Investor ALERT: When you receive a letter from your dealer....

Introduction

Investors receive many documents from their investment dealers. Not all documents are of equal importance. INVESTORS BEWARE: some documents are Red flags and investors should review these documents with special attention and care.

The problem – Red flags

We often read something like the following in regulatory sanction decision documents:

> *"On November 14, 2017, the Member sent a letter with a 3-year transactional summary to all clients serviced by the Respondent. The Member requested that the clients review their transaction summaries to ensure that the trading activity was completed as directed and to report any inconsistencies by December 14, 2017.* ***No clients have reported any concerns."***

What this text is literally saying is that no investor reported any concerns about any transactions that were made in their account. It could simply mean that investors didn't respond or did not understand what an *inconsistency* means. It could be a red flag.

The above quotation, or similar wording, can also be interpreted to mean:

> "We asked clients to review their transaction summaries and check that they had in fact approved these transactions and all these clients failed to raise any concerns. As a result we interpret the investors non-response as saying, "yes, we had approved all transactions in those summaries. ".

The investor's dilemma

An investor cannot be sure exactly what the wording in the regulatory sanction decision document actually means.

It could mean that a recipient of such a letter from their dealer is not aware that the dealer is investigating her/his advisor or that regulators are investigating the dealer and /or

advisor.

It could be the investor didn't understand the red flag when they received this document from their dealer, or was simply too busy to respond or didn't think it was important to respond.

It is our experience that retail investors do not fully appreciate why the dealer sent them the letter.

We anticipate that many investors will receive similar Red flag documents in the weeks, months and even years to come. When a down market occurs, problems with advice and investment advisors are more likely to come to the attention of investment dealers and, as a result, these types of letters are more common.

Any letter received from your dealer requesting you to review your account is a huge Red flag.

When an investor receives a document like this, it is entirely reasonable to assume the dealer or regulator has uncovered some wrongdoing or suspicious acts by the advisor or the dealer.

The dealer is asking you to identify any questionable transactions and given you 30 days to spot and report them. If you don't report anything, the dealer may assume you are comfortable with the transactions. This could be used against you in the event you file a complaint in the future.

When you receive such a letter

These types of letters should be considered as warnings that the people you trust with your nest egg have very likely done something wrong including one or more of the following things:

 Broken a dealer rule or securities regulation

 Bought or sold something without your permission

 Changed information about you (KYC) that permitted (and could permit future mis-selling) an unsuitable transaction

- Forged your signature on a document

The advisors' errors or wrongdoings could have resulted in you owning an unsuitable investment, paying commissions for trades you didn't need to make or even signing you up for an investment loan you neither want nor need. Many investors are not aware of such errors and wrongdoings. Often the advisor's error is explained away as "its just the markets". Investors should look further into the cause of their financial losses.

Recommended Investor Actions

First review all documents that suggest you may be approving past actions and decisions by your financial advisor's action.

In effect, there has been a breach of trust. You and your investments were and may still be in harm's way.

Not only should you carefully review your account and question the dealer directly why you have received this letter, you should also request a meeting with your advisor and their immediate supervisor.