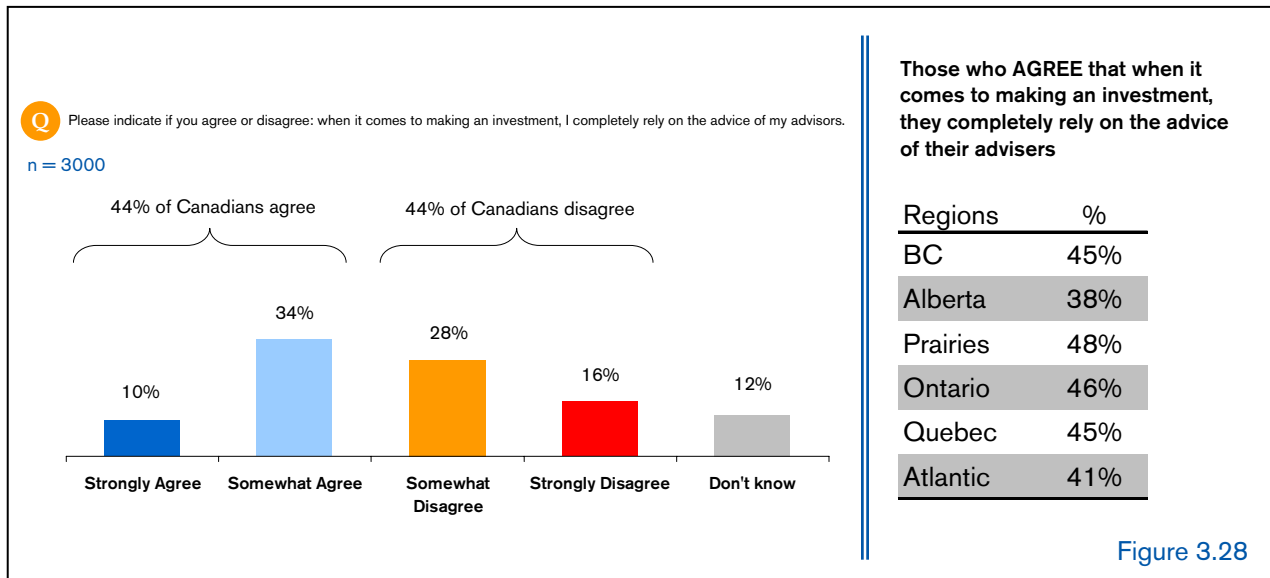


Only one-in-four (26%) Canadians believe that "if you don't act immediately on a new investment opportunity you have recently heard about, you may miss a good opportunity". The majority of Canadians (64%) disagree with this statement.



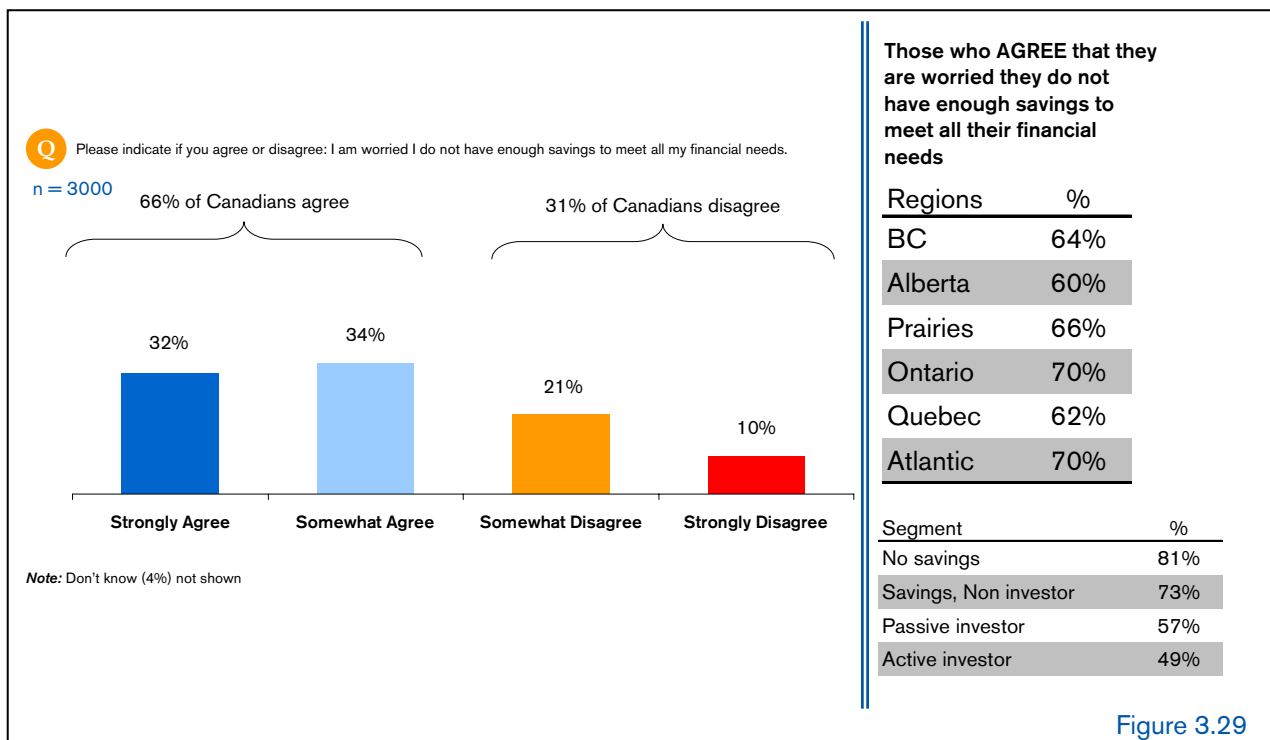
Nearly half of Canadians take a hands-off approach to their investments, relying instead on advice from financial advisers.

- Canadians are split down the middle in terms of financial advice: 44% of investors agree that ‘when it comes to making an investment, I completely rely on my advisers’, whereas 44% disagree with that statement.



Two out of every three Canadians are worried they do not have enough savings to make ends meet.

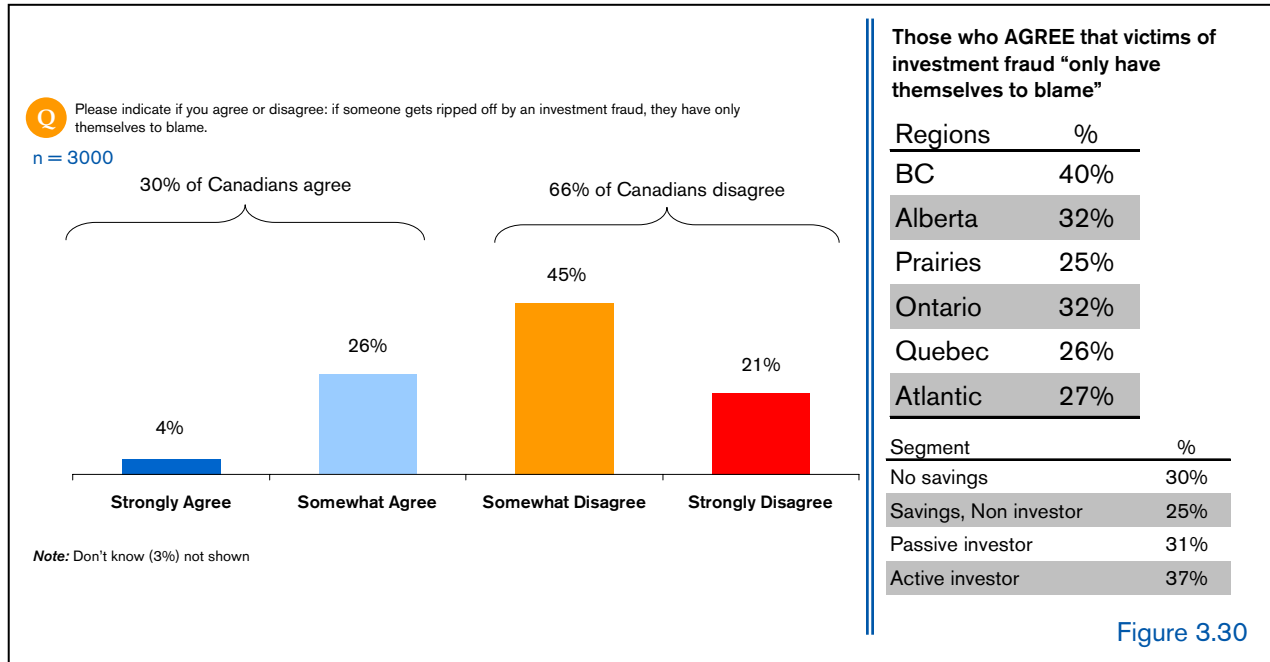
- 66% of investors agree with the following statement: “I am worried I do not have enough savings to meet all my financial needs”, whereas only 31% disagree.



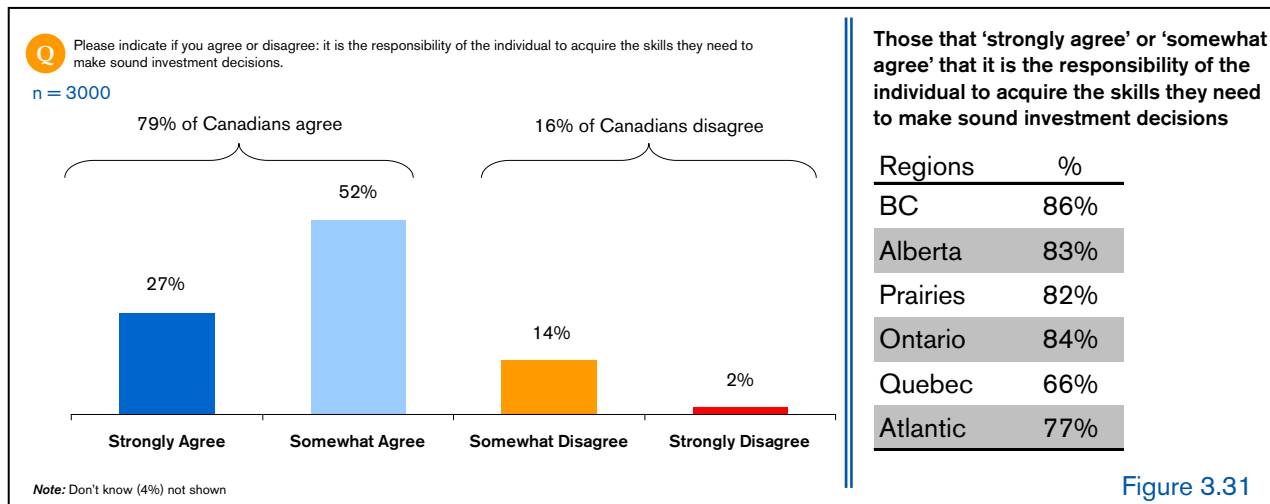
### 3.8 Beliefs About Other Investors

Canadians recognize how important it is to learn the nuance and skill of investing. The majority of respondents do not believe that fraud victims have themselves entirely to blame. Many do, however, believe they should assume responsibility for their own investment education to help protect themselves at the end of the day.

- Two thirds of Canadians do not agree that victims of investment fraud “only have themselves to blame.”
- This sentiment is relatively high in BC, with 40% of BC respondents agreeing that victims of investments fraud only have themselves to blame.

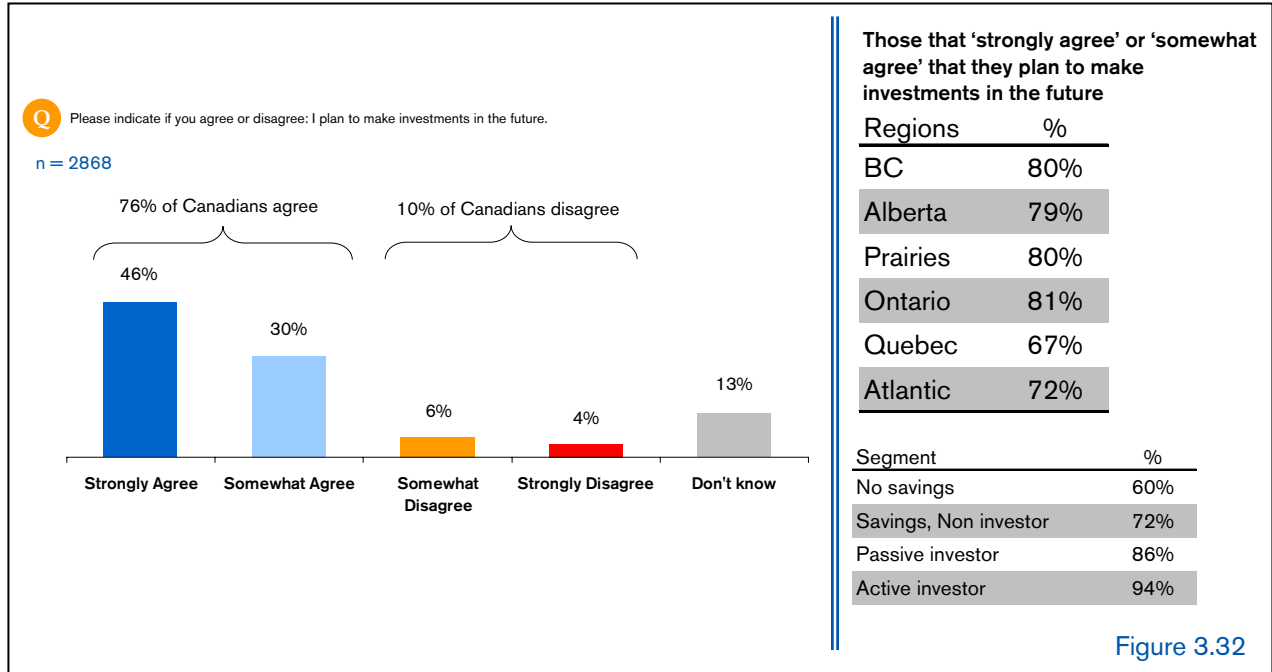


- 79% of investors agree that it is the responsibility of the individual to acquire the skills they need to make sound investment decisions. Only 16% of investors disagree with this statement.



Most respondents want to participate in the financial markets by making investments in the future – either for the first time or continuing on their past practice.

- Three out of four respondents plan to make investments in the future.
- Only 10% of respondents will avoid the stock market in the future.



### 3.9 Understanding Good Behaviour

The CSA Investor Index is designed not just to ask how many Canadians are demonstrating good investor behaviour, but also what underlying attitudes, skills and characteristics appear to be driving good behaviour.

A series of regressions were undertaken to answer this question. Regression is a statistical tool that tests the impact of moving one variable when all other variables in the regression are held constant.

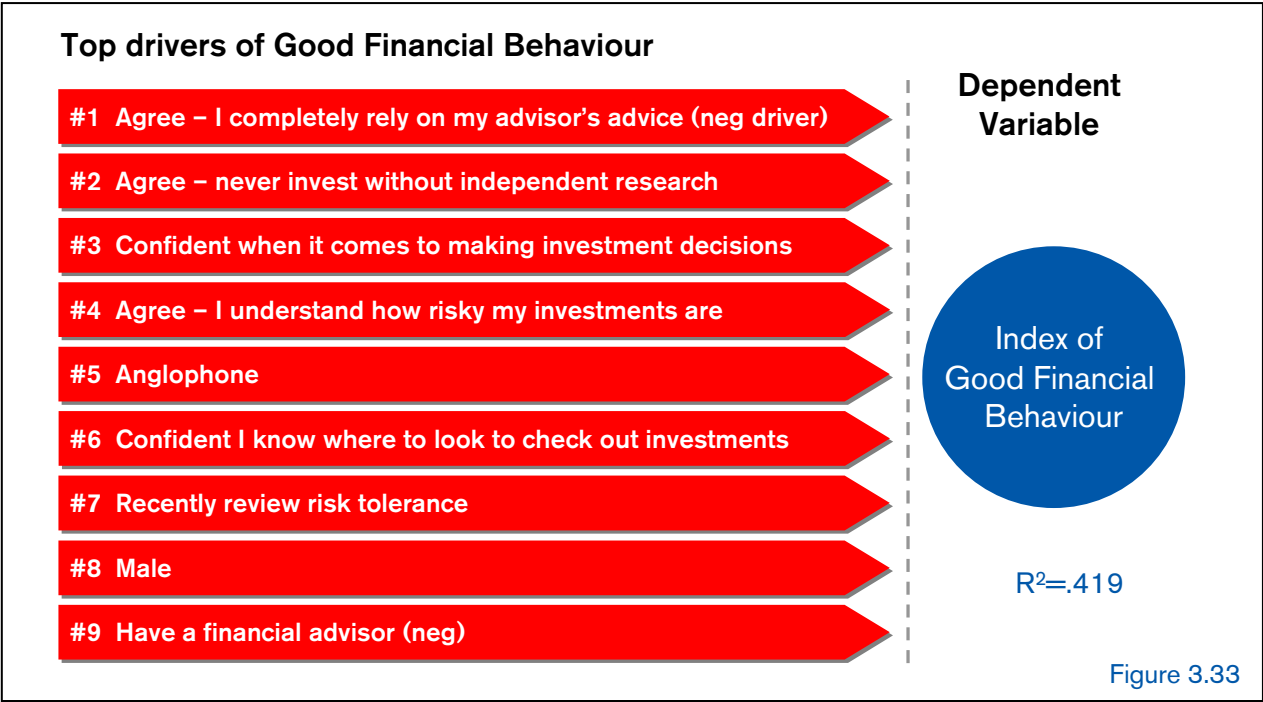
First, an Index of Good (Financial) Behaviour (IGB) was created by combining the results for questions 8 (*did you personally research your latest investment*), 9 (*how soon did you act*) and 11 (*I can explain the risks and benefits of my most recent investment*). While there was some debate in the design stage of the CSA Investor Index Model about whether we should ask investors about their general investment practice or their most recent investment practice, the final decision was based on the belief that asking investors about their general investment practice could cause them to overstate their *good behaviour*. Future surveys may wish to measure both specific and usual behaviour and explore any differences between the two.

