

# **FAIR Canada's Accountability Report: 2014-2017**

## **A WATERSHED MOMENT**

**FAIR**

Canadian Foundation for  
Advancement of Investor Rights  
Fondation canadienne pour l'avancement  
des droits des investisseurs

July 1, 2014 to June 30, 2017

# ABOUT FAIR CANADA

*The Canadian Foundation for the Advancement of Investor Rights is an independent, national, charitable organization.*

## Our mission

FAIR Canada's mission is to be a catalyst for enhancing the rights of Canadian shareholders and individual investors, including being a national voice for investors in securities regulation.

## Advancing investor interests

FAIR Canada is committed to advancing investor interests and the fairness of the capital markets in many different ways. We identify investor concerns and emerging issues, and bring them to the attention of stakeholder groups and the public.

FAIR Canada communicates with regulators and governments, and, through our research and analysis, provides professional and balanced input into the policy-making process.

We have hosted conferences in areas that are key to investor protection and participate in external conferences and roundtables. FAIR Canada also publishes research reports, partners with other organizations on key initiatives and communicates with a broad spectrum of stakeholders through a monthly newsletter, social media, podcasts and video.

FAIR Canada is recognized as a leading advocate for investors and has been called upon to provide comments and insight to the media, ranging from the CBC to The Globe and Mail to the Business News Network.

## 2014 to 2017 FAIR Canada Statistics

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**Over 200 mentions in the written press**



**Over 15 appearances on TV broadcasts**



**2 appearances on radio**



**71 submissions and reports to regulators and governments**



**Hosted 3 conferences**

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# MESSAGE FROM THE CHAIR

## A Watershed Moment *FAIR Canada Then and Now*

FAIR Canada was founded in 2008, based on a simple realization on the part of regulators: shareholders and consumers of financial products and services lacked a voice in securities regulation. The enlightened boards of directors of industry SROs—Market Regulation Services (RS) and the Investment Dealers Association of Canada (IDA)—agreed to provide the initial funding to create a voice for investors through money collected from fines. The Investment Industry Regulatory Organization of Canada (“IIROC”), the Ontario Securities Commission (“OSC”) and The Jarislowsky Foundation then came forward to provide additional funding.

In the nearly 10 years since our founding, we have acted as a vital representative of investors in a system that has traditionally put industry interests ahead of the individual consumers who rely on it for their financial security.

Over the last three years, we have been at the forefront of regulatory discussion and action on vital issues such as the cost of advice, the need for a statutory best interest standard, transparency around fees and commissions, the removal of conflicted compensation and the role of investor issues at the new Cooperative Capital Markets Regulator as it develops and emerges.

I cannot overstate the importance of investor rights in today’s financial markets—Canadians who are not well served with financial advice and planning could become tomorrow’s seniors without the means to support themselves in retirement. This has serious economic and social implications—the Broadbent Institute reported that the rate of poverty among seniors has increased from a low of 3.9% in 1995 to 11.1% in 2013.

A trusted relationship that is not misplaced between savers and the industry that serves them is a critical ingredient for healthy markets—and Canadian society.

In order for changes to occur, key players in the future will need to work together and leverage their knowledge and expertise to understand the needs of segments of investors, like seniors. FAIR Canada’s future as a small organization lies in listening to investors and their concerns and ensuring that the touchpoints are in place to truly respond.

We are at a defining moment in securities regulation in Canada as we seek to ensure that it protects and meets the needs of all investors. There are potentially major reforms (best interest, conflicted compensation) in play at a time when some provincial regulators may be replaced by a proposed new regulator that has not yet shown itself to be focused on the protection of investors.

I am proud of FAIR Canada and the role it has played in getting us to this watershed point—and I am confident in our ability to continue to carry the voice of investors into the future and ensure they are always at the table in creating the kind of capital markets that will help Canada thrive in the years ahead.

To that end, I would like to thank the OSC, IIROC, The Jarislowsky Foundation, The Law Foundation of Ontario and a few enlightened financial institutions that enable us to continue our hard work. Without them, we would not be able to move the dial and advocate on behalf of Canadian financial consumers.



Ermanno Pascutto  
Chair, Board of Directors  
FAIR Canada



# MESSAGE FROM THE INCOMING EXECUTIVE DIRECTOR

## A National Voice for Investors

I am honoured to be appointed Executive Director of FAIR Canada. I am pleased to join the FAIR Canada team at such a pivotal time in securities regulation for shareholders, individual investors and financial consumers in Canada.

As a former securities lawyer and a government policy advisor, I have witnessed FAIR Canada's ability to bring the investor's voice to the table and contribute meaningfully to effective policy-making and regulation by Canadian securities regulators, self-regulatory organizations and governments.

Today, the need for FAIR Canada to be a national voice for investors at the forefront of policy and regulatory developments is more acute than ever. FAIR Canada puts investors first and is a dedicated advocate for investor protection in all its activities, including:

- advancing a statutory best interest standard to better align the interests of dealers and their representatives with retail investors;
- calling for a ban on conflicted compensation structures that lead to poor advice;
- seeking key investor protections in the governance and legislation of the Cooperative Capital Markets Regulatory System;
- supporting binding decision-making authority for the Ombudsman for Banking Services and Investments so that financial consumers obtain a fair resolution of their complaints;
- monitoring and analyzing from an investor protection perspective emerging issues, such as initial coin offerings;
- arguing for the interests of minority investors; and
- speaking out on other critical regulatory policy issues affecting retail investors, individual shareholders and financial consumers.

FAIR Canada, in partnership with the Canadian Centre for Elder Law, recently published a vulnerable investor report providing recommendations on education and training, a conduct protocol and a legal safe harbour to combat elder financial abuse and address diminished mental capacity. Earlier this year, FAIR Canada and CARP jointly called

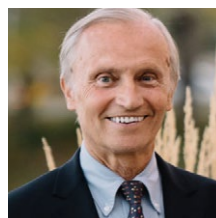
for major investor-focused changes to the Cooperative Capital Markets Regulator in a white paper—"What About the Investors?"—prepared by Professor Anita Anand at FAIR Canada's request. In September, FAIR Canada, in partnership with Osgoode Hall Law School, launched Canada's first Investor Protection Clinic and Living Lab, which provides free legal advice to people who believe their investments were mishandled and cannot afford a lawyer.

