

WHAT CLIENTS ARE BEING TOLD ABOUT CHOOSING AND WORKING WITH INVESTMENT ADVISORS

On January 18, 2010 the British Columbia Securities Commission issued an expanded and updated guide for investors regarding how to work with their investment advisors. This document provides useful insights into the client perspective on the client and advisor relationship.

The guide provides some good general advice for investors about identifying their own objectives and choosing the type of advisory service (for example, discount, full service or financial planning) which will be most appropriate. Unfortunately, the guide does not include a significant discussion of risk or how an investor can avoid developing unrealistic expectations.

The guide has a section devoted to choosing an investment advisor. Much of the advice is focused upon confirming that any potential advisor is registered and does not have a history of serious disciplinary problems. There is relatively little advice given regarding how to gain an understanding of the potential investment advisor's investing philosophy. However, there is a good emphasis on the ability of a potential investment advisor to explain concepts in an understandable way.

The guide includes a very useful section on how to work with an investment advisor on an ongoing basis. The guide recommends that investors keep their advisor informed about changes to financial situation, investment goals and risk tolerances. It is recommended that investors read all materials provided and ask questions until the investor fully understands each investment. It is made clear that the role of the investment advisor is to give advice and the investor must then consider that advice and make a decision.

The guide advises investors to keep in touch with their advisors and to pay attention to statements and other materials received from an advisor.

The guide also includes a section which assists investors in collecting information regarding suitability and coming to their own conclusions regarding suitability.

Overall, the guide may be a useful tool for investors to use in choosing an investment advisor. The guide will help investors understand what to expect from their advisors and, although the guide could be more explicit on this point, the guide may help reduce the frequency of clients of investment dealers having unrealistic expectations. Where an investment advisor is having difficulty managing client expectations it may be worthwhile for the investment advisor to refer a client to the guide. The guide can be located on the website of the British Columbia Securities Commission under the heading of News and Publications.



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BROKERS' REPORT

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IIROC AND TAUB SETTLE

Disciplinary proceedings commenced by the IDA and continued by IIROC against Stephen Taub have come to an end. The allegations against Mr. Taub dated back to the 1998 to 2003 period, but enforcement proceedings were delayed by steps taken by Mr. Taub to challenge the jurisdiction of the IDA on the basis that by the time the proceedings were undertaken Mr. Taub had left the industry and was no longer approved by the IDA. In September of 2009 the Ontario Securities Commission confirmed the continuing jurisdiction of the IDA (then IIROC) to enforce its rules against individuals who were under IDA jurisdiction at the time of the alleged infraction. By notice dated January 27, 2010 IIROC has confirmed that a settlement has been approved with Mr. Taub. Under the settlement, Mr. Taub has agreed to pay a penalty of \$50,000, costs of \$15,000 and to accept a permanent ban from registration approval with any IIROC member.

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