The literature review and survey input process prior to the survey identified a series of potential drivers of good behaviour. Questions were developed to measure those concepts and were tested through the regressions. Potential drivers included:

- Demographics
  - Region
  - Language
  - Gender
  - Income
  - Education
  - Age
  - Work status
  - Home Ownership
- Investor confidence
- Reviewing acceptable personal risk
- Understanding the risk of your investments
- Having a financial plan
- Having a financial adviser
- Investment knowledge
- Precursor values such as:
  - Orientations regarding key investment skills
  - Concern about the need for more savings
  - Attitudes related to fraud.

As it turned out, the input process was very effective in identifying drivers of good financial behaviour. The final regressions were able to explain over 40% of the variance in good behaviour, a very strong result for any regression.

While there are nine significant drivers identified in our final regressions, there are some common themes among those drivers.



First, two items related having a financial adviser are negative drivers of good financial practices. Agreeing with the statement “*When it comes to making an investment, I completely rely on the advice of my advisers*” is the strongest single predictor of financial behaviour. As well, the final significant predictor is simply having a financial adviser. As already noted, these two items are negatively correlated with good financial behaviour. It appears that people with financial advisers are delegating their due diligence to their advisers, sometime consciously and sometimes unconsciously, leaving themselves dependent on that adviser’s professionalism.

The second strongest predictor of good financial behaviour is agreement with the statement “*You should never make an investment without doing independent research on any new investment opportunity.*” Values matter. With 92% agreement on this statement and 63% strongly agreeing, the challenge for regulators is not to persuade investors this is an important value but to remind them it is important to keep this value ‘front of mind’.

Confidence is the third key factor and plays out in two different items – overall confidence as an investor and confidence in being able to find information to check out investment opportunities. Both of these factors are positive drivers – the more confident an investor is on either measure, the more likely the investor will make investments using good financial practices. Overall confidence is the third most importance factor and confidence in finding information is the sixth most important. The causal connection between confidence in finding information and good behaviour is intuitive – if I know where to look to check out an investment I am more likely to check out an investment. This type of confidence can be built through investor education programs. The casual connection between overall confidence and good practice is not as clear. It is possible that confidence is not driving good financial behaviour, but that those who are investing prudently are more confident. This will warrant further investigation in future research.

Understanding risk is the fourth important driver. Again, this factor plays out in two measures. The fourth most important driver of good financial behaviour is agreement with the statement “/



*understand how risky each of my investments are today*". The seventh most important driver is having recently reviewed the level of risk an investor is willing to take with their investments. While 86% of investors say they understand how risky each of their investments is today, only 31% strongly agree. 62% of investors say they have reviewed their risk profile within the last year. There may be some room for improvement in both these measures.

The last two drivers of good financial behaviour are demographics – language and gender. All other things being equal, Anglophones and men are more likely to use good financial practices in their investing than Francophones and women. This suggests Francophones and women should be considered as high priority audiences in investor education programs.

## 4. Understanding Investment Fraud

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A majority of Canadians appear to have a good sense of the signs that an investment is too good to be true. For example, of six different possible scenarios presented, six-in-ten (61%) say that all were indications of a possibly fraudulent investment. In contrast, just one percent of Canadians say that none of the tested scenarios was indicative of investment fraud. In fact, all of the responses are red flags that indicate attempted fraud with the exception of the claim that “up to \$100,000 is guaranteed by the government”.

- Residents of Quebec (53%) are the least likely to indicate that all of the scenarios are possible signs of a fraudulent investment.
- Property owners are more likely (63%) than are those who don't own their home (58%) to say that all of the scenarios are signs of a possible fraud.
- Passive (64%) and active (63%) investors are more likely than others to identify all scenarios as possible signs of fraud.
- Those who report having previously put money into fraudulent investments (62%) are equally likely as those who haven't invested in such schemes (63%) to say all of the presented scenarios were signs of a possibly fraudulent investment.
- Those from upper income homes (greater than \$80,000) (68%) are the most likely to say that all of the scenarios are signs of possible fraud.

Individually, three-in-ten (30%) identified no written information offered or a reluctance to provide written information as a possible sign of an investment that was not on the up-and-up. As many (30%) Canadians indicate that a strong push to ‘act now’ is also a warning sign that they should be wary of the investment. Close to the same proportion (29%) report they would be concerned about fraud if the investment guaranteed high returns with little or no risk.

- Residents of the Prairies and Quebec are the most likely to say that a sign of a possible fraudulent investment is having no written information offered or a reluctance to provide written information (Prairies 37%; Quebec 36%); as well as identifying a strong push to act now (Prairies 37%; Quebec 34%).
- In general, those with a university or post-graduate education are more likely to identify each of these scenarios as a sign of a possible fraudulent investment, than are those with lower levels of formal education.

Being contacted about an investment by someone they don't know is a warning sign for one-in-five (20%) Canadians, while just as many say that being offered inside information (20%) is something that would concern them about the possible investment.

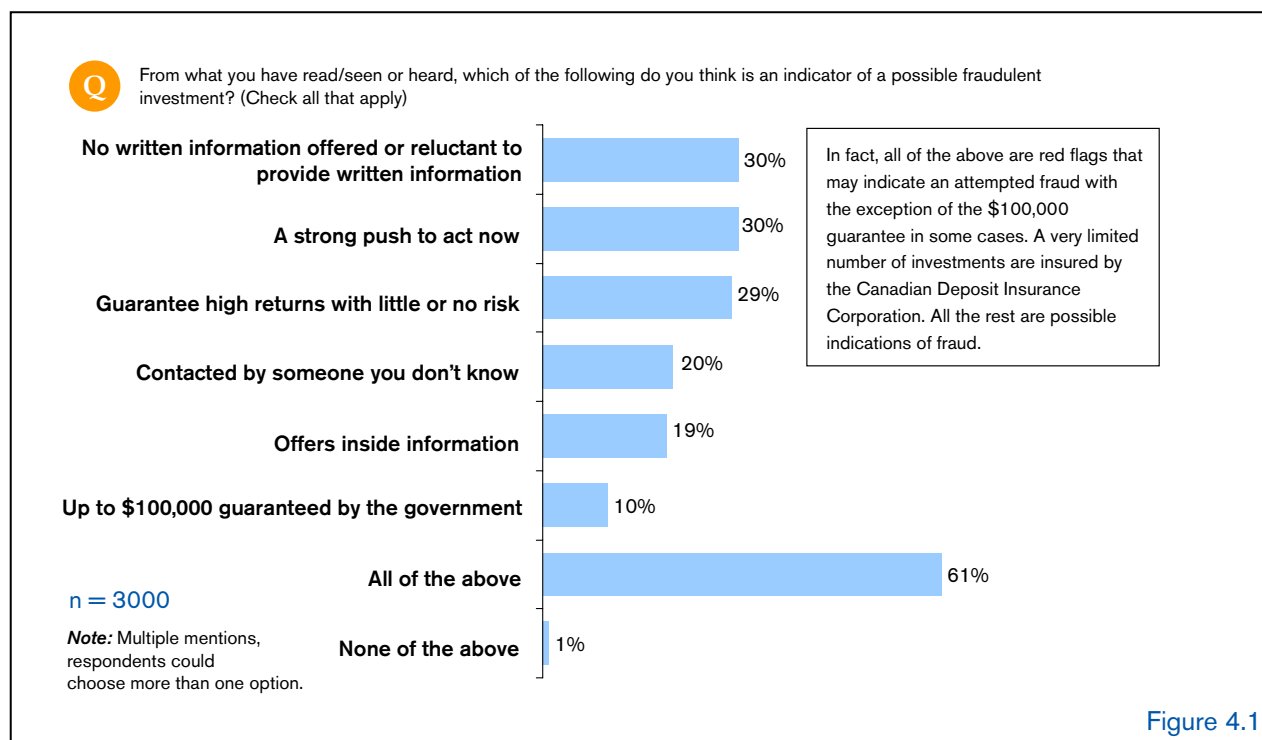
- Canadians with higher levels of education (university and post-graduate) are more likely than those with lower levels of education (high school or less and college) to identify these two scenarios as possible signs of fraud.
- In both instances, men are also more likely than women to say these two situations could be a sign of a fraudulent investment.
- The segment of Canadians without savings are the least likely to identify offers of inside information as a possible sign of investment fraud.

Canadians are somewhat less wary about claims of government guarantees. Just one-in-ten (10%) indicate that a claim of “up to \$100,000 is guaranteed by the government” could be a sign that the investment was possibly fraudulent.

- Residents of Quebec (17%) are more likely than those from other regions to identify this claim as a possible sign of investment fraud.
- Canadians with a high school diploma or less education (14%) are more likely than those with higher levels of formal education to say that this type of guarantee could be a sign of a fraudulent investment.
- Canadians with no savings (13%) or with savings but no investments (12%) are more likely to say that this statement of a government guarantee is a possible sign of a fraudulent investment than are passive (9%) or active (7%) investors.

*“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.*

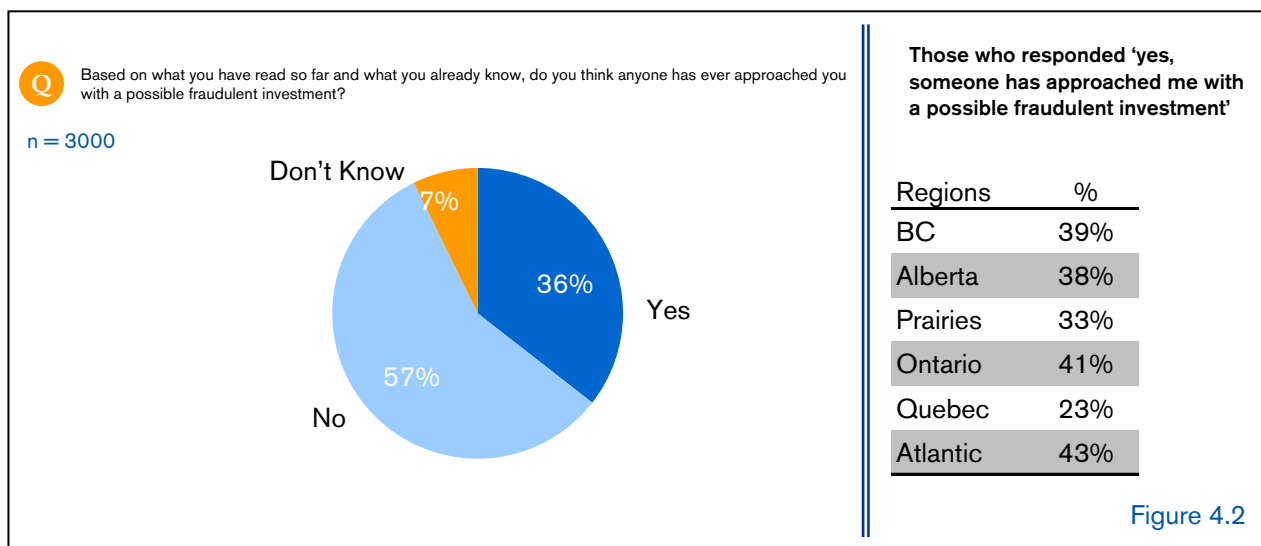
*However, there are some cases where people propose an investment to you based on false information when they are trying to steal your money or mislead you. So, in this case, we mean a fraud occurs when someone intentionally gives you false information to get money from you.”*



## 4.1 Experiences with Fraud Attempts

While most Canadians appear able to identify possible signs of fraud, just over one-third (36%) believe they have been offered a potentially fraudulent investment opportunity.

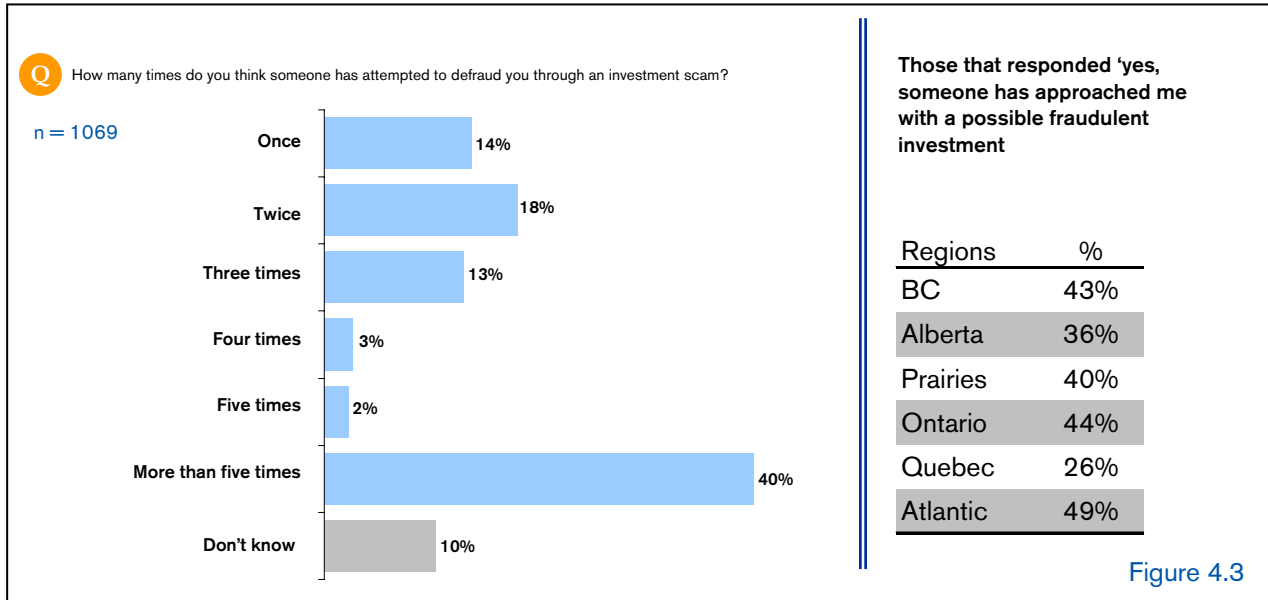
- Regionally, residents of Quebec (23%) are the least likely to say they have been approached with a possible fraudulent investment opportunity. In comparison, over four-in-ten residents of Atlantic Canada (43%) and Ontario (41%) say they have been approached regarding a possible fraudulent investment.
- In general, the proportion that believe they have been approached with a possible fraudulent investment opportunity increases with levels of formal education moving from one-in-four (26%) of those with a high school education or less to over two-in-five (43%) of those with a post-graduate degree.
- Canadians in upper-middle (43%) and lower-middle (37%) income households are more likely to believe they have been approached with a possible fraudulent investment opportunity than are those in upper (34%) or lower (33%) income households.
- Active investors (43%) are the most likely segment to say they have been approached with a possible fraudulent investment opportunity.



Of this group, two-fifths (40%) believe that it has happened more than five times. Just over one-ten (14%) report being approached once with a possible fraudulent investment opportunity, while close to two-in-ten (18%) say it has happened to them twice, and just under one-fifth (18%) say this has happened to them between three and five times. Ten percent are unsure how many times someone has attempted to defraud them through an investment scam.

- Of this group, those in Quebec (23%) are the most likely to say they have only been approached once, while those in Atlantic Canada (49%) and Ontario (44%) are the most likely to have been approached more than five times with fraudulent investments.
- Active investors (47%) are the most likely to report being approached more than five times with such questionable investments.