Going forward, FAIR Canada will strive to take advantage of similar types of partnerships to more effectively advocate for investors and influence policy development. FAIR Canada will also focus on the Strategic Priorities 2017 to 2020 created by our Board of Directors, including funding efforts, which remain a key priority for us.

FAIR Canada is grateful to all of its donors during the three fiscal years covered by this report, including generous donations from The Jarislowsky Foundation, Ontario Securities Commission, The Law Foundation of Ontario, the Investment Industry Regulatory Organization of Canada and certain financial institutions. We will continue to work on meeting the challenge of securing matching funding under the terms of The Jarislowsky Foundation's donation. We are optimistic that FAIR Canada's fundraising efforts will strike a responsive chord with potential Canadian corporate, institutional and individual donors.

I appreciate the confidence of the members of the Board of Directors and thank them for their support. I also wish to acknowledge the Chair, Ermanno Pascutto, for his advice and efforts when the Executive Director position was vacant.

As we approach our 10th anniversary, I am proud to be a part of the small, passionate and highly skilled team at FAIR Canada committed to being a national voice for investors.



Frank Allen  
Executive Director  
FAIR Canada

# OUR TOP ACHIEVEMENTS: 2014-2017

Since it was founded, FAIR Canada has advocated for the rights and financial well-being of Canadian investors. The past 3 fiscal years were no exception.

## Our top achievements:

### Preventing Investment Fraud – To Whom Can Canadians Turn?

FAIR Canada's research has drawn attention to the problem of investment fraud in Canada. Our report, "A Canadian Strategy to Combat Investment Fraud," included a recommendation for a rewards-based whistleblower program. FAIR Canada's research contributed to the discussion that led to the creation of the OSC's Whistleblower Program in 2016.

### Creating an Investor Protection Clinic – Filling an Access to Justice Gap

Investors in Canada have long had trouble getting access to effective redress when something goes wrong. While not immediately apparent to many, there is a significant gap in knowledge and in access to justice, and to effective compensation mechanisms for investors in Canada, especially for vulnerable investors. We recognized this gap and addressed it by working to establish an Investor Protection Clinic, the first of its kind in Canada, in partnership with Osgoode Hall Law School (and with funding from the Law Foundation of Ontario Access to Justice Fund).

### Protecting Vulnerable Investors – Addressing Elder Abuse, Financial Exploitation, Undue Influence and Diminished Mental Capacity

What should the financial services sector be doing to address elder financial exploitation and issues related to declining cognitive function? This question has led FAIR Canada to conduct research in partnership with the Canadian Centre for Elder Law (with funding from the Law Foundation of Ontario Access to Justice Fund). The research is directed at developing a conduct protocol and corresponding legal safe harbour to protect vulnerable investors in situations where financial elder abuse or financial exploitation is suspected or when the investor no longer appears to have the mental capacity necessary to make financial decisions about their investments due to dementia or other forms of diminished mental capacity.

### Acting in the Client's Best Interest – Putting Investors First

FAIR Canada has been a leader in calling for a statutory best interest standard to ensure that financial advisors and dealers work in each of their client's best interest rather than their own. We have been outspoken about the need to remove embedded commissions and remove other misaligned incentives that flow from conflicted compensation arrangements so that objective, professional advice can be provided. FAIR Canada has been interviewed on these issues by several media professionals, including Erica Johnson of CBC's Go Public and Amanda Lang of Bloomberg TV Canada.



### Introducing the Investor Protection Clinic

The Investor Protection Clinic at Osgoode Hall Law School provides free legal advice to people who believe their investments were mishandled and who cannot afford a lawyer. Until now, Canadian investors have not had a place to go for free legal advice. The Investor Protection Clinic fills this void.

The Clinic provides legal advice to people who believe they have suffered an investment loss as a result of someone else's wrongdoing.

Second- and third-year Osgoode Hall Law School students will work under the supervision of lawyers to provide legal advice and assistance, including drafting complaint letters and facta, and negotiating settlements.

Professor Poonam Puri of Osgoode Hall Law School is the Academic Director of the Investor Protection Clinic.

"I am very glad that FAIR Canada and Osgoode Hall have established an investment legal clinic. This is essential, because just about all the advocacy resources appear to be disingenuous...Canadians need much better than this. We need scrupulous honesty in every aspect of securities sales."

— *Individual investor*

### **The Limits of Disclosure – Using Behavioural Insights**

FAIR Canada has highlighted that disclosure is not an adequate investor protection mechanism in the mutual fund industry and exempt market. We have been vocal proponents of using behavioural insights to better understand investor behaviour and improve investor protection. Regulators should examine whether key investor protection mechanisms put into place, such as the risk acknowledgement form in the exempt market, have the desired effect. We have also pointed out research that demonstrates that disclosure of conflicts of interest regarding compensation arrangements (e.g., trailing commissions) does not work, and have called for the results to be integrated into policy formation and decisions.

FAIR Canada organized a conference on the limits of disclosure entitled Does Disclosure Work?—which brought together subject matter experts, industry, investor advocates and regulators to discuss other ways to improve investor protection. Our research on moving beyond disclosure has influenced thinking by securities regulators.

### **Understanding Fees and Performance – What Does it Really Cost to Invest, and Did I Make Any Money?**

FAIR Canada has advocated that investors be provided with information so they know the fees they pay and how their investments have performed. We released a series of videos when new rules were being implemented (through the Client Relationship Model 2) to help investors better understand the contents of their investment statements, including how much they made, what they paid and the impact of costs on their ability to accumulate savings.



### **Public and Private Securities Enforcement: Improving Recovery for Harmed Investors Conference**

FAIR Canada and Osgoode Hall Law School co-hosted a conference in Toronto on October 26, 2015, entitled Public and Private Enforcement: Improving Recovery for Harmed Investors. Panelists discussed topics such as the relationship between public regulatory enforcement and private securities class actions, investor recovery facilitated by securities regulators, and ombudservices.



### **Understanding Your Statements (CRM2)**

How Much You Made and What You Paid – FAIR Canada's Video Series to Explain Your New Annual Investment Statements (CRM2)

### **What is Best Interest?**

Investors need to understand how a best interest standard can help them – and why the status quo is unacceptable and why the suggested reforms (Proposed Targeted Reforms) don't achieve what investors deserve and expect: objective advice from professionals who act in the investor's best interest.