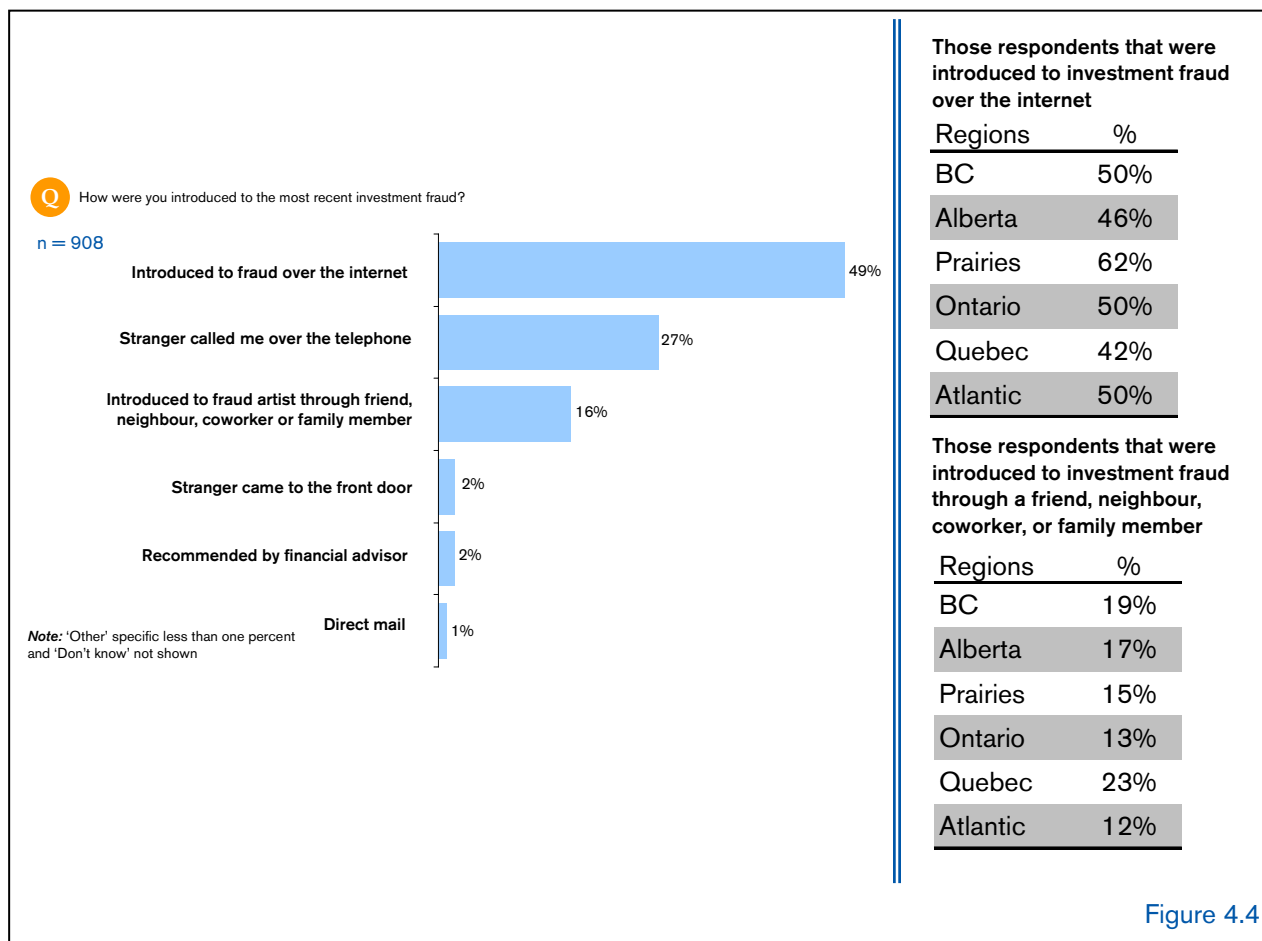
- Of those who say they have invested in fraudulent investments, more than one-third say they have been approached more than five times, while one-quarter (24%) report it has happened twice.
- Of this group who have been approached with possibly fraudulent investments, those with a post-graduate education (47%) are more likely to report that this has happened more than five times.
- Of this group, those in upper-middle income households (50%) are more likely than those in any other household income group to say they have been approached more than five times.



When asked about their most recent experience with being approached with a possibly fraudulent investment, the Internet and random telephone calls appear to be the biggest source of such offers. In fact, almost half (48%) report that the offer was introduced to them over the Internet, while just over one-quarter (27%) say they were initially introduced to the investment by a telephone call from a stranger. Roughly one-in-ten (14%) say that they were first introduced to the fraud artist through someone they knew, such as a friend, neighbour or co-worker. Few report having the fraudulent investment opportunity recommended to them by a financial adviser (2%), from a stranger coming to their door (2%) or from direct mail (1%).

- Young adults, that is those 18 to 34, (54%) are more likely than those 45 to 64 (44%) and 65 and older (43%) to say they were most recently approached with a fraudulent investment via the Internet. Meanwhile, those between 35 and 44 (19%) and 45 and 64 (17%) are more likely than their cohorts aged 65 and older (10%) to report being most recently introduced to a fraud artist through a friend or family member. Seniors (7%) are more likely than others to report that their most recent exposure to a possible fraudulent investment was recommended by their financial adviser.
- Those with a post-graduate education (57%) are more likely than those with lower levels of education to report being most recently introduced to a fraudulent investment opportunity via the Internet.

- Those who report never having put money into a fraudulent investment (51%) are more likely than those who have (40%) to say the most recent incident came via email. Meanwhile, those who said they have at some point invested in a fraudulent opportunity (27%) are almost twice as likely as those who haven't (14%) to say that their most recent experience with a possible fraudulent investment was introduced to them by a friend or family member.

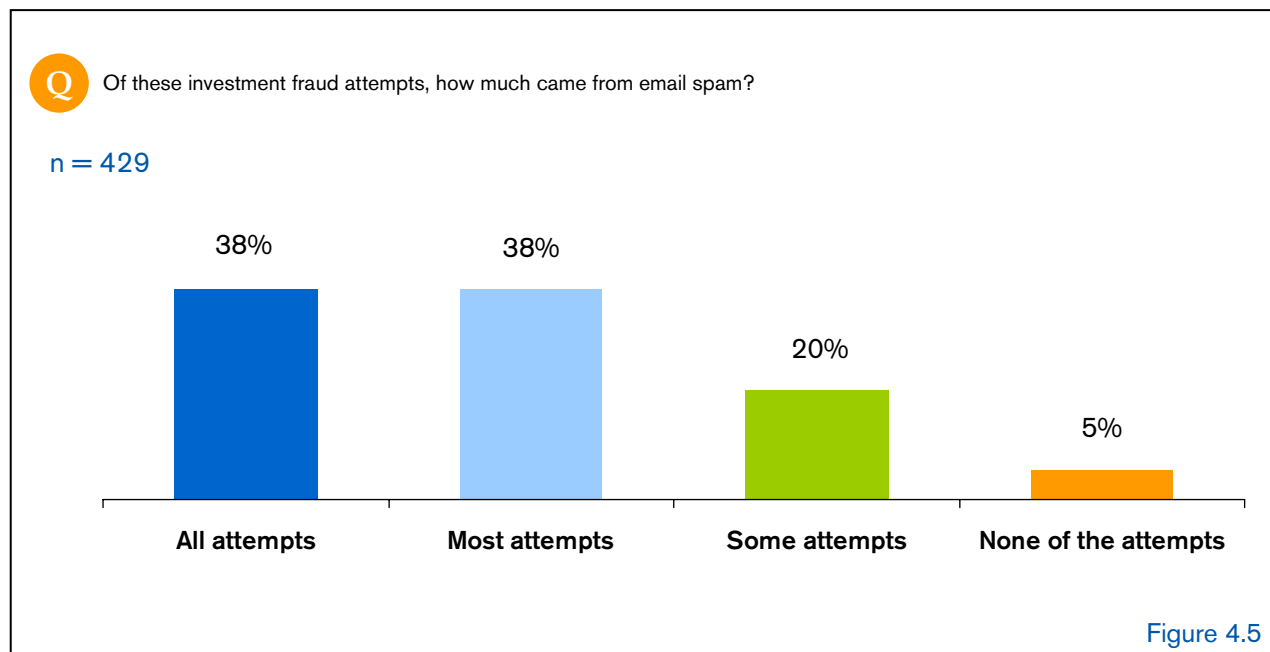


Email, while greatly increasing the ability to communicate with others, also has its downsides, one being the influx of email spam that almost every person receives. When asked if any of the investment scam attempts were made by email spam, approximately one-fifth (38%) indicate that all of the attempts were this way, while an equal proportion (38%) said most were received by email spam. Half that number (20%) report some attempts to defraud them came through email spam. Just one-in-twenty (5%) report that none of the fraud attempts were received through email.

- In general, the proportion of scam attempts via email spam decreases with age. For example, among those 18 to 34 half (50%) of all fraud attempts were sent via email spam compared to those 65 and older (21%).
- Those with a post-secondary education below a graduate program (college 40%; university 41%) are more likely than those with lower levels of education (25%) to report that all of the fraud attempts were from email spam.
- Interestingly, those who have at some point invested in a fraudulent investment are more likely to report that only some (46%) of the fraud attempts they have been exposed to have come through email spam, followed by most attempts (37%) and all attempts (8%). Interestingly, the

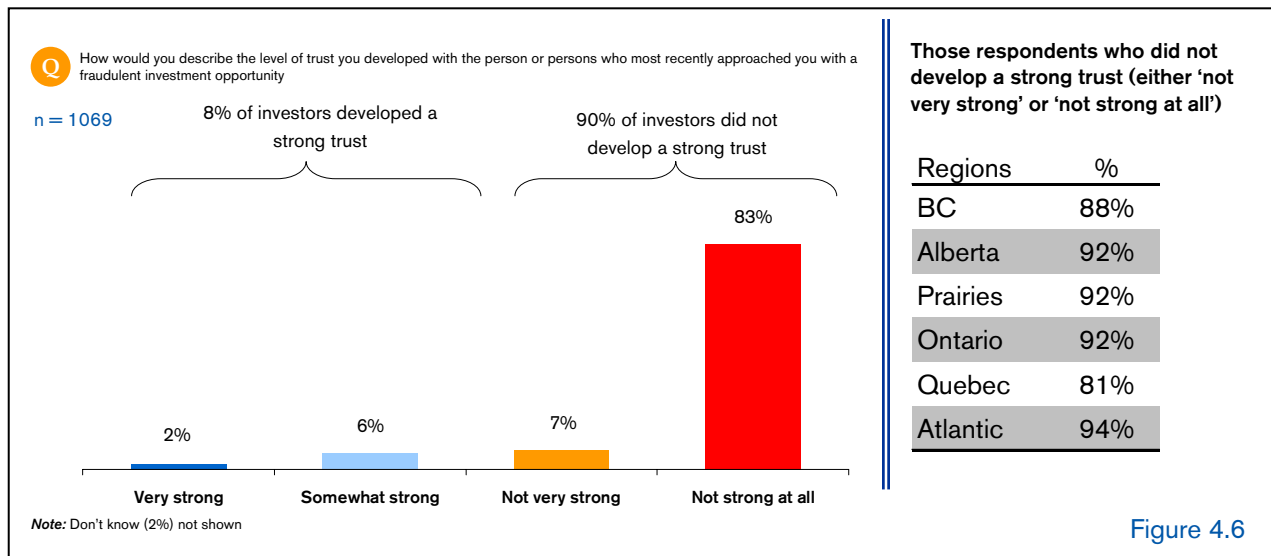
opposite pattern is found among those who have never put money into a fraudulent investment (all 42%; most 38%; some 16%).

- 37% of those who have been victim to fraudulent investments claim that most attempts (37%) came from spam.
- Only 8% of those who have been a victim to fraudulent investments claim all attempts came from email spam.
- The opposite pattern is found among those who have never put money into a fraudulent investment (42% 'all attempts from spam'; 38% 'most attempts from spam'; and, finally, 16% 'only some attempts').



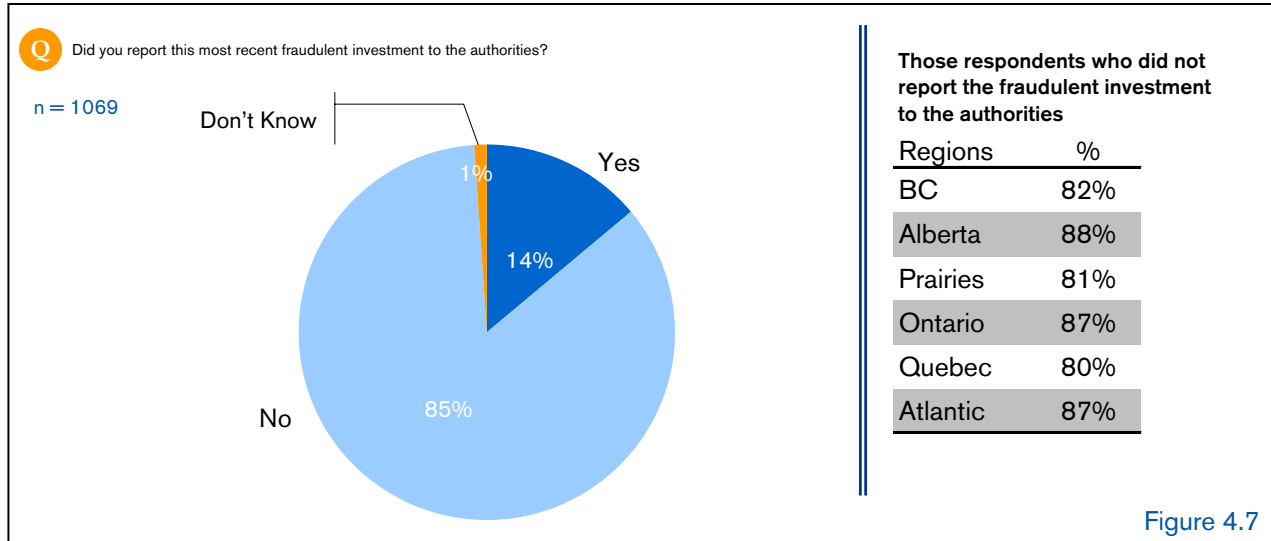
It is generally believed that a 'successful' fraud requires a development of trust in the person who initiates the fraudulent investment. Asked about the most recent incident where they were approached with a fraudulent investment opportunity, less than one-in-ten (8%) say a strong level of trust developed with the perpetrator. Just two percent say this level of trust was very strong. On the other hand, nine-in-ten (90%) report that the level of trust was not strong, with the vast majority (83%) saying that the trust level with the fraud artist was not strong at all.

- Residents of Quebec (17%) are the most likely to indicate that a strong level of trust developed with the person or persons that most recently approached them with a fraudulent investment opportunity.
- One-in-four (27%) of those who have invested at some point in a fraudulent scheme are more likely than their counterparts who have not invested in such a scheme (5%) to report a strong level of trust developing during their most recent exposure to a fraudulent investment opportunity. On the other side, over nine-in-ten (93%) of those who have never invested in such a scheme say that in the most recent experience with a fraudulent investment opportunity that not very strong or not at all strong level of trust developed. This compares to the experience of those who have been caught in a fraudulent investment at some point, where just seven-in-ten (71%) report that a not very strong or not at all strong level of trust developed.



While a significant number of Canadians report being approached with fraudulent investment opportunities, only 14% of this group say they reported the attempt to authorities.

- Young adults (7%) are the least likely to have reported the most recent exposure to a fraudulent investment opportunity to the authorities.
- Passive investors (10%) are less likely to have reported the exposure to a possible fraudulent investment opportunity to the authorities than are the segment with no savings (18%) or who have savings, but no investments (17%).

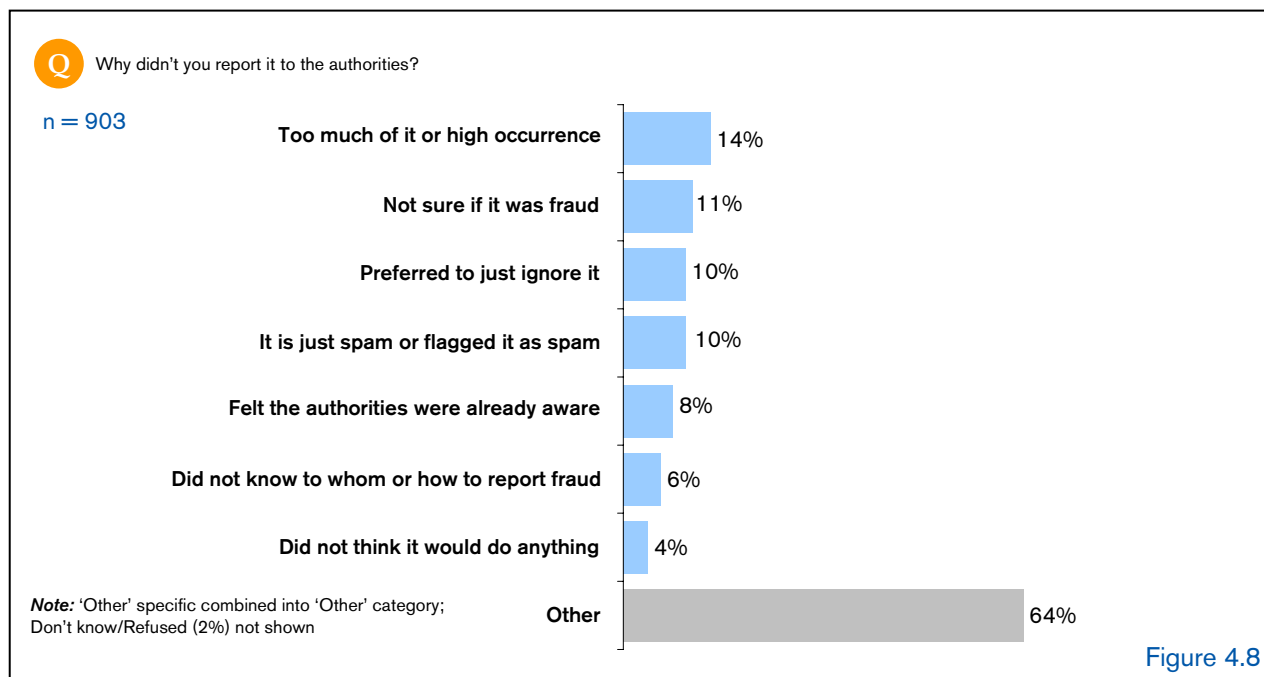


As for reasons for not reporting such fraud, Canadians exhibit a mix of frustration, acquiescence, and a lack of awareness that anything could be done about it. The most common explanation is that there is simply too much fraud (4%); Canadians have neither the time nor the patience to follow up on the high volume of fraudulent offers. Others are unsure if it is fraud (3%), or prefer to ignore it (3%) or flag it as “just spam” (3%). Some feel that the authorities are already aware of the problem (3%), while others did not know to whom or how to report the fraud (2%). Canadians also think that even if they did report it to the authorities, it would not do anything (2%) or the authorities would do



nothing about it (1%). A small sample of Canadians felt they lacked the proof of a scam or fraud (1%). Overall, an overwhelmingly large number of Canadians did not report it (85%) for those reasons.

- Of those who have previously been caught up in a fraudulent investment, the most cited reason for not reporting it is that they feel the authorities are already aware (10% vs. 8% of those who have never invested in such a scheme). On the other side, those who have never invested in a fraudulent investment cite overall volume and/or frequency of occurrence as the top reason to not reporting it.



## 4.2 Risk Factors

There are a number of factors that may increase a person's risk to being introduced to fraudulent investment opportunities. For example, people who order goods or services over the Internet or by telephone may be more likely to be approached because they feel comfortable conducting financial transactions via these media. Asked how often they make purchases via the Internet or telephone, just over one-in-ten (13%) say they never do. Most say they do this every couple of months (27%), or at least once a year (22%). Approximately one-quarter of Canadians report ordering goods or services over the Internet or telephone more frequently, including several times a week (2%), several times a month (10%) or at least once a month (18%).

- Residents of Quebec (24%) and the Prairies (17%) are the most likely to report never purchasing goods or services over the Internet or telephone.
- Among segments, those with no savings (22%) are the most likely to say they never use the Internet or telephone to purchase goods or services, followed by those with savings, but no investments (12%), passive investors (10%) and finally active investors (6%).
- The proportion who report they never purchase goods or services via the Internet or telephone decreases as formal education increases, moving from one-in-four (27%) of those with a high school education or less to approximately one-in-twenty (6%) of those with a post-graduate education.



How often do you purchase goods and services over the internet or telephone?

n = 2997

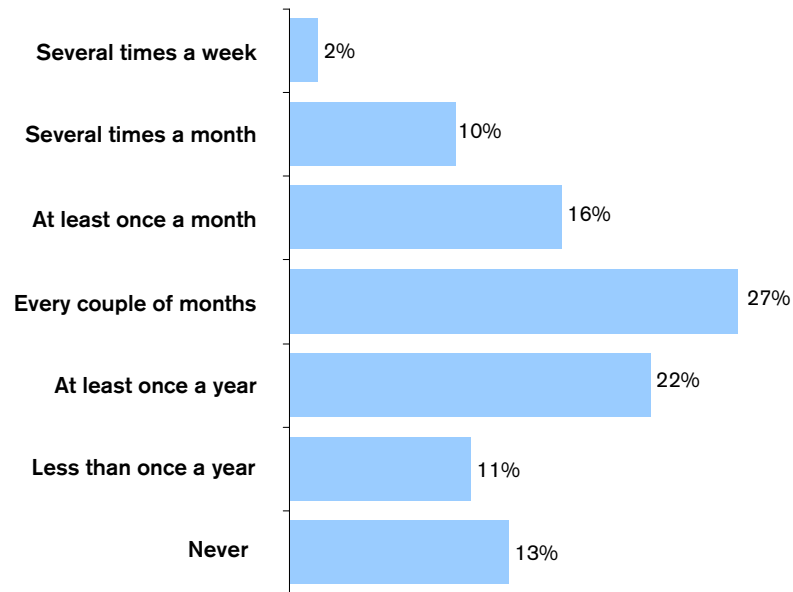


Figure 4.9

Another factor is their desire to score the 'big one' such as through entering contests, lotteries or sweepstakes. Just seven percent of Canadians report never buying tickets to such contests, while approximately the same proportion say they do this less than once a year (8%). Overall, these forms of gambling appear to be very popular among Canadians, with a majority reporting purchasing such tickets in a typical month, including several times a week (15%), several times a month (22%) or at least once a month (18%). A further one-in-five (20%) say they do this every couple of months and roughly one-in-ten (12%) report entering contests, lotteries or sweepstakes at least once a year.

- Regionally, those in Atlantic Canada (21%) are more likely to report entering contests, lotteries or sweepstakes several times a week than are those in any other region.
- Playing the lottery or entering contests and sweepstakes several times a week decreases as the level of education increases.
- In general, between lower-income households (15%) and upper-middle income households (7%) the proportion that report entering lotteries, contests and sweepstakes several times a week decreases, before jumping slightly among those in the highest household income group (12%).



How often do you enter contests, lotteries or sweepstakes?

n = 2997

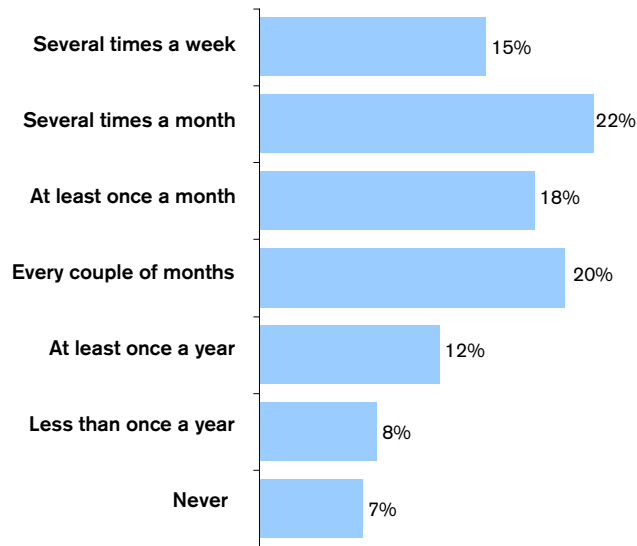


Figure 4.10

A general trust in others can be seen as a positive or negative trait, depending on the situation. When asked, one-third (35%) of Canadians report that in general they believe people can be trusted. The remaining two-thirds (65%), however say that in general, you can not be too careful when dealing with people.

- Belief that people can be trusted increases with education, while the idea you can't be too careful decreases with educational achievement.



Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?

n = 3000

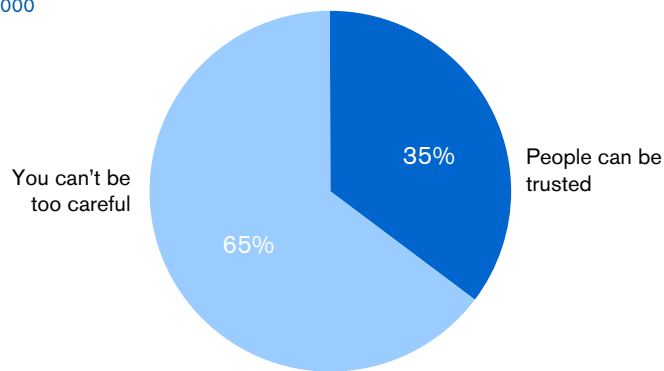
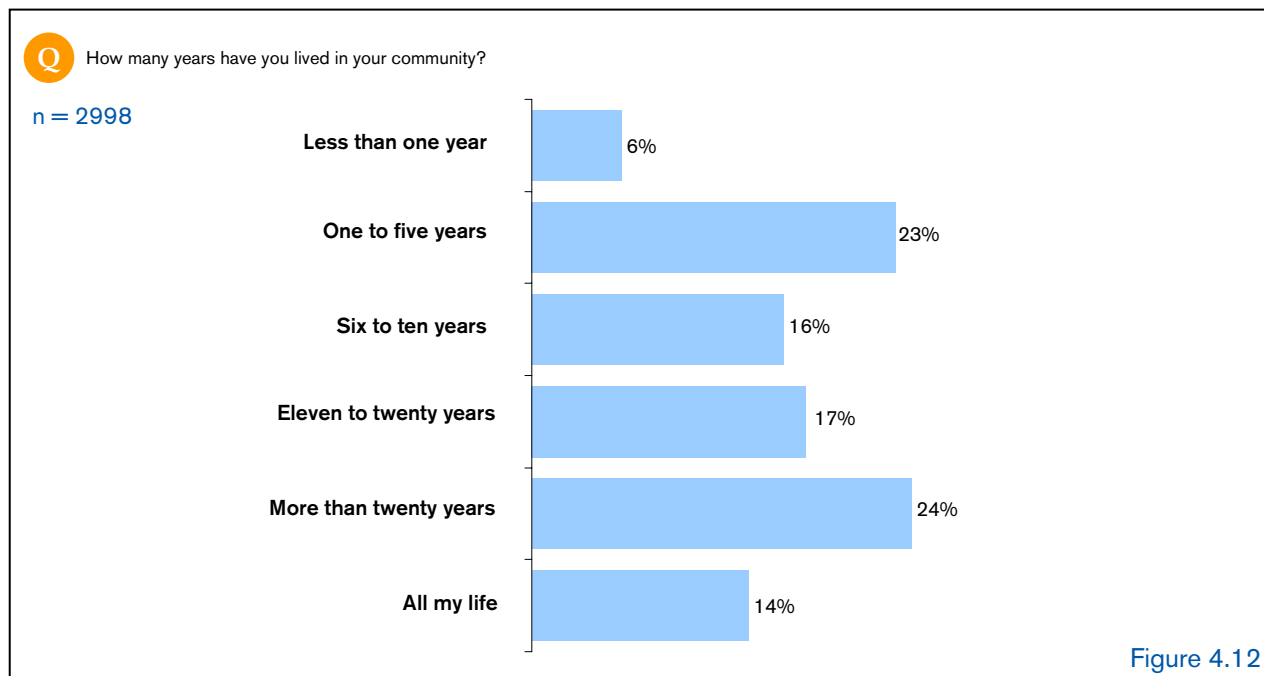


Figure 4.11

This question is about connectedness. People who are more rooted are thought to have deeper connections into the community. Unfortunately, affinity fraud artists take advantage of connections in a community to perpetrate their frauds. Newcomers have fewer connections and are less vulnerable to affinity fraud.

Just over one-in-ten (14%) Canadians say they have lived in the same community all their lives, while one-quarter (25%) report being in the same community for more than twenty years. A slightly higher proportion (29%) indicates they have been in their current community for less than a year (6%) or between one and five years (23%). A further one-in-three say they have been living in the same community from six to 10 years (16%) or between 11 and 20 years (17%).

- Stability in a community appears to increase with age. For example, young adults are the most likely to say they have lived in their current community, less than one year (12%) and from one to five years (36%), while those 65 and older are the most likely to report living in their current community for more than 20 years (53%).



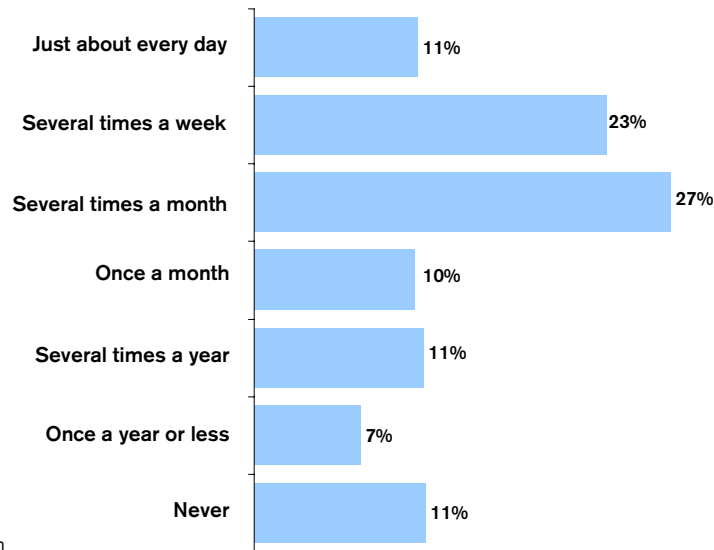
Length of time in a community is just one factor in developing social capital in the neighbourhood. A more direct issue is interaction with immediate neighbours, that is, the five to ten households that live closest to you. While one-in-ten (11%) report never talking or visiting with their immediate neighbours, one-in-three say they do this just about every day (11%) or several times a week (23%). A further approximately one-third indicate they talk or visit with their neighbours several times a month (27%) or at least once a month (10%).

- Senior Canadians are the most likely to report interacting with their neighbours every day (14%) or several days a week (35%), while young adults are the most likely to say they never do so (16%) or once a year or less (9%).



We would now like to ask you about your IMMEDIATE NEIGHBOURS. These are the 5 or 10 households that live closest to you. About how often do you talk to or visit with your immediate neighbours?

n = 3000



Note: Don't know (1%) not shown

Figure 4.13

Strong social capital and trust in society is developed not just through interaction with immediate neighbours, but also engagement with the larger community. An important form of such community engagement is through being active in community, social, religious or cultural groups. A majority (51%) of Canadians, however, report not being currently involved in any such groups. Less than one-in-five (16%) say they are very active, participating at least once a week or more in such group activities, while equal proportions report involvement in such events several times a month (16%) or once a month or less (17%).

- Once again, seniors are the most likely to report participating in community, social, religious, or cultural groups once a week or more often (28%) and several times a month (23%).



How active are you in any community, social, religious or cultural groups?

n = 3000

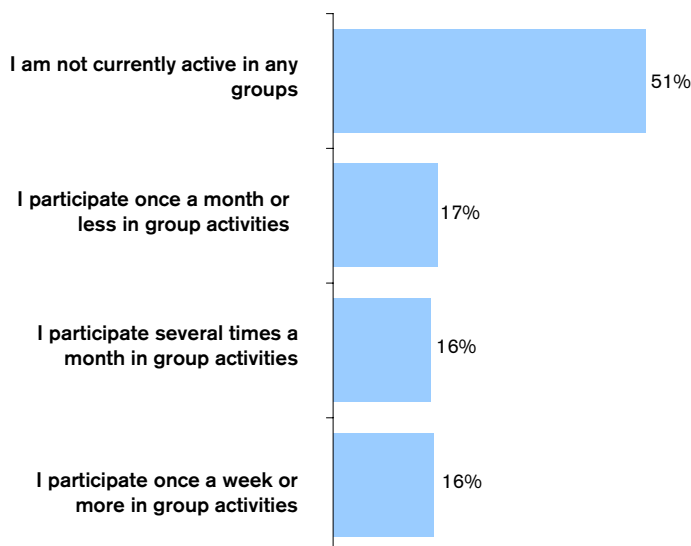
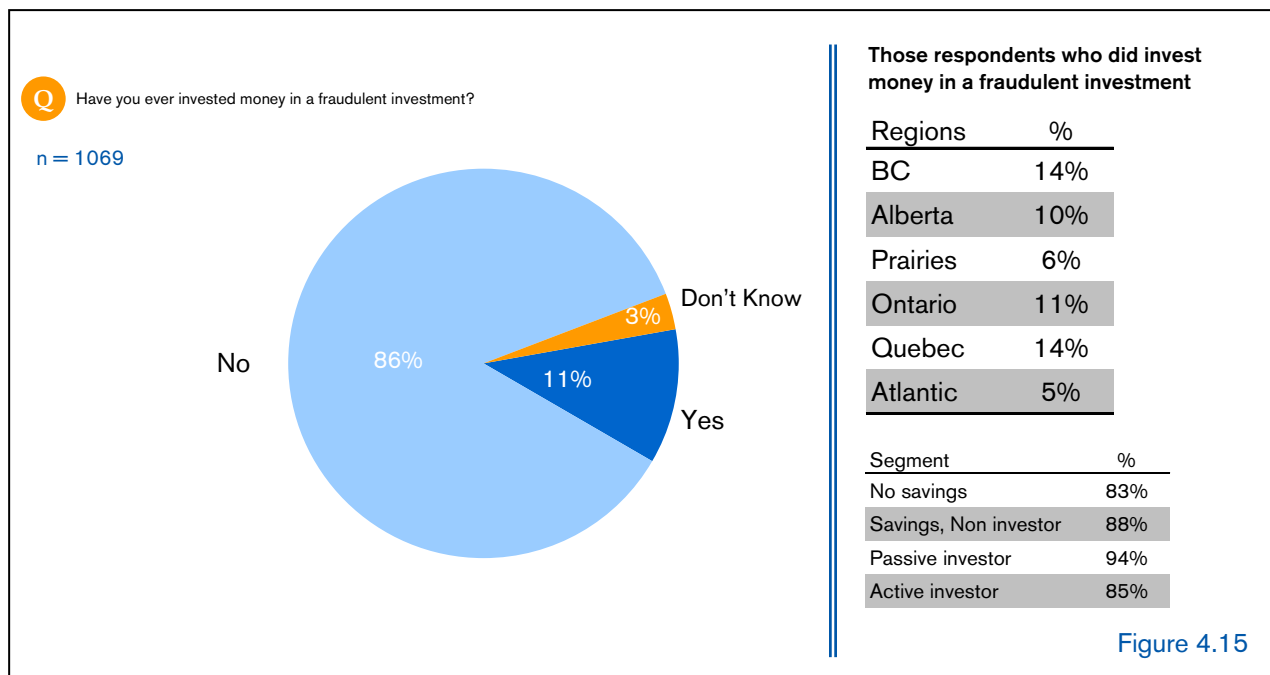


Figure 4.14

### 4.3 Profile of ‘Successful’ Fraud Attempts

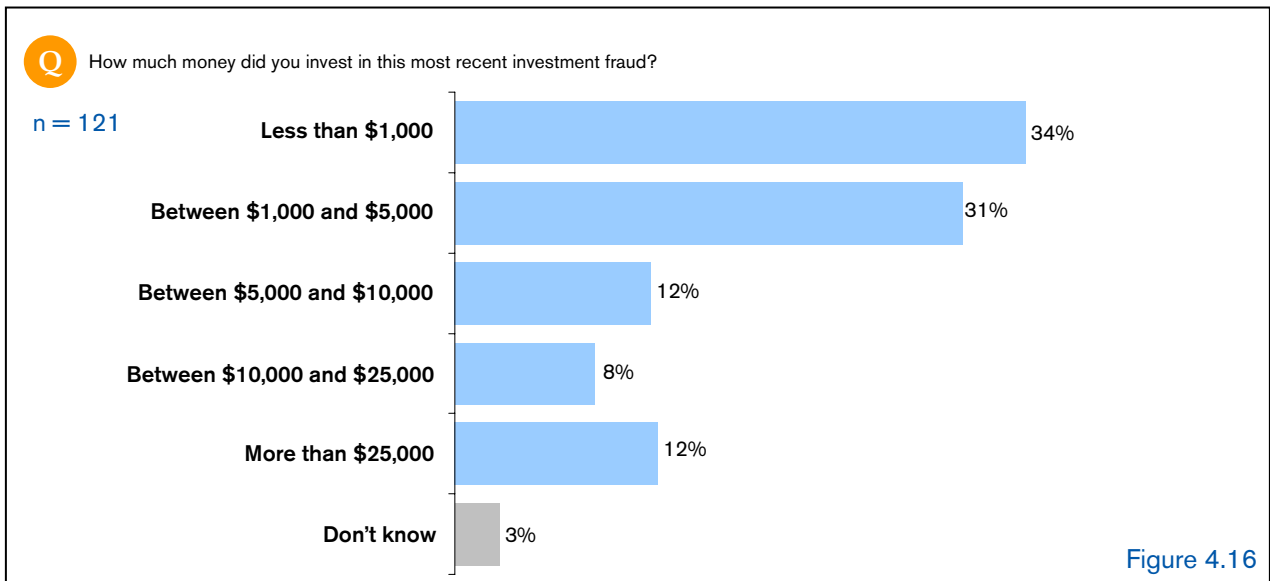
As noted earlier, just over one-in-three (36%) Canadians report being presented with investment opportunities they believed were fraudulent. Among those who believe they have been approached with a fraudulent investment, just one-in-ten (11%) say they have actually invested money in a scam. Most (63%) of this group indicate that it only happened once, while one-in-five (21%) report that they have been stung twice. One-in-ten (10%) report having invested in fraudulent investments between three and five times, while an additional six percent say they have been the victim of fraudulent investments more than five times.