To help, FAIR Canada developed a set of frequently asked questions and answers written in everyday language so investors can learn what a best interest standard means and how we think it can be achieved. We also explain why reforms that have taken place (CRM2) and/or are being suggested by the CSA (Proposed Targeted Reforms) don't suffice and why it's critically important that advisors should have to act in the client's best interest.

# CANADA'S INVESTOR PROTECTION FUTURE: OUR FOCUS AREAS

Investor protection in Canada is at a watershed moment after lagging global peers for decades. Our focus areas show FAIR Canada working at the vanguard of a movement toward new standards and business models that will truly benefit Canadians and have a positive effect on the integrity of our capital markets. Through thoughtful research and analysis, we also aim to improve regulatory structures and frameworks.

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## Whose Interests Do Advisors Really Serve? *Why Canada Needs a Best Interest Standard*

Canadians need access to financial advice that is objective and proficient, not shaped or influenced by conflicts of interest.

### What we have called for

FAIR Canada has been calling for a statutory best interest standard since 2010. We have provided a clear analysis of what a statutory best interest standard means, how it would work and what reforms are needed to achieve it.

Only those individuals with knowledge and expertise—who are not shaped or influenced by conflicts of interest and, therefore, focused on what's best for the investor—should be able to refer to themselves as a professional providing advice (such as an “investment advisor” or a “financial advisor”). Individuals who are unable to comply with a best interest standard because of their business model should instead call themselves a “salesperson.”

A statutory best interest standard accurately reflects what Canadians need and expect when they sit down with an advisor and would foster trust in the advice they receive. It would be a significant step forward for financial consumers in Canada.

FAIR Canada has pressed for a best interest standard during its meetings with regulators and government, through policy submissions, letters and roundtables, and by providing the media with insight and expertise on the issue.



### In the media

Ermanno Pascutto, Chair of FAIR Canada, on CBC's The National speaking about CBC's Go Public Team's investigation of improper sales practices by banks, April 17, 2017

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“FAIR Canada fully supports reforms that will require individual registrants (aka “financial advisors”) and their firms to have a statutory duty to act in their client’s best interests. FAIR Canada calls on the regulators to move forward quickly with a best interest standard which prohibits conflicted remuneration and requires the avoidance of conflicts of interest.”

—*FAIR Canada Open Letter to Canadian Securities Administrators on reports of improper sales practices at Canadian banks, March 31, 2017*

“Titles need to be greatly reduced in number and they need to signal whether there is a SBID [Statutory Best Interest Duty] or not.”

—*FAIR Canada submission to Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives, June 17, 2016*



#### **In the media**

CBC News – ‘A very disheartening day:’ Most of Canada’s regulators abandon plan to put your financial interests first, May 11, 2017

*“We’re very disappointed that the majority of securities regulators in Canada don’t favour Canadians having professional financial advice that’s in their interest,” said Ermanno Pascutto, Chair of FAIR Canada.*

—*Erica Johnson*



#### **In the media**

Investment Executive – **Battle over best interest: Investor Advocates Call on IIROC to support CSA Proposal**, September 2016

*...FAIR Canada would like more clarity from IIROC regarding its claim that it already imposes a best interest duty on advisors, Gross [then Executive Director] says: “We find the comment hard to understand because IIROC members and their advisors have long been allowed to do things that a best interest standard should prohibit—such as utilizing business models in which conflicts of interest are endemic or recommending high-fee products when equally suitable low-fee alternatives are available.”*

—*James Langton*



#### **In the media**

CBC News, Go Public – ‘Canada is in the Dark Ages’: Investment insiders reveal how lax laws put your financial interests last, April 17, 2017

*“Right now, the financial industry is subject to a suitability standard, which is not a very high standard,” said FAIR Canada Chair Ermanno Pascutto.*

—*Erica Johnson*

# Embedded Commissions: Can Canadians Trust the Advice They Get?

## *Fixing the Client-Advisor Relationship*

The Canadian Securities Administrators have stated that the status quo on embedded commissions (also known as trailing commissions) is not working. They give three reasons: embedded commissions raise conflicts of interest; limit investor awareness; and do not align with the services provided to investors.

FAIR Canada agrees that the status quo is unacceptable. The commission-driven sales structure that dominates much of the industry prevents effective competition and has resulted in Canadians paying among the highest mutual fund fees in the world and being placed in funds that underperform. Change is long overdue.

### What we have called for

FAIR Canada has called for updated rules to regulate how financial advice is provided. Until that happens, Canadians are at risk.

Embedded commissions must be banned, while other forms of conflicted compensation structures should also be addressed. Regulators and government should make aligning the interests of advisors and consumers a priority, clearly stating what practices and incentives are not permissible.

“Canadians have been receiving product recommendations driven more by payments their advisor and the dealer will receive, rather than what would be best for the consumer. In addition, investor outcomes and market efficiency are harmed... This is a concern to all Canadians as our economy and society suffers as a result.”

—FAIR Canada submission to Canadian Securities Administrators on option of discontinuing embedded commissions, June 9, 2017



### In the media

Financial Post – **One step closer: Canadian securities watchdogs outline how ban on embedded fees might work**, January 10, 2017

*“We think that there is an abundance of evidence that real harm is being caused to investors and market efficiency... that require regulatory actions,” said Marian Passmore, FAIR Canada Director of Policy and COO.*

—Armina Ligaya

# The Cooperative Capital Markets Regulator: What About the Investors?

FAIR Canada originally took the position that Canada's fragmented and siloed approach to securities regulation was a risk for investors. We believed that a national regulator represented a significant step forward as it would consolidate Canada's patchwork system of provincial and territorial securities regulation and, therefore, enhance and strengthen investor protection in Canada.

We are now concerned that the current proposal – the Cooperative Capital Markets Regulator ("CCMR") or Capital Markets Regulatory Authority ("CMRA") – lacks important investor protection provisions, resulting in an entity that does not appear to make investor protection a priority.

The proposed structure lacks key investor protection mechanisms that were included in the federal government's previous proposal for a national securities regulator in 2011. It lacks key structural elements that would allow investor perspectives to be included in the policy development process. The proposal also lacks substantive elements—such as a rewards-based whistleblower program, a binding dispute resolution and a statutory best interest duty—that reflect current regulatory initiatives and proposals that benefit investors.

## What we have called for

FAIR Canada does not believe the CCMR, as it stands now, is in the interests of investors. Such a major change to the current system of securities regulation should represent an improvement in the investor protection regime in Canada.