- Admitting to having invested in a fraudulent investment in the past increases with age, from one-in-twenty (6%) among 18 to 34 year olds growing to one-in-four (24%) among those 65+.
- Passive (15%) and active (15%) investors are equally likely to report having invested at some point in a fraudulent investment.

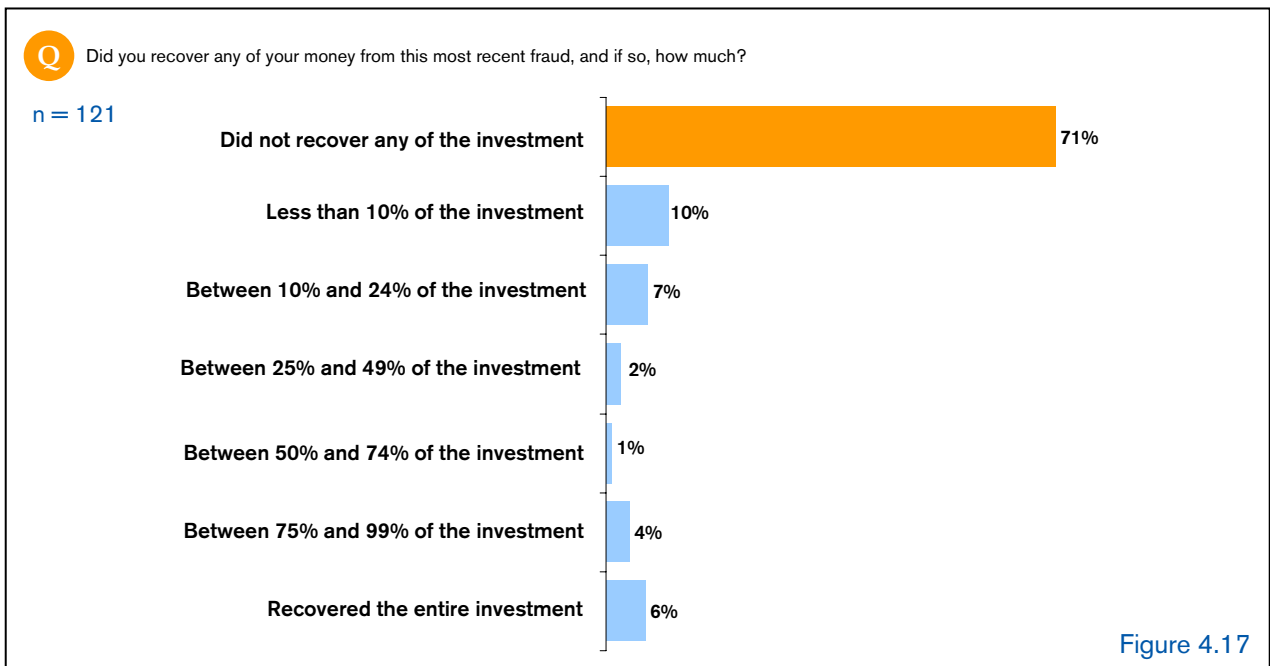


Further, within this group a plurality (34%) say that in the most recent incidence of fraud, they invested less than \$1,000, while almost as many (31%) report investing between \$1,000 and \$5,000. Just over one-in-ten (12%) say they put in between \$5,000 and \$10,000 while slightly less say that their investment in the fraudulent investment was between \$10,000 and \$25,000 (8%). Approximately one-in-ten (12%) say they invested more than \$25,000.

- Among those with household incomes of greater than \$80,000 who have put money into a fraudulent investment scheme at some point, a majority (54%) report investing between \$1,000 and \$5,000. Among other household income groups, a plurality report putting in less than \$1,000.



A majority (71%) report not receiving any of their investment back, while one-in-twenty (6%) say they were able to recover all of their investment. One-in-ten (10%) got back less than one-tenth of the amount they put in. Approximately the same proportion (9%) says they recouped between one-tenth and one-half of their investment, while one-in-twenty (5%) were able to get back between 50% and 99% of their investments.



Despite the possible embarrassment, Canadians do not appear to suffer in silence about their experiences with fraud. Seven-in-ten (71%) say they told their family and friends about their most recent brush with fraud. However, close to half (48% - 20% strongly agree) say that some of their family or friends feel that the fraud was at partially their own fault, while one-third (32%) disagrees.

Among those who invested in a fraudulent scheme, seniors (55%) are the least likely to say they told family and friends, compared to those 18 to 34 (84%) and those 45 to 64 (78%).



Did you tell your friends or family about this most recent investment fraud?

n = 121

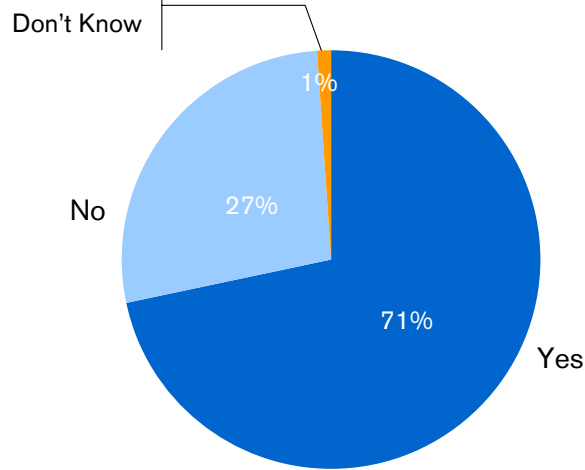


Figure 4.18

Attempted fraud, in many cases, coincides with a change in someone's life. Many scam artists approach potential investors when Canadians change their job status; for instance, when Canadians start a new job (8%), lose a job (5%), retire (5%), when they are within one year of retirement (4%) or within five years of retirement (8%). Other changes when people have been approached with fraudulent investment opportunities include after the death of a loved one (5%) or when they received a financial windfall such as from an inheritance or insurance payout (8%). Having a baby (6%), getting married (3%) or getting divorced (4%) are other life changes that respondents have experienced when they were last approached with a fraudulent investment.



Please check if you were experiencing any of the following events the last time you were approached with a fraudulent investment:

n = 1069

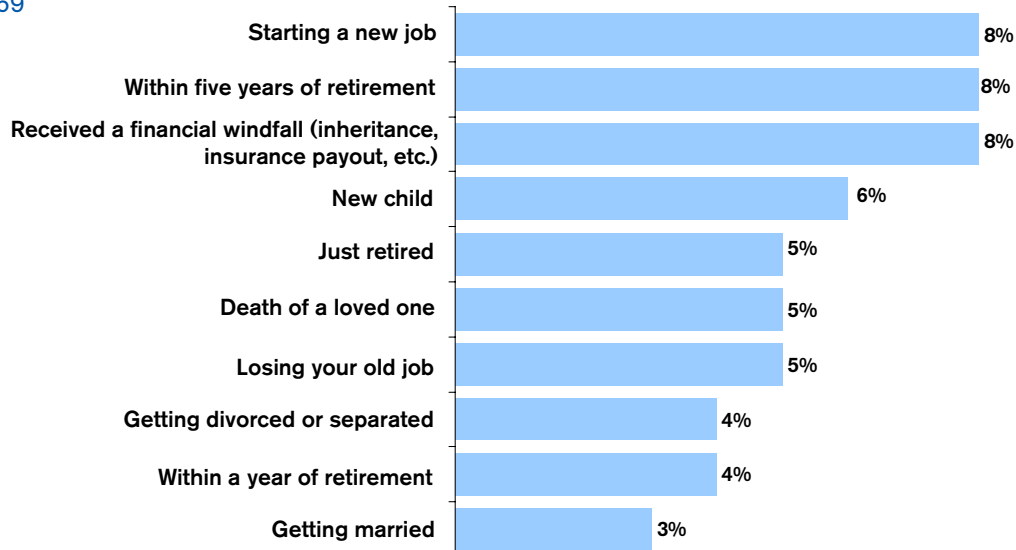


Figure 4.19



- The most likely age to have been approached with a fraud attempt at the time of these life changes reflects the expected pattern. For example, those approached when retiring or thereafter are most likely to be senior Canadians. Those most likely to be approached after getting married or having a child are, in general, between 18 and 44, whereas those most likely to be approached after getting divorced are between 35 and 64.
- In many instances, the segment most likely to have been approached with fraudulent investments schemes is the group with no savings. This segment is the most likely to have been approached after receiving a financial windfall (14%), after the death of a loved one (9%), losing their job (8%), or getting married (5%). Those with savings but no investments are the most likely to have been approached when they started a new job (12%), while passive investors are the most likely to have been approached within five years of retirement.

## 4.4 Understanding ‘Successful’ Fraud Attempts

Just one-in-nine Canadians who report having experienced an attempted financial fraud report having invested in financial fraud. *Are there common factors that contribute to the likelihood that a financial fraud attempt will be successful?*

The data in this survey allows us to begin to explore this question. In addition to the information we used in understanding good financial behaviour, we also have information about the following:

- Recognition of fraud red flags
- Number of attempted frauds
- Number of successful fraud attempts
- Stressful events experienced during last fraud attempt
- The last attempted fraud including:
  - Who introduced them to the fraud
  - How trusted that person was
- Fraud risk factors (as identified in the literature) including:
  - Connectedness to your community
  - Involvement in social, community or religious groups
  - Willingness to trust others
  - Purchasing goods and services over the internet or telephone
  - Entering contests, sweepstakes or lotteries
- Underlying attitudes towards fraud including:
  - Personal vulnerability
  - Perception of prevalence
  - Importance of reporting fraud attempts
  - Investment myths including inside tips, urgency to ‘act now’ and the need to take risks for good returns
  - Concern over adequacy of savings
  - Victims have only themselves to blame

Our dependent variable in this case is whether respondents have ever invested in a fraud. The results in this regression are much weaker than in Index of Good Behaviour. We can explain only about 10% in the variance. This suggests that there is no particularly strong profile of vulnerability. In other words, perpetrators of fraud may well view anyone as a potential target and simply

customize their approach to meet the needs of each unique target. However, looking at specific results, we find there are some common characteristics of being victimized.

The key common denominator among respondents who actually invested in a fraud is their relationship with the person who approached them in the last attempted fraud they experienced. Key predictors include how much they trusted the person who approached them and whether that person was a friend or a financial adviser.

Two items that conflict with each other in the regression analysis are age and whether the respondent was experiencing a stressful life experience when they were defrauded. The older you are, the more likely you are to have been defrauded at some point. If age is included in a regression, than stressful experience has no significant affect on one's likelihood of being a victim of financial fraud. However, in this survey our focus was on estimating the overall experience with fraud. We did not attempt to quantify recent experience with fraud attempts. That means we cannot tell whether age matters because it simply means you have had more opportunity to be approached or if older people are more likely to be targets. If age is powerful simply because the longer you are around, the more opportunity there is to be approached, then it doesn't belong in a model that tries to explain likelihood of fraud success. When we take age out, experiencing a stressful event becomes a significant explanatory variable.

Therefore, this study offers no firm evidence as to whether fraud is related to age or not. At the moment it is possible that an age-focus strategy is correct, but it may not be. Other research among victims shows mixed results. Again, we need to change the focus from overall experience to experience within a specific time frame to answer conclusively.

There are very few individual characteristics that help us predict lifelong likelihood to be defrauded. Men are slightly more likely to be defrauded than women.

Confidence is also a risk factor. Respondents who are more confident in their overall abilities as an investor are more likely to have been victims of fraud.

Susceptibility to the argument that "if you don't act immediately, you may miss out on an opportunity" is also associated with being a victim of fraud.

Finally, people who have been defrauded are more likely to say it is important to report fraud events, but this is likely a consequence of fraud rather than a cause.

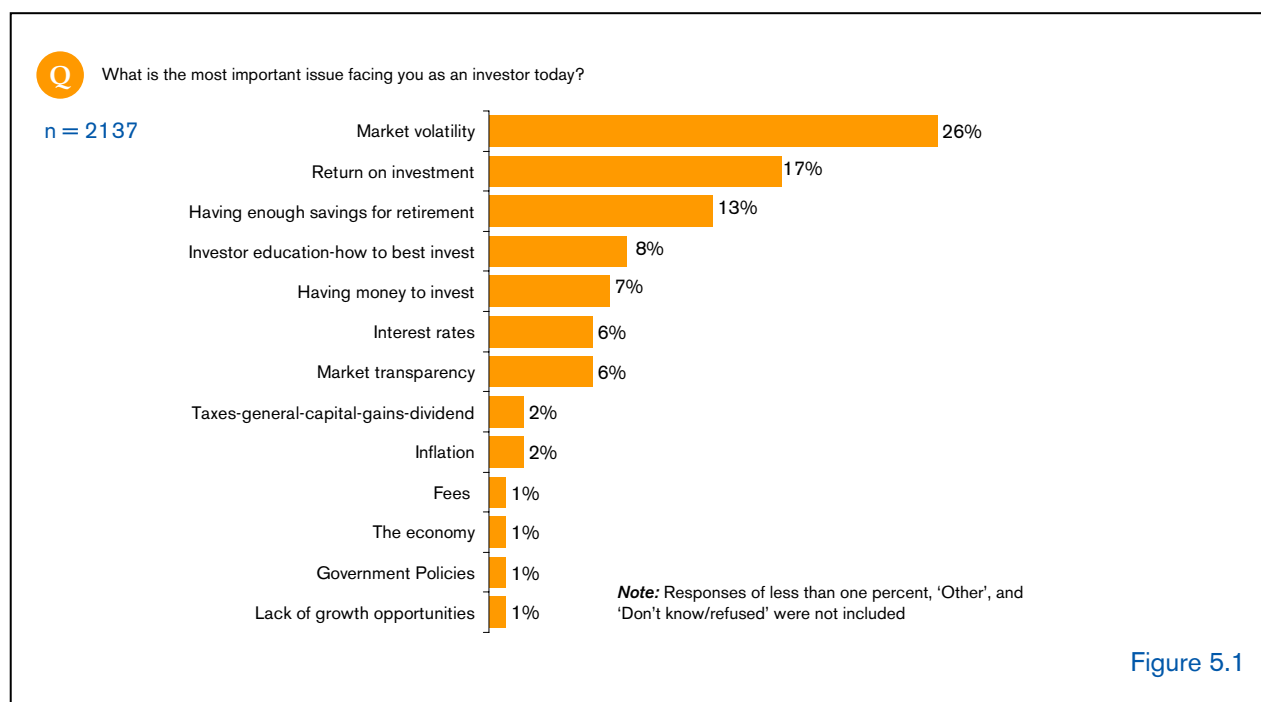
While it is true that men, people confident in their investing skills and people open to argument that "they need to act now to avoid missing an opportunity" are all more likely to be victims of fraud, the increase on the likelihood of being defrauded is small. More powerful is who approaches you with a fraud. We are all vulnerable to falling victim to a fraud coming from someone we trust.

## 5. Attitudes Toward Regulatory Agencies

### Most Important Issue Facing Investors: Market Volatility

From bull market to bear market, the issue Canadian investors are most concerned about is market volatility. One-in-four (26%) Canadian investors listed 'market volatility' as the most important investment issue they face as investors today.