We have called for several structural investor protection mechanisms to be implemented in the legislation underpinning the new regulator, including a statutory investor advisory panel, retail investor

representation on the board of directors and an investor office.

We have also called for the new regulator to include a statutory best interest duty in its legislation, to disallow embedded commissions, to establish a national, statutory independent ombudservice with binding decision-making power, and to carry forward key investor protection initiatives, such as the Ontario Securities Commission's whistleblower program (with financial incentives).

FAIR Canada has been proactively bringing attention to the problems with the proposed CCMR. Professor Anita Anand, in her capacity as Special Advisor to the Board of FAIR Canada, wrote a paper—entitled What About the Investors?—which was introduced to the public through a joint press release with CARP and endorsed by several key stakeholder groups.



## In the media

The Globe and Mail – **Canada's new securities regulatory structure is a disservice to investors**, May 31, 2017

*"Sticking out like a sore thumb are questions about who is representing investors' interests given that no statutory investor advisory panel is contemplated and no investor representatives sit on the CCMR board of directors."*

*—Professor Anita Anand, Special Advisor to the Board of FAIR Canada and JR Kimber Chair in Investor Protection and Corporate Governance at the University of Toronto*

# Where Can Wronged Investors Turn for Help?

## *The Need for Enforcement and Consumer Redress*

### **Enforcement**

Enforcement is a vital part of securities regulation and a critical component of investor protection. However, despite multiple levels of regulatory oversight, there remain issues surrounding the effectiveness of enforcement mechanisms and fraud prevention.

### **What we have called for**

FAIR Canada has called for improved enforcement methods and procedures in our policy submissions and meetings with regulators. We advocated for the creation and implementation of a whistleblower program with financial incentives. FAIR Canada provided a thorough and compelling analysis of how and why to create a properly designed whistleblower program that would help deter wrongdoers and help find and punish those who commit violations. A whistleblower program with financial incentives was implemented in Ontario for securities in 2016, marking a significant step toward improving enforcement capabilities.

FAIR Canada has also called on regulators to create a centralized place to collect, track and report on investment fraud complaints, and aggregate information on a national level. The collection of more meaningful reporting of investors' experiences along with statistical information would allow regulators to

understand more fully where fraud occurs, who is at most risk, and how to focus on effective deterrence. What gets measured gets done.

In addition, we have urged for the creation of a fraud fund to compensate victims of fraud who have lost money as a result of wrongdoing by a registrant. Quebec's Autorité des marchés financiers is a leader in having a financial services compensation fund. Other provinces should do so as well.

### **Consumer Redress**

The G20 High-Level Principles on Financial Consumer Protection state: "Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient." In Canada, there is no single, national ombuds service where Canadian investors can go for resolution of their dispute when they believe they have been harmed or wronged from the actions of a financial advisor or dealer.

While we do have the Ombudsman for Banking Services and Investments (OBSI), regulators have not taken action to reform it so that it has binding decision-making authority.

“A properly designed whistleblower program will help combat fraud and other wrongdoing, thereby helping the OSC to fulfill its mandate to protect investors and foster fair and efficient capital markets and confidence in those markets. Such a program will also help the OSC discover and put a stop to wrongdoing early and quickly, thereby minimizing investor losses.”

—FAIR Canada submission to the Ontario Securities Commission on proposed Ontario whistleblower program, January 12, 2016

“While we believe OBSI is operating in accordance with its obligations under the MOU [Memorandum of Understanding], certain governance, structural and operational reforms are needed to improve OBSI’s effectiveness. These reforms are necessary for OBSI to meet international standards for dispute resolution and for our system of dispute resolution to live up to Canada’s G20 obligations.”

—*FAIR Canada comments on Independent Evaluation of Ombudsman for Banking Services and Investments, February 26, 2016*

This has resulted in firms either refusing to pay the redress amount or providing a low-ball offer in lieu of appropriate compensation, which creates an unlevel playing field for consumers.

Although OBSI covers investments in securities, it does not help investors if their investment is deemed to be an insurance-related investment. Life and health insurance complaints are within the purview of the OmbudService for Life and Health Insurance (and there are gaps that need addressing).

#### **What we have called for**

FAIR Canada has called for the creation of one national, independent statutory ombudservice that has binding decision-making authority for all investment complaints, whether they occur in securities, banking, mortgage brokerages or insurance. OBSI should be reformed to ensure it can provide binding decisions, like similar organizations in the U.K., Australia, Malaysia and New Zealand. OBSI’s governance structure must include adequate financial consumer representation.

We have also consulted with consumer-focused stakeholders and discussed reforms in several meetings with government and regulators. We also organized a conference with Osgoode Hall Law School on improving recovery for harmed investors, which included a panel discussion by international experts on recovery for investors through ombudservices. FAIR Canada has provided insight to the media on OBSI and ombudservices.



#### **In the Media**

The Economist, **Whistle While You Work**, July 14, 2016

*“Between 2012 and 2015, 1,205 individuals and companies were prosecuted for securities offences in Canada, but fewer than 40 went to jail, according to FAIR, a lobby group for investor rights.”*



#### **In the Media**

The Globe and Mail, **Canada’s banking ombudsman needs stronger powers, report says**, June 6, 2016

*“Canadian regulators need to turn this around.... They need to devise a workable mechanism for the OBSI process to result in binding decisions, and they need to get that mechanism up and running soon. This can’t wait for another five or 10 years.”*  
(Neil Gross, then Executive Director of FAIR Canada)

—*Janet McFarland*



# Other Areas of Increasing Importance to Investors

## Shareholder Rights

FAIR Canada has called for key reforms to benefit shareholders. We have done so through policy submissions and media, and by working with our academic partners to encourage dialogue on emerging areas of policy research. For example, we partnered with the University of Toronto Faculty of Law and the Canadian Coalition for Good Governance to host a conference on shareholder democracy.

## Alternative Investments and the Expanding Exempt Market

FAIR Canada has also voiced its concern to regulators regarding regulatory changes that grant investors easy access to alternative investment funds. The exempt market is a section of Canada's capital markets where securities can be sold without the protections associated with a prospectus—a document that provides detailed information about the security and the company offering it. We have called on regulators to address the high levels of non-compliance by exempt market participants and to also ensure regulators and the public obtain adequate levels of information about the exempt market.