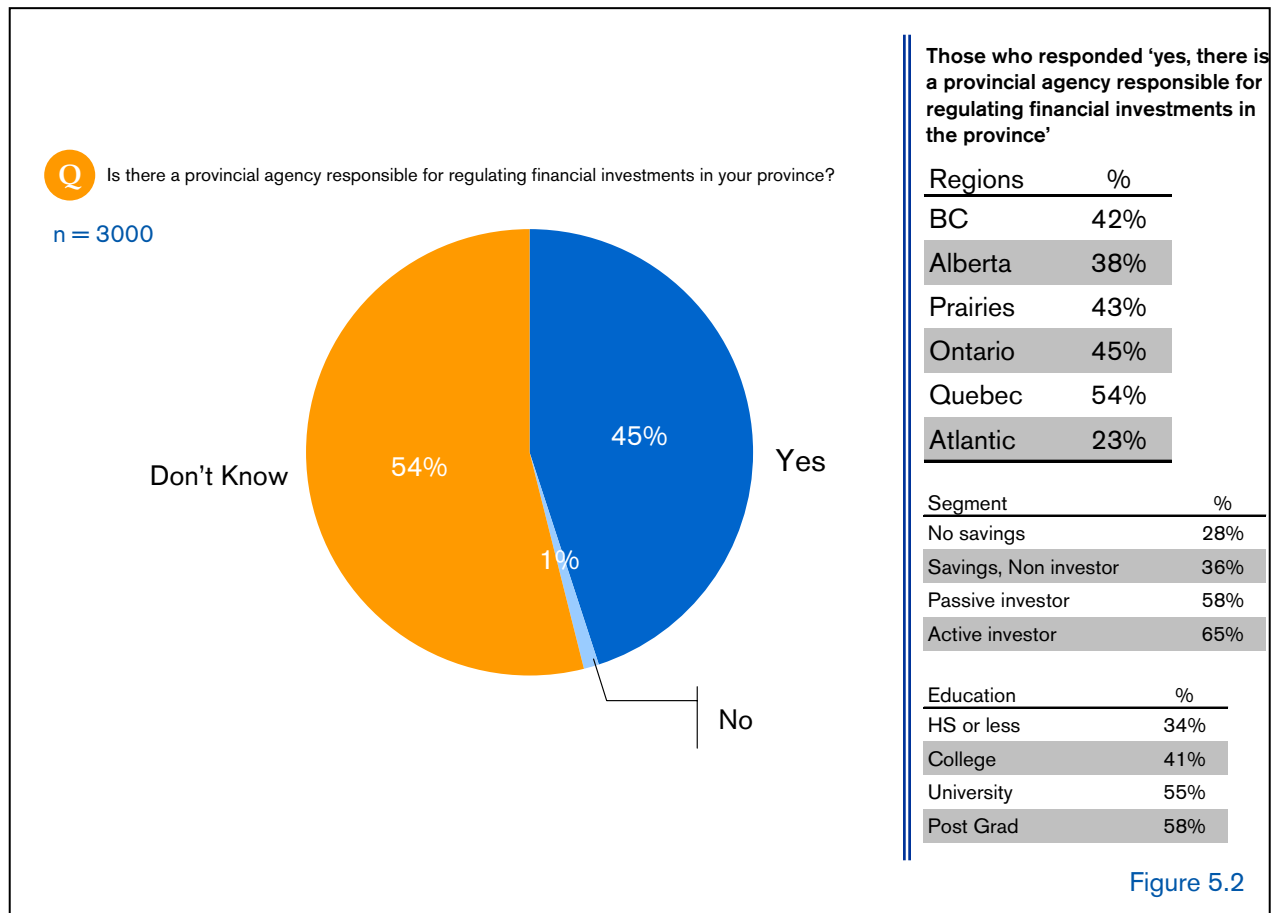
- The second most important issue concerning Canadians is return on their investments (17%).
- Canadians are also worried about retirement savings: one-in-ten (9%) listed 'having enough savings for retirement' as their most important issue.
- Other major issues concerning Canadian investors include investor education, or how best to invest their money, (6%), having money to invest (5%), interest rates (4%) and market transparency (4%).
- Less important but still relevant issues include tax on investments (2%), Inflation (1%), investment fees (1%), the general economy (1%), and government policies (1%).
- Residents of Quebec (18%) are the least likely to cite market volatility as the most important issue facing them as investors.
- Active investors are more likely to cite market volatility (32%).



## 5.1 Attitudes Towards Provincial Regulatory Agencies

The majority of Canadians are unaware of the existence, actions, and mandate of their provincial regulatory agencies.

- Approximately half of Canadians (50%) do not know whether or not there is a provincial agency responsible for regulating financial investments in their province. However, roughly the same proportion (49%) is aware of their provincial agency.



- Awareness of their provincial financial regulatory agency increases with age.
- Canadians whose income falls into the upper middle (\$60,000 to \$80,000) range are the most likely to report awareness of their provincial regulatory agency (65%).
- Residents of Quebec (54%) are the most likely to be aware of their provinces' financial investment regulatory agencies, while those in Atlantic Canada (23%) are least likely to be aware that such agencies exist in their provinces.
- Not surprisingly, active (65%) and passive (58%) investors are the most likely to be aware of provincial financial regulators.
- Only one-third of respondents (34%) with a high-school or less level of education are familiar with their provincial regulatory agency, whereas 58 percent of those with a post graduate education are aware of their agency.
- Property owners (65%) are more likely to be familiar with their provincial financial regulatory agency than are non-property owners (51%).

Even after prompting, nearly two-thirds of respondents (65%) exhibit a lack of familiarity with their provincial regulatory agency:

- Residents of Ontario (45%) are the most likely to be very or somewhat familiar with their provincial financial investment regulator, while those in Manitoba/Saskatchewan (22%) and Atlantic Canada (18%) are the least likely to be familiar with their provincial regulator.
- Active Investors (52%) are the only segment in which a majority indicates they are familiar with their provincial regulator.
- Awareness of their provincial regulatory agency increases with level of formal education, moving from just one-third (34%) of those with a high school or less education to six-in-ten (58%) of those with a post-graduate education. One-in-three Canadians with a high school education have never heard of their provincial regulatory agency. Only one-in-ten (12%) Canadians with a post-graduate education have not heard of the agency.
- Canadians with household incomes of between \$60,000 and \$80,000 are the most likely to report familiarity with their provincial investment regulator (54%).
- Active Investors (52%) are the only segment in which a majority indicates they are familiar with their provincial regulator.
- Canadians with household incomes of between \$60,000 and \$80,000 are the most likely to report familiarity with their provincial regulatory agency (54%).

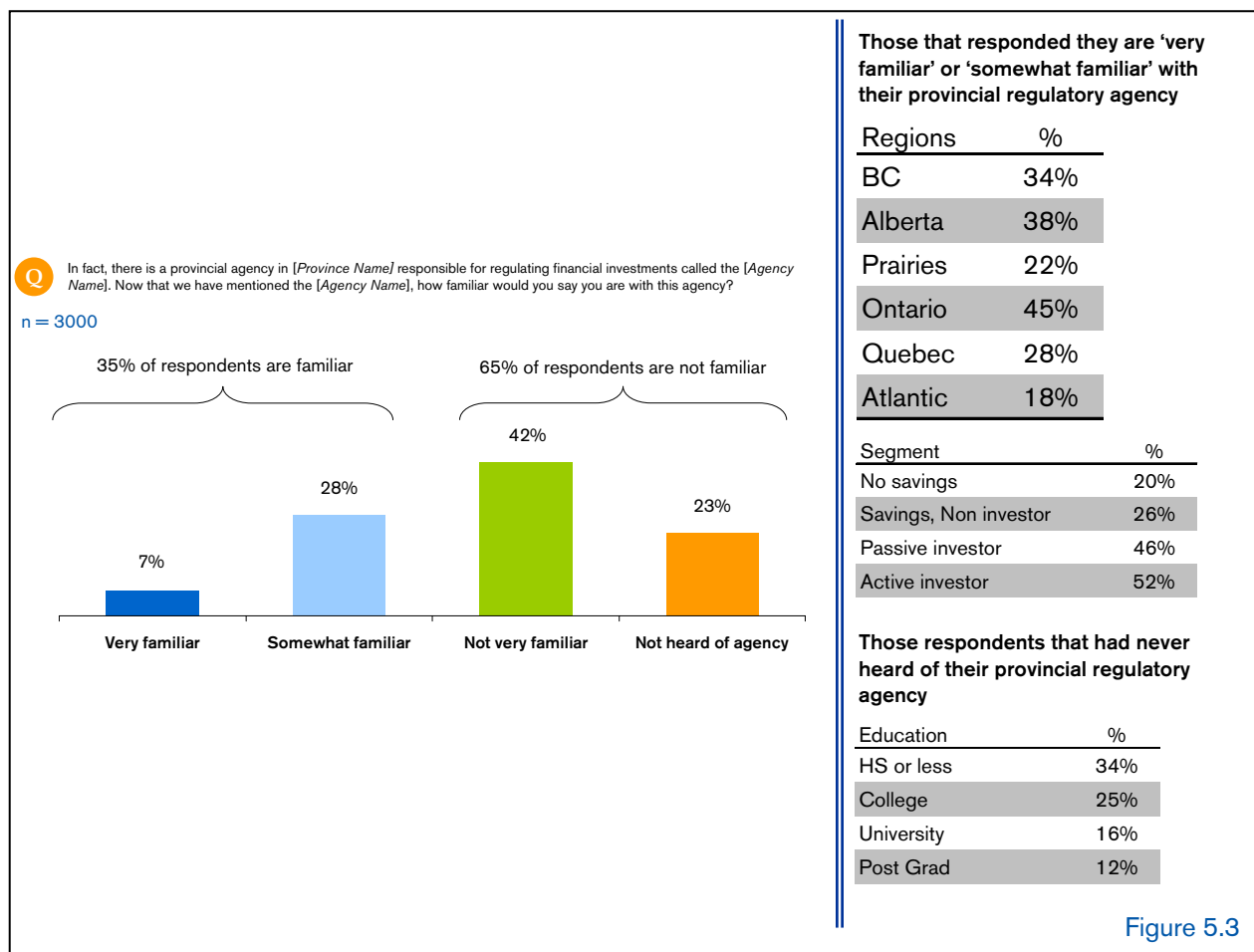
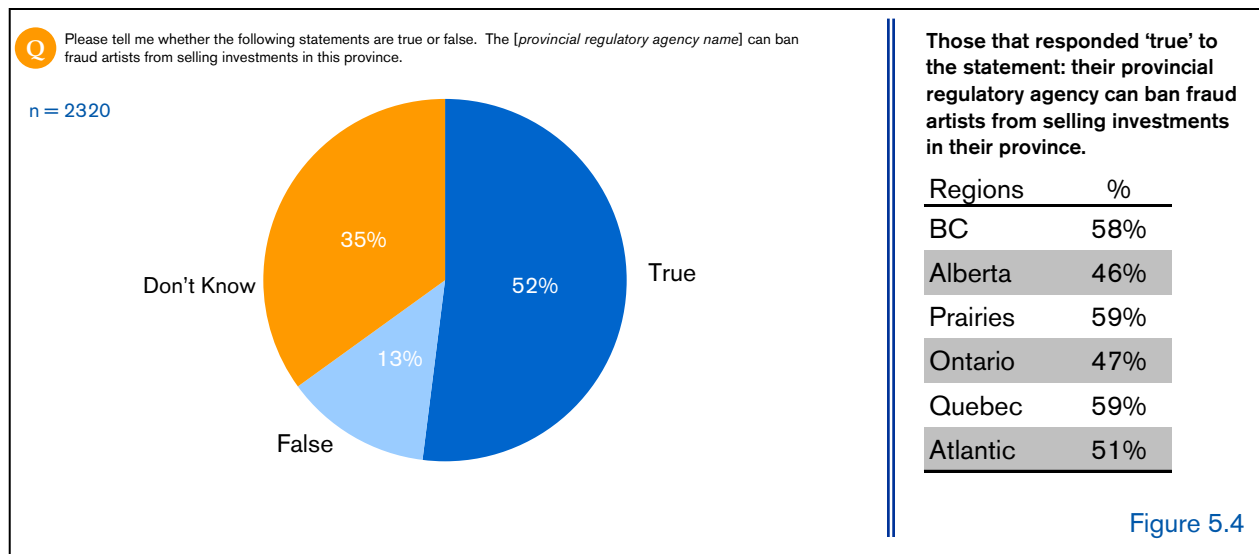


Figure 5.3

More than one-third (35%) do not know and one-in-ten (13%) say that it is false that their provincial agency can ban fraud artists from selling investments in their province, while just over half (52%) say that this statement is true:

- Regionally, residents of Quebec (59%), Manitoba/Saskatchewan (59%) and British Columbia (58%) are the most likely to say it is true that the provincial regulator can ban fraud artists from selling investments in their province.
- Canadians in upper middle income (\$60,000 to \$80,000) (61%) and lower income (less than \$40,000) (52%) households are the most likely to say that it is true that fraud artists can be banned from selling investments by their provincial regulatory agency.
- 



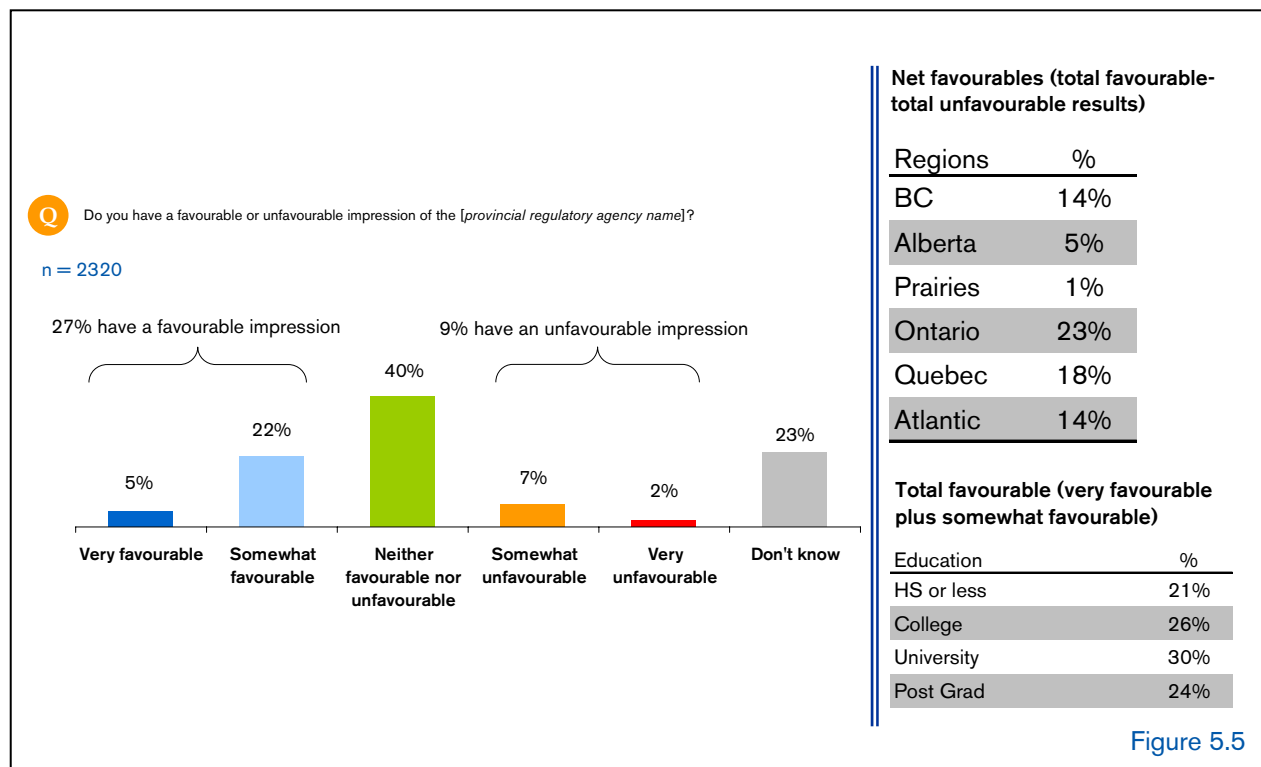
## Lukewarm attitudes towards provincial regulatory agencies

Canadians are approximately three times more likely to have a favourable<sup>1</sup> impression (27%) than have an unfavourable impression (10%) towards their provincial financial investment regulatory agencies. Nevertheless, two out of every five (41%) Canadians possess no strong positive or negative feelings towards their provincial agency.

- Regionally, the largest net favourability<sup>2</sup> score, that is subtracting the total unfavourable from the total favourable, is found among Ontarians (*net +23 = favourable 30% - unfavourable 6%*).
- Favourability is highest among those with a university education (30%) compared to those with a college education (26%), a post-graduate degree (24%) or a high school diploma or less education (21%).

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

<sup>2</sup> Net Favourable: The difference between 'favourable' and 'unfavourable' (unfavourable is the sum of 'somewhat unfavourable' and 'very unfavourable').

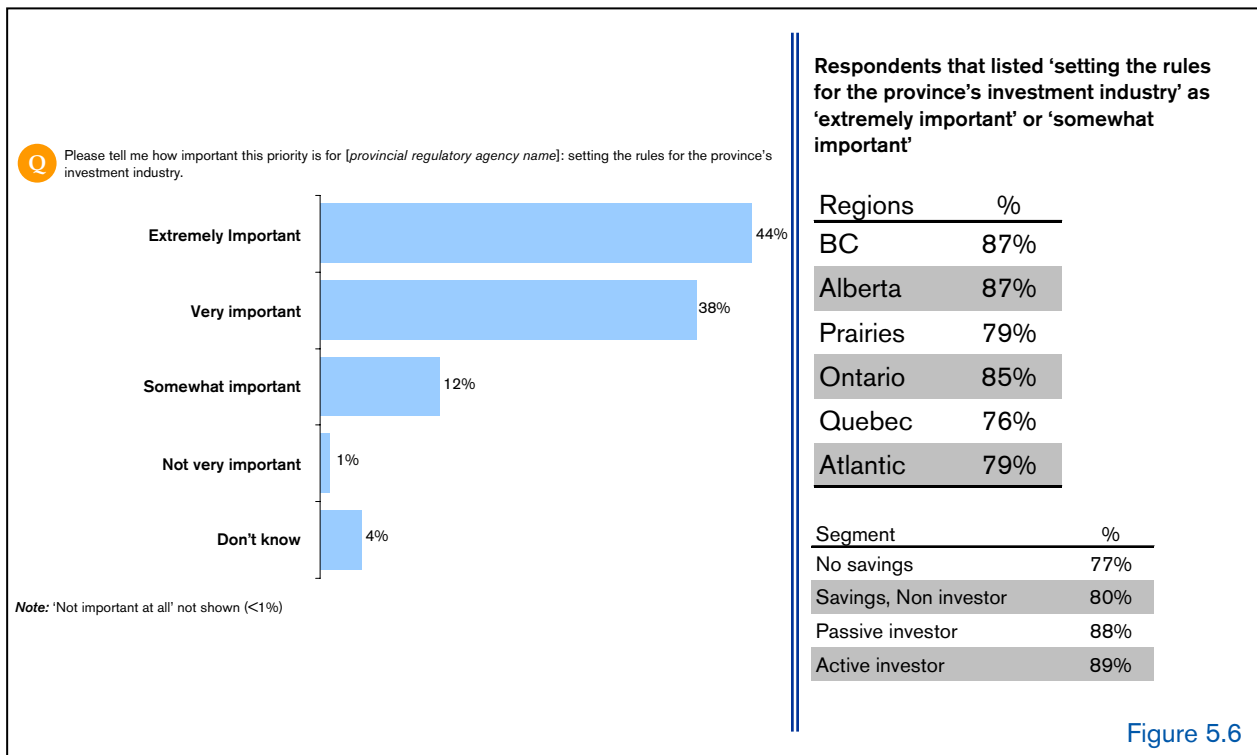


## 5.2 Priorities for Provincial Regulatory Agencies

Canadians overwhelmingly support investor protection policies and the priorities set out by the Canadian Securities Administrators. For example, less than two percent of Canadians believed that setting rules for the province's investment industry was 'not very important' or 'not important at all'. Although Canadians are unfamiliar with provincial regulatory agencies, they recognize the importance of anti-fraud policies.