## The Future: Using Behavioural Insights

FAIR Canada wants to see behavioural insights used to advance investor outcomes. We have frequently brought findings from behavioural economics to the attention of regulators and stakeholders. We have called for regulators to conduct research to test proposed disclosure documents prior to relying on them as well as to take into account findings from behavioural economics in the regulators' proposals (such as proposals to reform the relationship between firms and their registrants and the client). Behavioural economics research and insights should be fully integrated into all stages of the policy formation process, including implementation.

## Technology and Financial Services ("fintech")

Canadian capital markets are being shaped by the dual forces of globalization and technology – both have bred new challenges for securities regulators aiming to protect investors and ensure Canadian markets are competitive. Regulators have been working to develop structures to support fintech innovation in financial markets. FAIR Canada is optimistic about the opportunities that fintech will bring for investor protection, such as more standardized services through automated tools and lower cost investor options.

*“Good public policy is crafted considering the views of all concerned stakeholders. By thoughtfully representing investors' views, FAIR represents an important voice in the Canadian public policy debate around financial services and contributes to better outcomes as a result.”*

*—Andrew J. Kriegler, President and CEO, Investment Industry Regulatory Organization of Canada*

“When there are events where we know very well that the fiduciary responsibility will not be accepted by a broker or by a company, we need someone who will speak strongly.”

—*Stephen Jarislowsky, Founder, Director and Chairman Emeritus, Jarislowsky, Fraser Limited, and current FAIR Canada director*

However, we have also brought to people’s attention risks associated with fintech that should not be overlooked, including:

- › technological errors such as deficient algorithms;
- › risk of platforms being operated by unregistered entities;
- › failure to prevent money laundering through failure to know your client;
- › financial exploitation of older investors through the accessing of funds online;
- › lack of transparency regarding fees and conflicts of interest; and
- › taking advantage of behavioural biases of financial consumers or unwittingly accentuating biases.

While innovation and technology can be good for capital markets, a focus on lowering standards to encourage innovation and technology can also be detrimental to those markets. FAIR Canada encourages regulators to keep on top of issues affecting – or that may affect – investors adversely in the area of fintech.

Fintech presents real opportunities for consumers to become more empowered through the use of open data, greater transparency and disintermediation. Regulators should examine what role they can play in fostering the use of fintech for the benefit of financial consumers.

Finally, regulators themselves can use fintech to benefit their own activities, which, in turn, will help protect investors and improve the fairness and

efficiency of capital markets. Regulators can use the increase in available data, and greater ability to access and process that data, to improve their compliance and surveillance tools and enforcement programs.



#### **October 28, 2016 – Shareholder Rights Conference: Are Shareholder Rights Relevant in Today’s Markets?**

FAIR Canada, with the University of Toronto Faculty of Law and the Canadian Coalition for Good Governance, co-hosted a conference examining shareholder rights in Canada. As institutional shareholders and hedge funds gain prominence in today’s capital markets, shareholder rights have been under the microscope. The conference examined whether corporate law has kept pace with the changing nature of capital markets and growth of different types of shareholders.

# STRATEGIC PRIORITIES: 2017-2020

**FAIR Canada will continue to call out practices that are hurting investors and to identify regulatory gaps that must be filled to protect investors. We plan on conducting more outreach with investors directly and to partner with other organizations to improve the impact of our advocacy efforts. We look forward to working with all relevant stakeholders to move the dial in favour of all Canadians.**

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## **1 | Providing Investor Perspective to Securities Regulators and Governments**

FAIR Canada will advise Canadian securities regulators, SROs and governments on policy issues relating to Canadian shareholders and individual investors. FAIR Canada's recommendations will focus on providing an investor perspective in policy development, consistent with FAIR Canada's role as a national voice for investors in securities regulation.

## **2 | Client-Advisor Relationship**

FAIR Canada will continue to call for reform of the client-financial advisor relationship to encourage better alignment of the interests of retail investors and dealers and their representatives and improve outcomes for the investing public. FAIR Canada will also advocate for the adoption of a requirement that registrants act in the best interest of their client.

## **3 | Need for Simpler, Effective, Lower Risk Products That Provide Good Outcomes**

FAIR Canada believes that there is a need for producing simpler, effective, lower risk and lower fee products.

FAIR Canada will investigate and analyze the impact of complex and high-fee investments on investors, promote greater transparency surrounding fees, and call for a ban on compensation structures that lead to poor advice (including trailing commissions). FAIR Canada will also investigate and analyze more substantive regulation of investments that often lead to poor consumer outcomes (such as group scholarship plans, syndicated mortgages and segregated funds).

## **4 | Financial Fraud and Other Misconduct**

FAIR Canada will continue to make recommendations to help combat investment fraud.

## **5 | Minority Investor Rights Issues**

FAIR Canada will focus on the interests of minority investors, particularly retail investors in securities regulation, and speak out on their behalf.

## **6 | Maintain and Enhance Relationships and Secure Long-Term Funding**

FAIR Canada will focus on securing long-term funding.

FAIR Canada will also maintain and enhance relationships with securities regulators, SROs, governments, consumer organizations, investor advocates, the media and other organizations.

## **7 | Take Action on Emerging Issues**

FAIR Canada will take action in response to emerging trends and issues in financial investments, where warranted, in the interest of the investing public.

# ACCOUNTABILITY: GOVERNANCE AND MANAGEMENT

## Management



**Frank Allen**  
Executive Director



**Marian Passmore**  
Director of Policy and COO



**Samreen Beg**  
Legal Counsel and  
Corporate Secretary

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## Current Directors

**Preet Banerjee**

Management Consultant and Personal Finance Commentator

**Stephen Jarislowsky**

Founder, Director and Chairman Emeritus of  
Jarislowsky, Fraser Limited

**Guy Lemoine (Vice-Chair)**

Former Chair of the Bureau de décision et de révision en  
valeurs mobilières

**Rossa O'Reilly**

Former Chairman of the CFA Institute and  
Former Managing Director of CIBC World Markets

**Ermanno Pascutto (Chair)**

FAIR Canada Founder and Former Executive Director  
of the Ontario Securities Commission

**Ellen Roseman (Vice-Chair)**

Toronto Star Business Columnist and University of Toronto  
Continuing Studies Instructor on Investing

**Dawn Russell**

President of St. Thomas University and  
Former Dean of Dalhousie Law School

**Marc Ryan**

Retired General Counsel for Bell Canada and BCE Inc.