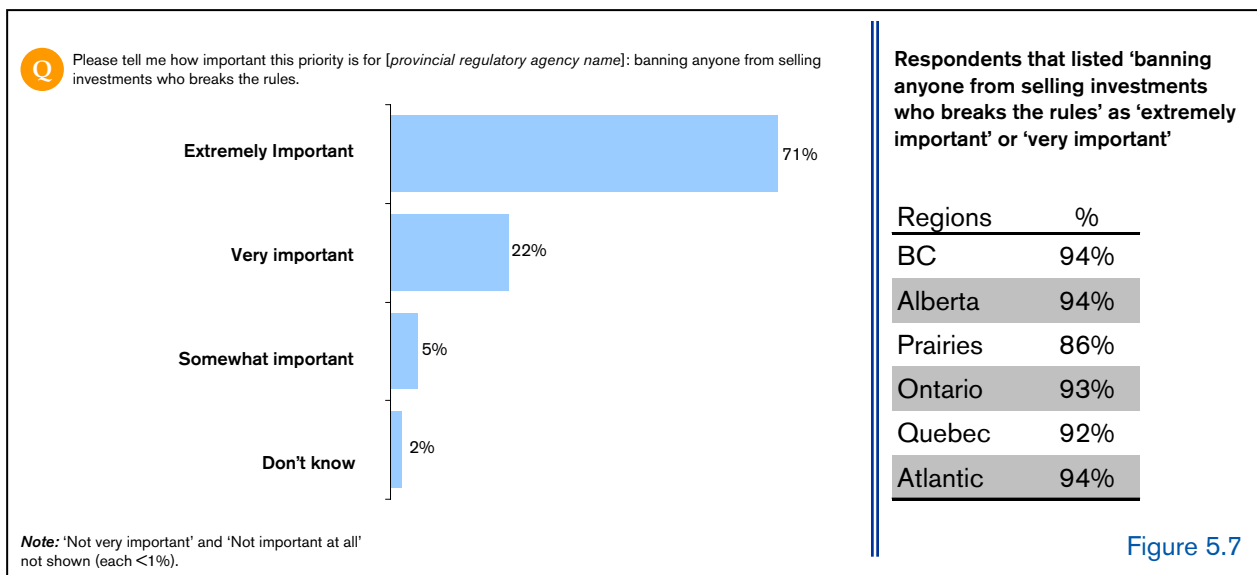
Eight-in-ten (82%) Canadians believe that setting the rules for the province's investment industry is an 'extremely important' or 'very important' priority for provincial regulatory agencies.

- Respondents from British Columbia, Alberta and Ontario (87%, 87% and 85%, 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.
- Not surprisingly, active (89%) and passive (88%) investors are more likely than others to believe this is extremely or very important.
- The view that this is an extremely or very important priority increases with age, moving from three-quarters (77%) of those 18 to 34 to more than nine-in-ten (91%) of those 65 and older.
- Favourability is highest among those with a university education (30%) compared to those with a college education (26%), a post-graduate degree (24%) or a high school diploma or less education (21%).



Nearly all respondents (93%) think banning those who break the rules from selling investments is an 'extremely important' or 'very important' priority.

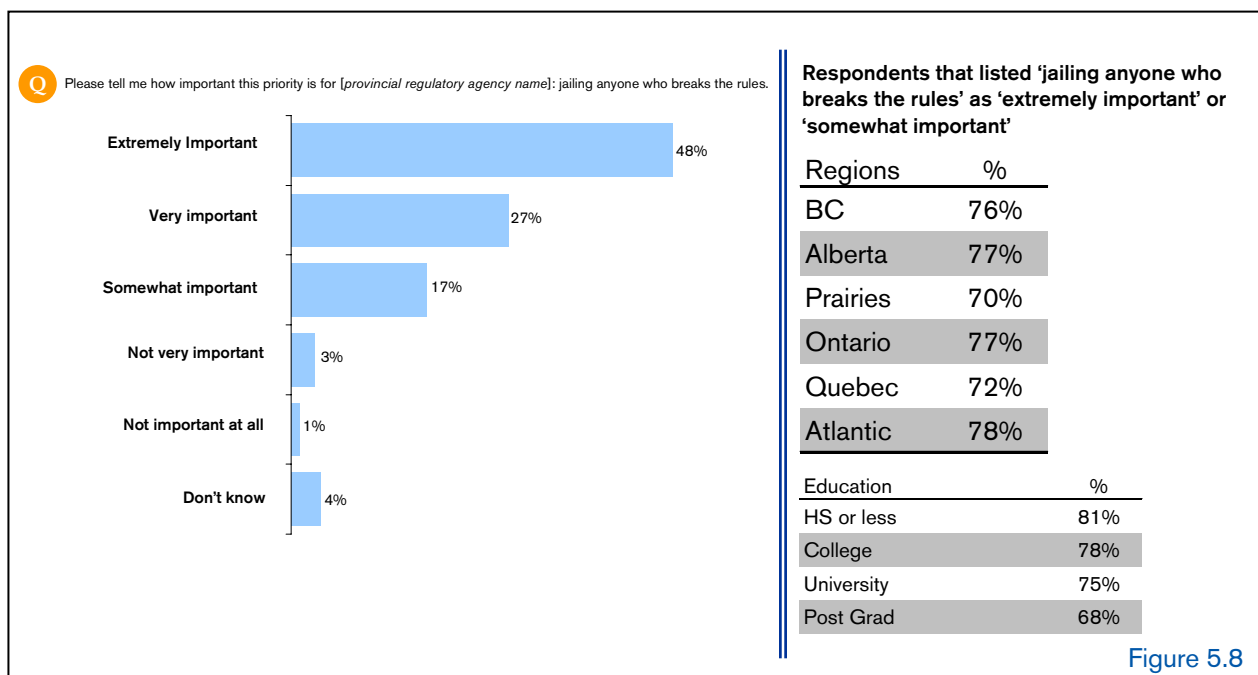
- Residents of Manitoba and Saskatchewan (86%) are the least likely to believe that banning rule-breakers from selling investments is an extremely or very important priority.
- Interestingly, there is virtually no difference as to the importance of this priority between those who have put money into fraudulent investments (91%) and those who have not (93%).
- Those who own their homes (95%) are more likely to concur that banning rule-breakers is an extremely or very important priority, than are those who do not own their homes (87%).





Three out of four (75%) Canadians believe that jailing anyone who breaks the rules is an extremely or very important priority for their provincial financial regulator.

- Regionally, residents of Quebec (72%) and Manitoba/Saskatchewan (70%) are least likely to believe that jailing anyone who breaks the rules is an extremely or very important priority.
- Belief that this is an extremely or very important priority decreases as formal education increases moving from eight-in-ten (81%) among those with a high school education or less to less than seven-in-ten (68%) of those with a post-graduate education.

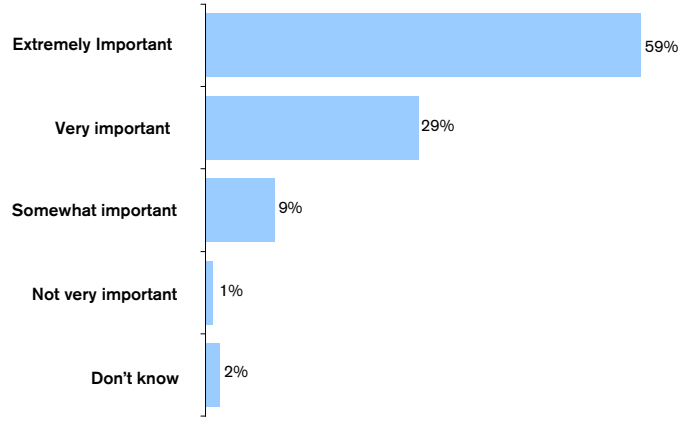


Close to nine-in-ten (87%) Canadians think that 'educating investors so they can better protect themselves against fraud' is a 'very important' or 'extremely important' priority for their province's regulatory agency.

- Those who have previously been victims of investment fraud are just as equally likely to say that *educating investors so they are able to protect themselves is an 'extremely' or 'very important' priority for their provincial regulatory agency* as those who have never been a victim of investment fraud.
- Residents of Manitoba and Saskatchewan (80%) are less likely than those in any other region to believe that this is an extremely or very important priority.
- Women (91%) are more likely than are men (83%) to say that educating investors to protect themselves against fraud is an extremely or very important priority.



Please tell me how important this priority is for [provincial regulatory agency name]: educating investors so they can better protect themselves against fraud.



Note: 'Not important at all' not shown (<1%)

Respondents that listed 'educating investors so they can better protect themselves against fraud' as 'extremely important' or 'somewhat important'

Regions	%
BC	87%
Alberta	89%
Prairies	80%
Ontario	88%
Quebec	88%
Atlantic	91%

Education	%
HS or less	81%
College	78%
University	75%
Post Grad	68%

Figure 5.9

# Appendix A: CSA Investor Index Questionnaire

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## Investor Profile

1. 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. This could be 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 ( <b>SKIP TO Q14</b> ) | 4 |
2. To the best of your knowledge, do you own any stocks, bonds or mutual funds?
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> Yes        | 1  |
| <input type="checkbox"/> No         | 2  |
| <input type="checkbox"/> Don't know | 99 |
- ONLY IF Q2=1**
3. In general, how often do you – or your financial adviser on your behalf – 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 |
4. What is the most important issue facing you as an investor today?
- 
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> Don't know | 99 |
|-------------------------------------|----|
- [SKIP to Q14 if Q2=2]

## Investor Behaviour [Most Recent Investment]

### ONLY IF Q2=1

5. Thinking back to your **most recent** financial investment, how did you become aware of the opportunity?
- |   |                 |
|---|-----------------|
| <input type="checkbox"/> Someone approached you with this investment opportunity directly | 1 [con't to Q6] |
| <input type="checkbox"/> You came across this investment opportunity on your own          | 2 [skip to Q7]  |
| <input type="checkbox"/> Don't know   | 99              |

### ONLY Q5 = 1 [Someone approached you with this opportunity directly]

6. Who told you about your **most recent** financial investment? [skip to Q8]
- |  |    |
|--|----|
| <input type="checkbox"/> My regular financial adviser / stock broker | 1  |
| <input type="checkbox"/> Another person from the financial industry  | 2  |
| <input type="checkbox"/> Someone I work with                         | 3  |
| <input type="checkbox"/> Family member                               | 4  |
| <input type="checkbox"/> Friend                                      | 5  |
| <input type="checkbox"/> Neighbour                                   | 6  |
| <input type="checkbox"/> Acquaintance                                | 7  |
| <input type="checkbox"/> Other, please specify _____                 | 8  |
| <input type="checkbox"/> Don't know                                  | 99 |

**ONLY Q5 = 2 [You came across this opportunity]**

7. How did you become aware of your **most recent** financial investment? [continue to Q8]
- |   |    |
|---|----|
| <input type="checkbox"/> Television   | 1  |
| <input type="checkbox"/> Newspaper  | 2  |
| <input type="checkbox"/> Radio  | 3  |
| <input type="checkbox"/> Internet   | 4  |
| <input type="checkbox"/> Company prospectus or investment marketing materials | 5  |
| <input type="checkbox"/> Other, please specify _____                          | 6  |
| <input type="checkbox"/> Don't know   | 99 |

**ONLY IF Q2=1**

8. Again, thinking of your **most recent** investment, did you personally research this investment before you bought it?
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> Yes        | 1  |
| <input type="checkbox"/> No         | 2  |
| <input type="checkbox"/> Don't know | 99 |

**ONLY IF Q2=1**

9. How soon after you learned about the investment opportunity, did you invest?
- |  |    |
|--|----|
| <input type="checkbox"/> As soon as I heard about it         | 1  |
| <input type="checkbox"/> After taking time to think about it | 2  |
| <input type="checkbox"/> Don't know                          | 99 |

**ONLY IF Q2=1**

10. Were you told that if you don't act immediately, you may miss a good investment opportunity?
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> Yes        | 1  |
| <input type="checkbox"/> No         | 2  |
| <input type="checkbox"/> Don't know | 99 |

**ONLY IF Q2=1**

11. Please indicate if you agree or disagree with the following statement: I am very familiar with my most recent investment and could explain the risk and benefits to someone else **in detail**.
- |   |   |
|---|---|
| <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 |

## Investor Success Factors

**ONLY IF Q2=1**

12. When was the last time you thoroughly reviewed the level of risk you're willing to take with your investments?
- |  |   |
|--|---|
| <input type="checkbox"/> Within the last year                              | 1 |
| <input type="checkbox"/> Within the past two years                         | 2 |
| <input type="checkbox"/> Within the past five years                        | 3 |
| <input type="checkbox"/> More than five years ago                          | 4 |
| <input type="checkbox"/> I have not reviewed the risk I am willing to take | 5 |

**ONLY IF Q2=1**

13. Please indicate if you agree or disagree with the following statement:  
I understand how risky each of my investments are today.
- |  |    |
|--|----|
| <input type="checkbox"/> Strongly agree    | 1  |
| <input type="checkbox"/> Somewhat agree    | 2  |
| <input type="checkbox"/> Somewhat disagree | 3  |
| <input type="checkbox"/> Strongly disagree | 4  |
| <input type="checkbox"/> Don't know        | 99 |
14. Do you have a regular financial adviser and if so, how long have you had your current adviser?
- |  |    |
|--|----|
| <input type="checkbox"/> No regular financial adviser                                  | 1  |
| <input type="checkbox"/> Yes, less than a year   | 2  |
| <input type="checkbox"/> Yes, between 1 and 5 years                                    | 3  |
| <input type="checkbox"/> Yes, between 6 and 10 years                                   | 4  |
| <input type="checkbox"/> Yes, more than 10 years                                       | 5  |
| <input type="checkbox"/> I usually have a financial adviser, but I do not have one now | 6  |
| <input type="checkbox"/> Don't know  | 99 |
15. Do you have a financial plan that includes clear investment goals?
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> Yes        | 1  |
| <input type="checkbox"/> No         | 2  |
| <input type="checkbox"/> Don't know | 99 |

**Investment Knowledge**

16. When you **independently investigate** investment opportunities, where do you primarily get your information?
- |   |    |
|---|----|
| <input type="checkbox"/> Television   | 1  |
| <input type="checkbox"/> Newspaper  | 2  |
| <input type="checkbox"/> Radio  | 3  |
| <input type="checkbox"/> Internet   | 4  |
| <input type="checkbox"/> Company prospectus or investment marketing materials       | 5  |
| <input type="checkbox"/> Other, please specify _____                                | 6  |
| <input type="checkbox"/> I don't independently investigate investment opportunities | 7  |
| <input type="checkbox"/> Don't know   | 99 |
17. Which of these investments are pretty much like cash in hand?
- |   |    |
|---|----|
| <input type="checkbox"/> Savings accounts | 1  |
| <input type="checkbox"/> Treasury bills   | 2  |
| <input type="checkbox"/> Both             | 3  |
| <input type="checkbox"/> Neither          | 4  |
| <input type="checkbox"/> Don't know       | 99 |
18. When making investment decisions, the most important thing is:
- |   |    |
|---|----|
| <input type="checkbox"/> Market timing                | 1  |
| <input type="checkbox"/> Buying and selling regularly | 2  |
| <input type="checkbox"/> Diversification              | 3  |
| <input type="checkbox"/> None of the above            | 4  |
| <input type="checkbox"/> Don't know                   | 99 |
19. Generally speaking, investments that offer higher than average rates of return have a higher than average level of risk.
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> True       | 1  |
| <input type="checkbox"/> False      | 2  |
| <input type="checkbox"/> Don't know | 99 |

## Investment Confidence

20. 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 |

## Experience with Investment Fraud

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.

### [All Respondents]

21. From what you have read, seen or heard, which of the following do you think is an indicator 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"/> Guarantee 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</i>  | 98 |
| <input type="checkbox"/> <i>None of the above</i>   | 99 |

### [ALL RESPONDENTS EXPECT QUEBEC]

In fact, all of the options listed before are red flags that may indicate an attempted fraud with the exception of the \$100,000 guarantee in some cases. A very limited number of investments are insured by the Canadian Deposit Insurance Corporation. All the rest are possible indications of fraud.