**Larry Waite**

Retired President and CEO of the  
Mutual Fund Dealers Association of Canada

# PARTICIPATION AND HOSTING OF EVENTS 2014-2017

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## 2017

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### June 20, 2017

FAIR Canada/Canadian Centre for Elder Law, Vulnerable Investor Protective Action Stakeholder Consultation, webinar hosted by Elder Abuse Ontario

› Marian Passmore, Director of Policy and COO, led this national webinar.

### June 14, 2017

FAIR Canada/Canadian Centre for Elder Law, Vulnerable Investor Protective Action Stakeholder Consultation with the Ontario Securities Commission's Investor Advisory Panel, Toronto, ON

› Marian Passmore, Director of Policy and COO, co-led this consultation.

### May 11, 2017

FAIR Canada/Canadian Centre for Elder Law, Vulnerable Investor Protective Action Stakeholder Consultation Vancouver, BC – 2 separate sessions

› Marian Passmore, Director of Policy and COO, co-led two consultations, one with community and one with financial stakeholders.

### April 28, 2017

FAIR Canada/Canadian Centre for Elder Law, Vulnerable Investor Protective Action Stakeholder Consultation, Toronto, ON

› Marian Passmore, Director of Policy and COO, co-led this consultation.

### April 27, 2017

FAIR Canada/Canadian Centre for Elder Law, Vulnerable Investor Protective Action Stakeholder Consultation with IFIC's Vulnerable Investor Task Force, Toronto, ON

› Marian Passmore, Director of Policy and COO, co-led this consultation.

### March 10, 2017

United States Securities and Exchange Commission Evidence Summit: Behavior of Investors, Washington, D.C.

› Marian Passmore, Director of Policy and COO, attended this conference.

### March 1, 2017

North American Securities Administrators Association ("NASAA") Capital Formation Roundtable, Washington, D.C.

› Marian Passmore, Director of Policy and COO, participated in this roundtable.

### February 21, 2017

Competition Bureau's FinTech Workshop – Driving Competition and Innovation in the Financial Services Sector, Ottawa, ON

› Marian Passmore, Director of Policy and COO, participated in this workshop.

## 2016

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### December 6, 2016

Ontario Securities Commission – Best Interest Standard Roundtable, Toronto, ON

› Ellen Roseman, FAIR Canada Vice-Chair, was a panelist.

### November 29, 2016

British Columbia Securities Commission's Consultation on Proposed Targeted Reforms, Vancouver, BC

› Marian Passmore, Director of Policy and COO, participated.

### November 15, 2016

Investor Recovery Conference hosted by Joel Weisenfeld, Toronto, ON

› Marian Passmore, Director of Policy and COO, attended.



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### November 2, 2016

OSC Dialogue, Toronto, ON

➤ Staff attended.

### October 28, 2016

FAIR Canada/University of Toronto Faculty of Law/  
Canadian Coalition for Good Governance co-hosted  
a Shareholder Rights Conference: Are Shareholder  
Rights Relevant in Today's Capital Markets? Toronto, ON

➤ Ermanno Pascutto, Chair of FAIR Canada, moderated  
one of the panels.

### October 24 and 25, 2016

Northwestern University's Investor Protection Clinic,  
Chicago, IL

➤ Marian Passmore, Director of Policy and COO, and  
Kate Swanson, then Legal Counsel and Corporate  
Secretary, attended clinic classes and had meetings  
with staff.

### September 28, 2016

OSC Investor Office and Investor Advisory Panel Risk  
Profiling Roundtable, Toronto, ON

➤ Neil Gross, then Executive Director, participated.

### June 2016

NASAA Capital Formation Roundtable, Washington, D.C.

➤ Neil Gross, then Executive Director, participated.

### May 16, 2016

NASAA Public Policy Conference: Enforcement and  
Deterrence in Today's Capital Markets, Washington, D.C.

➤ Marian Passmore, Director of Policy and COO,  
attended.

### April 21, 2016

University of Toronto Faculty of Law, Program on Ethics  
and Business Directors' Duties Roundtable, Toronto, ON

➤ Staff attended this roundtable.

### April 13 and April 15, 2016

"Corporate Governance, Markets & Institutions" Class,  
Osgoode Professional Development, Toronto, ON

➤ Marian Passmore, Director of Policy and COO, and  
Kate Swanson, then Legal Counsel and Corporate  
Secretary, were guest speakers.

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## 2015

### November 16, 2015

Advocis Symposium: A New Way Forward, Toronto, ON

➤ Neil Gross, then Executive Director, attended.

### November 2015

Financial Services Commission of Ontario's Life &  
Health Insurance Conference and Mortgage Brokers  
Conference, Toronto, ON

➤ Neil Gross, then Executive Director, was a panelist.

### October 29, 2015

Mutual Fund Dealers Association of Canada's Senior  
Summit, Toronto, ON

➤ Neil Gross, then Executive Director, attended.

### October 26, 2015

FAIR Canada/Osgoode Hall Law School co-hosted  
an Investor Recovery Conference: Public & Private  
Securities Enforcement: Improving Recovery for  
Harmed Investors, Toronto, ON

➤ Robert Pouliot, retired director of FAIR Canada,  
was a panelist.

➤ Marian Passmore, Director of Policy and COO of  
FAIR Canada, gave Closing Remarks.

### October 20, 2015

University of Toronto Faculty of Law and Program on  
Ethics in Law and Business

Dual Class Share Structures Roundtable, Toronto, ON

➤ Staff attended this roundtable.

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## 2015 *continued*

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### October 19, 2015

IIROC's Forum on High Frequency Trading, Toronto, ON  
➤ Staff attended this forum.

### October 8, 2015

OSC Dialogue, Toronto, ON  
➤ Staff attended.

### September 24, 2015

Portfolio Management Association of Canada Annual Conference, Toronto, ON  
➤ Neil Gross, then Executive Director, attended.

### June 11, 2015

Mutual Fund Dealers Association of Canada Toronto Staff - Presentation—A Canadian Strategy to Combat Investment Fraud, Toronto, ON  
➤ Marian Passmore, Director of Policy and COO, presented findings from the FAIR Canada report—A Canadian Strategy to Combat Investment Fraud.

### June 9, 2015

Ontario Securities Commission – Whistleblower Panel, Toronto, ON  
➤ Marian Passmore, Director of Policy and COO, was a panelist.

### May 29, 2015

NASAA Capital Formation Roundtable, Washington, D.C.  
➤ Neil Gross, then Executive Director, and Marian Passmore, Director of Policy and COO, participated.

### May 5, 2015

Association of Certified Forensic Investigators of Canada Conference – Presentation—A Canadian Strategy to Combat Investment Fraud, Toronto, ON  
➤ Marian Passmore presented findings from the FAIR Canada report—A Canadian Strategy to Combat Investment Fraud.

### March 31, 2015

Rotman Series, The Post-Crisis Role of a Market Regulator, Speaker, Howard Wetston, Chair and CEO, OSC, Toronto, ON  
➤ Neil Gross, then Executive Director, attended.

### January 29, 2015

University of Toronto, Faculty of Law, Centre for the Legal Profession and Canadian Coalition for Good Governance, Proxy Access Roundtable, Toronto, ON  
➤ Staff attended.

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## 2014

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### November 6, 2014

Toronto Dominion Market Structure Conference, Toronto, ON  
➤ Marian Passmore, Director of Policy and COO, and Lindsay Speed, then Legal Counsel and Corporate Secretary, attended.

### October 28, 2014

FAIR Canada/Capital Markets Institute co-hosted a Conference – Does disclosure work?, Toronto, ON

### October 16, 2014

OSC Dialogue, Toronto, ON  
➤ Staff attended.

### September 29, 2014

OSC and OSC's Investor Advisory Panel's Seniors Roundtable, Toronto, ON  
➤ Neil Gross, then Executive Director, attended.

### INVESTOR REPRESENTATION ON COMMITTEES

- 1 | OSC's Investment Funds Product Advisory Committee
- 2 | OSC's Exempt Market Advisory Committee\*
- 3 | OSC's Seniors Expert Advisory Committee\*
- 4 | IIROC's Market Rules Advisory Committee
- 5 | IFIC's Vulnerable Investors Taskforce\*\*

\*A FAIR Canada representative is no longer on the committee as of November 3, 2016.

\*\*A FAIR Canada representative was not on the Committee from November 3, 2016 until March 2017.

“The consumer voice is critical to sound policy development. FAIR has, over the last three years, contributed extensively in this area. Moreover, FAIR has regularly and responsibly brought forth a broad range of consumer concerns in a reasoned and balanced manner in the public interest.”

—*Senator Howard Wetston, former Chair and CEO of the Ontario Securities Commission*

“The work of FAIR is essential for a well-functioning capital market. FAIR represents very well the interests of individual investors and has made many suggestions to the regulators and the legislators over the years.”

—*Claude Lamoureux, Retired CEO of Ontario Teachers' Pension Plan and former board member of FAIR Canada*

## STATEMENT OF REVENUES AND EXPENSES

For the year ended June 30	2017 (\$)	2016 (\$)
<b>Revenues</b>		
Donations	633,779	204,140
Cy pres awards	-	7,948
Interest income	14,462	4,422
Project funding	83,116	-
	<b>731,357</b>	216,510
<b>Expenses</b>		
Compensation and benefits	460,445	579,983
Project expenditures	64,949	-
Occupancy costs	41,511	43,474
Communications and marketing	40,666	57,877
General and administrative	27,141	29,607
Travel and meetings	21,711	14,611
Professional fees	9,277	9,533
Research and consultations	7,306	6,132
	<b>673,006</b>	741,217
<b>Excess (deficiency) of revenues over expenses for the year</b>	<b>58,351</b>	(524,707)

See accompanying notes.

## Notes to Financial Statements

### Purpose of the Foundation

The Canadian Foundation for the Advancement of Investor Rights (the "Foundation") is incorporated without share capital as a not for profit organization continued under the Canada Not for Profit Corporations Act (CNCA). The Foundation acts to advance education about capital markets, savings, investments and investment practices by conducting research and publishing findings, and by providing conferences, roundtables and symposia, to the public, governments and regulators.

The Foundation is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada). The Foundation operates under the name FAIR Canada.

### 1 | Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not for profit organizations (ASNFPPO) and include the following significant accounting policies:

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2017	Unrestricted (\$)	Endowment Fund (\$)	Total (\$)
<b>Beginning of year</b>	1,179,482	4,154,311	<b>5,333,793</b>
Excess of revenues over expenses for the year	58,351	-	<b>58,351</b>
Net income from investments held for Endowment Fund (Note 2)	-	157,823	<b>157,823</b>
Transfer from Endowment Fund	84,556	(84,556)	-
Disendowment of funds (Note 2)	2,012,706	(2,012,706)	-
<b>End of year</b>	<b>3,335,095</b>	<b>2,214,872</b>	<b>5,549,967</b>

For the year ended June 30, 2016	Unrestricted (\$)	Endowment Fund (\$)	Total (\$)
<b>Beginning of year</b>	1,606,236	4,129,509	<b>5,735,745</b>
Deficiency of revenues over expenses for the year	(524,707)	-	<b>(524,707)</b>
Net income from investments held for Endowment Fund (Note 2)	-	122,755	<b>122,755</b>
Transfer from Endowment Fund	97,953	(97,953)	-
<b>End of year</b>	<b>1,179,482</b>	<b>4,154,311</b>	<b>5,333,793</b>

See accompanying notes.

### **(a) Cash and cash equivalents**

Cash and cash equivalents consists of cash and guaranteed investment certificates, with maturities not exceeding 90 days, with insignificant risk of changes in value.

### **(b) Revenue recognition**

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted

contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year. Interest income is recognized on the accrual basis.

### **(c) Investments held for Endowment Fund**

Investments held for Endowment Fund consist of marketable securities, cash and cash equivalents and are recorded at fair value with gains and losses



## STATEMENT OF CASH FLOW

For the year ended June 30	2017 (\$)	2016 (\$)
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses for the year	58,351	(524,707)
Net change in non cash working capital balances related to operations	(12,696)	34,768
Cash from (required by) operations	45,655	(489,939)
<b>Investing activities</b>		
Disbursement from Endowment Fund	84,556	97,953
<b>Financing activities</b>		
Disendowment of funds	2,012,706	-
Transfer to restricted cash	(1,519,845)	-
	492,861	-
<b>Change in cash during the year</b>	<b>623,072</b>	<b>(391,986)</b>
<b>Cash and cash equivalents</b>		
Beginning of year	1,222,126	1,614,112
<b>End of year</b>	<b>1,845,198</b>	<b>1,222,126</b>

See accompanying notes.