### [Only QUEBEC]

In fact, all of the options listed before are red flags that may indicate an attempted fraud with the exception of the \$100,000 guarantee in some cases. For Quebec residents, a very limited number of investments are insured by the Canadian Deposit Insurance Corporation and the Deposit Insurance Fund of Quebec. All the rest are possible indications of fraud.

22. 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"/> <i>Yes</i>        | 1                |
| <input type="checkbox"/> <i>No</i>         | 2 [skip to Q35]  |
| <input type="checkbox"/> <i>Don't know</i> | 99 [skip to Q35] |
23. How many times do you think someone has attempted to defraud you through an investment scam?
- |   |                      |
|---|----------------------|
| <input type="checkbox"/> <i>Once</i>              | 1 [skip to Q24]      |
| <input type="checkbox"/> <i>Twice</i>             | 2 [skip to Q24]      |
| <input type="checkbox"/> <i>Three times</i>       | 3 [skip to Q24]      |
| <input type="checkbox"/> <i>Four times</i>        | 4 [skip to Q24]      |
| <input type="checkbox"/> <i>Five times</i>        | 5 [skip to Q24]      |
| <input type="checkbox"/> <i>More than 5 times</i> | 6 [continue to Q23b] |
| <input type="checkbox"/> <i>Don't know</i>        | 99                   |

- 23b. Of these investment fraud attempts, how much came from email spam?
- |  |                 |
|--|-----------------|
| <input type="checkbox"/> All attempts were from email spam         | 1 [skip to Q25] |
| <input type="checkbox"/> Most attempts were from email spam        | 2               |
| <input type="checkbox"/> Some attempts were from email spam        | 3               |
| <input type="checkbox"/> None of the attempts were from email spam | 4               |

Thinking of the most recent fraudulent investment opportunity you've been approached with ...

24. How were you introduced to the most recent investment fraud?
- |  |    |
|--|----|
| <input type="checkbox"/> Introduced to fraud over the internet   | 1  |
| <input type="checkbox"/> Stranger called me over the telephone   | 2  |
| <input type="checkbox"/> Stranger came to front door   | 3  |
| <input type="checkbox"/> Introduced to fraud artist through friend, neighbour, coworker or family member | 4  |
| <input type="checkbox"/> Recommended by financial adviser  | 5  |
| <input type="checkbox"/> Other [Please Specify]  | 88 |
| <input type="checkbox"/> Don't know  | 99 |

25. How would you describe the level of trust you developed 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 |

26. Once you realized this most recent investment opportunity was fraudulent, did you report it to the authorities?
- |                                     |                     |
|-------------------------------------|---------------------|
| <input type="checkbox"/> Yes        | 1 [skip to Q28]     |
| <input type="checkbox"/> No         | 2 [continue to Q27] |
| <input type="checkbox"/> Don't know | 99                  |

27. Why didn't you report it to the authorities? **[OPEN]**

28. Have you ever invested money in the fraudulent investment?
- |                                     |                      |
|-------------------------------------|----------------------|
| <input type="checkbox"/> Yes        | 1 [continue to Q29]  |
| <input type="checkbox"/> No         | 2 [continue to Q34]  |
| <input type="checkbox"/> Don't know | 99 [continue to Q34] |

In order to help the Canadian Securities Administrators develop new programs to protect investors, hearing about your personal experience with investment fraud is very important.

Again, your answers to the following questions will be kept completely confidential and used only when grouped with other participant responses for statistical purposes.

29. How much money did you invest in this most recent investment fraud?
- |  |    |
|--|----|
| <input type="checkbox"/> Less than \$1,000             | 1  |
| <input type="checkbox"/> Between \$1,000 and \$5,000   | 2  |
| <input type="checkbox"/> Between \$5,000 and \$10,000  | 3  |
| <input type="checkbox"/> Between \$10,000 and \$25,000 | 4  |
| <input type="checkbox"/> More than \$25,000            | 5  |
| <input type="checkbox"/> Don't Know                    | 99 |

30. Did you recover any of your money from this 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
31. Did you tell your friends or family about this most recent investment fraud?
- Yes 1 [continue to Q32]
  - No 2 [skip to Q33]
  - Don't know 99 [skip to Q33]
32. Please indicate if you agree or disagree with the following statement:  
Some of my friends or family seem to feel this most recent investment fraud experience was at least partially my own fault.
- Strongly agree 1
  - Somewhat agree 2
  - Somewhat disagree 3
  - Strongly disagree 4
  - Don't know 99
33. How many times have you been a victim of an investment fraud?
- Once 1
  - Twice 2
  - Between three and five times 3
  - More than 5 times 4
34. Please check if you were experiencing any of the following events the last time you were approached with a fraudulent investment:
- a. Starting a new job
- Yes 1
  - No 2
  - Don't know 99
- b. Losing your old job
- Yes 1
  - No 2
  - Don't know 99
- c. Getting married
- Yes 1
  - No 2
  - Don't know 99
- d. Getting divorced or separated
- Yes 1
  - No 2
  - Don't know 99
- e. Just retired
- Yes 1
  - No 2
  - Don't know 99



f. Within a year of retirement	
<input type="checkbox"/> Yes	1
<input type="checkbox"/> No	2
<input type="checkbox"/> Don't know	99
g. Within 5 years of retirement	
<input type="checkbox"/> Yes	1
<input type="checkbox"/> No	2
<input type="checkbox"/> Don't know	99
h. New child	
<input type="checkbox"/> Yes	1
<input type="checkbox"/> No	2
<input type="checkbox"/> Don't know	99
i. Death of a loved one	
<input type="checkbox"/> Yes	1
<input type="checkbox"/> No	2
<input type="checkbox"/> Don't know	99
j. Received an financial windfall (inheritance, insurance payout, etc.)	
<input type="checkbox"/> Yes	1
<input type="checkbox"/> No	2
<input type="checkbox"/> Don't know	99

## Precursor Values

For each of these 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>Somewhat disagree</i> | 3  |
| <input type="checkbox"/> <i>Strongly disagree</i> | 4  |
| <input type="checkbox"/> <i>Don't know</i>        | 99 |

[RANDOMIZE]

### It Could be Me

- 35. I am just as likely to be a victim of investment fraud as anyone else.
- 36. Investment fraud is common in my province.
- 37. It is important for people to report even the suspicion that someone has approached them with an investment fraud.

### Investing Skills Attitudes

- 38. I am confident about where I should look for information to check out investment opportunities.
- 39. You should never make an investment without doing independent research on any new investment opportunity.
- 40. Having a financial plan is important for people like me.
- 41. Whether you contribute to a pension plan or save some other way, it is important to build up your own personal savings and investments.

### Fraud Related Attitudes

- 42. One of the best ways to make money in the stock market is to look for inside tips.
- 43. The only way to make good returns in the stock market is to make risky investments.
- 44. If you don't act immediately on a new investment opportunity you have recently heard about, you may miss a good opportunity.
- 45. When it comes to making an investment, I completely rely on the advice of my advisers.
- 46. I am worried I do not have enough savings to meet all my financial needs.

### Beliefs About Other Investors (e.g. Blame the victim)

- 47. If someone gets ripped off by an investment fraud, they have only themselves to blame.
- 48. It is the responsibility of the individual to acquire the skills they need to make sound investment decisions.

### Non Investors Only

- 49. I plan to make investments in the future.

[END BATTERY]

## Risk Factors and Additional Assets

Finally, we have a few questions that will allow us to group similar people together when we analyse the results. Once you complete these questions, you will be automatically entered in our draw.

50. How often do you purchase goods and services over the internet or telephone?
- |   |   |
|---|---|
| <input type="checkbox"/> Several times a week   | 1 |
| <input type="checkbox"/> Several times a month  | 2 |
| <input type="checkbox"/> At least once a month  | 3 |
| <input type="checkbox"/> Every couple of months | 4 |
| <input type="checkbox"/> At least once a year   | 5 |
| <input type="checkbox"/> Less than once a year  | 6 |
| <input type="checkbox"/> Never                  | 7 |
51. How often do you enter contests, lotteries or sweepstakes?
- |   |   |
|---|---|
| <input type="checkbox"/> Several times a week   | 1 |
| <input type="checkbox"/> Several times a month  | 2 |
| <input type="checkbox"/> At least once a month  | 3 |
| <input type="checkbox"/> Every couple of months | 4 |
| <input type="checkbox"/> At least once a year   | 5 |
| <input type="checkbox"/> Less than once a year  | 6 |
| <input type="checkbox"/> Never                  | 7 |
52. Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?
- |   |   |
|---|---|
| <input type="checkbox"/> People can be trusted    | 1 |
| <input type="checkbox"/> You can't be too careful | 2 |
53. How many years have you lived in your community?
- |   |   |
|---|---|
| <input type="checkbox"/> Less than one year     | 1 |
| <input type="checkbox"/> One to five years      | 2 |
| <input type="checkbox"/> Six to ten years       | 3 |
| <input type="checkbox"/> Eleven to twenty years | 4 |
| <input type="checkbox"/> More than twenty years | 5 |
| <input type="checkbox"/> All my life            | 6 |
54. We would now like to ask you about your IMMEDIATE NEIGHBORS. These are the 5 or 10 households that live closest to you. About how often do you talk to or visit with your immediate neighbors?
- |  |    |
|--|----|
| <input type="checkbox"/> Just about everyday   | 1  |
| <input type="checkbox"/> Several times a week  | 2  |
| <input type="checkbox"/> Several times a month | 3  |
| <input type="checkbox"/> Once a month          | 4  |
| <input type="checkbox"/> Several times a year  | 5  |
| <input type="checkbox"/> Once a year or less   | 6  |
| <input type="checkbox"/> Never                 | 7  |
| <input type="checkbox"/> Don't know            | 99 |
55. How active are you in any community, social, religious or cultural groups?
- |  |   |
|--|---|
| <input type="checkbox"/> I am not currently active in any groups                 | 1 |
| <input type="checkbox"/> I participate once a month or less in group activities  | 2 |
| <input type="checkbox"/> I participate several times a month in group activities | 3 |
| <input type="checkbox"/> I participate once a week or more in group activities   | 4 |
56. Do you own any real estate property, including your home?
- |   |   |
|---|---|
| <input type="checkbox"/> Yes - own my home                        | 1 |
| <input type="checkbox"/> Yes - own other real estate property     | 2 |
| <input type="checkbox"/> Yes - both my home AND other real estate | 3 |
| <input type="checkbox"/> No                                       | 4 |

## Attitudes towards Provincial Regulator

57. Is there a provincial agency responsible for regulating financial investments in your province?
- |                                     |    |
|-------------------------------------|----|
| <input type="checkbox"/> Yes        | 1  |
| <input type="checkbox"/> No         | 2  |
| <input type="checkbox"/> Don't know | 99 |
58. 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"/> Very Familiar                               | 1 [continue to Q59] |
| <input type="checkbox"/> Somewhat Familiar                           | 2 [continue to Q59] |
| <input type="checkbox"/> Not Very Familiar                           | 3 [continue to Q59] |
| <input type="checkbox"/> I had not heard of that agency before today | 4 [skip to Q61]     |
59. Do you have a favourable or unfavourable impression of the INSERT AGENCY NAME?
- |  |    |
|--|----|
| <input type="checkbox"/> Very favourable                     | 1  |
| <input type="checkbox"/> Somewhat favourable                 | 2  |
| <input type="checkbox"/> Neither favourable nor unfavourable | 3  |
| <input type="checkbox"/> Somewhat unfavourable               | 4  |
| <input type="checkbox"/> Very unfavourable                   | 5  |
| <input type="checkbox"/> Don't know                          | 99 |
60. Please tell me 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"/> True       | 1  |
| <input type="checkbox"/> False      | 2  |
| <input type="checkbox"/> Don't know | 99 |
- Here is a list of things the INSERT AGENCY NAME might do. Please tell me 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           | 6 |
61. Set the rules for the province's investment industry.
62. Ban anyone from selling investments who breaks the rules.
63. Jail anyone who breaks the rules.
64. Educate investors so they can better protect themselves against fraud.

[END BATTERY]

65. While we all live in Canada, many of us have unique and different heritages.

How would you BEST describe your cultural roots OR ethnic background?  
[select all that apply]

- Canadian
- Afghan
- African
- American
- Armenian
- Australian
- Bosnian
- Chinese
- Croatian
- Dutch
- Eastern European
- English
- FilCSA Investor Indexno
- First Nations/Aboriginal/Metis
- French
- German
- Greek
- Hungarian
- Indian/Hindu
- Indian/Muslim
- Irish
- Italian
- Jamaican
- Japanese
- Jewish
- Kurdish
- Latin American
- Lebanese
- Middle Eastern (Arab/Saudi/Iraqi)
- New Zealander
- Pakistani
- Palestinian
- Persian/Iranian
- Polish
- Portuguese
- Russian
- Scandinavian
- Scottish
- Serbian
- Sikh
- South American
- Southeast Asia (Vietnamese/Thai/Cambodian)
- Spanish
- Trinidadian
- Turkish
- Ukrainian
- Welsh
- Other [Please specify]
- Don't know

# Appendix B: Open-ended Coding

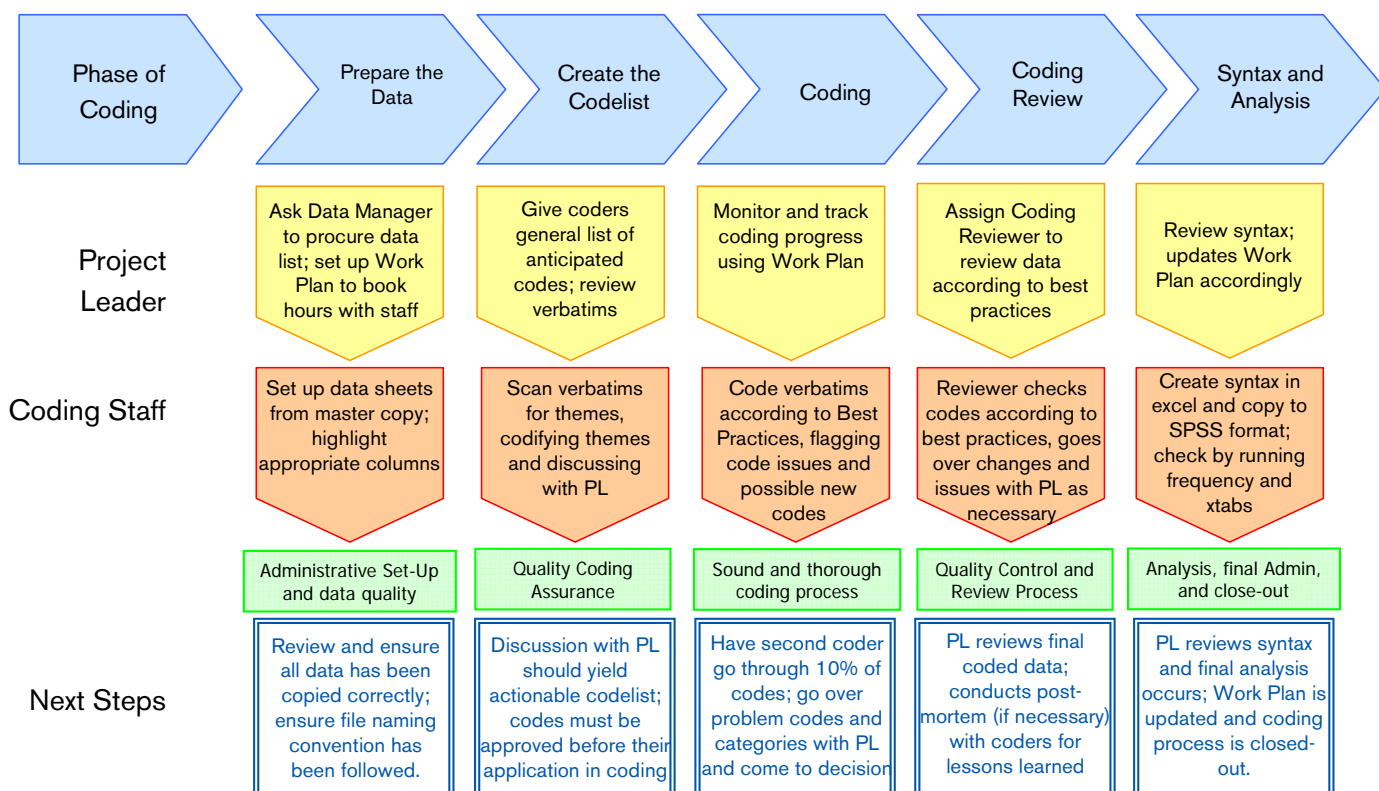
Written comments (also commonly referred to as open-ended comments) give the survey participant an opportunity to provide additional information about survey topics as well as an opportunity to discuss issues which do not appear on the survey. As such, they can provide additional insight when understanding the results of a survey.

We deal with open-ended question in three ways: first, we record them as verbatim responses; second, develop a code list; and third, we code them.

1. Verbatim comments are keyed directly by the respondent due to the online nature of the study.
2. The process of developing the categories is usually referred to as code design.
3. Coding is essentially the process of assigning the comments into categories.

During the process of code design, a number of comments are read and a category list is created. The number of comments to read depends on the number of surveys you have with comments. For example, if there were 100 comments, you should read each one. If you have 10,000, a sample of comment is usually randomly selected. However, all 7,310 comments recorded in the *CSA Investor Index Survey* were coded.

Research project leaders and coding staff at INNOVATIVE follow the coding process as illustrated below:



Once the data coding process is completed, the coding is signed off by the coding staff, and reviewed in a similar fashion by the project leader, who gives final approval on the coding. At this point, the coded data is then analyzed as we would analyze other quantitative data.