## Notes to Financial Statements

recognized directly in net assets. The fair value is determined on the basis of quoted market prices.

### **(d) Use of estimates**

The preparation of financial statements in accordance with ASNFPQ requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

### **(e) Financial instruments**

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost consist of cash and cash equivalents, restricted cash and accounts receivable. Financial liabilities measured

## STATEMENT OF FINANCIAL POSITION

As at June 30	2017 (\$)	2016 (\$)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,845,198	1,222,126
Accounts receivable	5,142	-
Investments held for Endowment Fund (Note 2)	2,214,872	4,154,311
Sales taxes recoverable	18,349	11,634
Prepaid expenses	6,725	
	4,090,286	5,396,451
Restricted cash (Note 4)	1,519,845	
	5,610,131	5,396,451
<b>Liabilities</b>		
Accounts payable	35,402	62,658
Deferred revenue (Note 3)	24,762	-
	60,164	62,658
<b>Net Assets</b>		
Unrestricted	3,335,095	1,179,482
Endowment Fund (Note 2)	2,214,872	4,154,311
	5,549,967	5,333,793
	5,610,131	5,396,451

Other information (Note 5)

See accompanying notes.

at amortized cost consists of accounts payable and deferred revenue. Financial assets measured at fair value consists of Investments held for Endowment Fund.

### 2 | Endowment Fund

In the 2014 fiscal year, the Foundation received \$2,000,000 from the Jarislowsky Foundation ("JF") to establish an Endowment Fund for the purpose of providing operating funds to the Foundation. Under the terms of the agreement, the Foundation must raise an additional \$4,000,000 in matching contributions to

add to the Endowment Fund, with the exact amount of the matching Contribution required to be 200 percent of the market value of the original capital as of the Matching Gift Deadline. Should the required matching contributions not be received by the deadline, JF has the right to call for the return, within 10 days of the Matching Gift Deadline, of the original capital at its market value plus the net income earned from the Endowment Fund less any disbursements from the Endowment Fund, based on the disbursement policy set out in the agreement.

## Notes to Financial Statements

In the 2015 fiscal year, the Foundation received \$2,000,000 of the required matching contributions from the OSC which is subject to the completion of the terms of the JF Endowment Fund. The OSC's right to call for the return of the OSC's endowment contribution is the same as stated in the JF endowment fund agreement except that the return of such funds to the OSC must be made within 40 days. The Foundation has received an extension of the Matching Gift Deadline from JF until September 30, 2018.

The OSC has expressed its support to leave the \$2,000,000 contribution with FAIR Canada and encourages FAIR Canada's continued fundraising efforts with third parties. The conditions were revised December 9, 2016 such that OSC's endowment contribution is no longer endowed and FAIR Canada can draw from the funds to cover its operating expenses as long as the draw does not exceed \$500,000 per annum without the prior written approval of the Commission.

### As of year end the respective Endowment Funds are comprised of the following:

	JF (\$)	OSC (\$)	Total (\$)
<b>Beginning of year</b>	2,146,011	2,008,300	4,154,311
Net income from investments held for Endowment Fund	153,417	4,406	157,823
Disbursements from Endowment Fund	(84,556)	-	(84,556)
Disendowment of funds	-	(2,012,706)	(2,012,706)
<b>End of year</b>	<b>2,214,872</b>	<b>-</b>	<b>2,214,872</b>

### Net income from investments held for Endowment Fund for the year is comprised of the following:

	2017 (\$)	2016 (\$)
Interest	<b>24,808</b>	33,032
Dividends	<b>10,120</b>	11,438
Foreign income	<b>37,152</b>	32,645
Fair value gain on investments	<b>104,479</b>	66,706
Less: management fees	<b>(17,699)</b>	(20,455)
Less: withholding tax	<b>(1,037)</b>	(611)
	<b>157,823</b>	122,755

### 3 | Deferred revenue

The Foundation records restricted funds as deferred revenue until they are expended for the purpose of the funding.

	2017 (\$)	2016 (\$)
Opening balance deferred revenue	-	-
Add: current year funding received	107,878	-
Less: revenue recognized	(83,116)	-
Ending balance deferred revenue	24,762	-

### 4 | Restricted cash

The OSC funds are held in a separate account. As of June 30, 2017 the funds total \$2,019,845 of which \$500,000 can be used in the next fiscal year for operating purposes and are included with cash and cash equivalents. The balance of \$1,519,845 is restricted until subsequent years. As of year end there has been no draw on the original OSC contribution.

### 5 | Other information

#### (a) Lease commitments

The Foundation occupies three offices under a lease agreement with monthly payments totalling approximately \$3,100, which expires in December 2017, with the option to continue to occupy the space under a month to month lease thereafter. Additional office space is rented on a month to month basis, as required.

#### (b) Financial instruments

The Foundation is exposed to the following significant financial risks:

##### i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to currency risk and interest rate risk.

##### ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the foreign exchange rates. As at June 30, 2017, marketable securities balances of \$1,434,735 (2016: \$1,339,520) are shown in US dollars converted into Canadian dollars.

##### iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk with respect to its investments in interest bearing financial instruments. The Foundation does not use derivative financial instruments to alter the effects of this risk.

##### iv) Liquidity risk

Liquidity risk is the risk the company may not be able to meet their obligations. The Foundation has a comprehensive plan in place to meet their obligations as they come due, primarily from new funding agreements and renegotiation of endowment fund agreements.

# OUR FUNDERS

*FAIR Canada appreciates the generous support of all of its donors from the past three fiscal years, including:*

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**Investment Industry Regulatory  
Organization of Canada**

**The Jarislowsky Foundation**

**The Law Foundation of Ontario Access  
to Justice Fund**

**Manulife Financial Corp.**

**Ontario Securities Commission**

**Scotia Capital Inc.**

**A complete list of donors is available on our website, [www.faircanada.ca](http://www.faircanada.ca).**



*“FAIR does not criticize for criticism’s sake, and demonstrates a level of expertise and analysis that tends to be far less partisan and polarizing than most on either side of the many issues in this area. One may disagree with FAIR on its various positions, but not on its integrity and level discourse and reason.”*

*—Senior litigator, Toronto*

*“Thank you for being there and for helping to bring about changes to the financial investment industry that will benefit clients.”*

*—Individual investor*

FAIR

Canadian Foundation *for*  
Advancement *of* Investor Rights  
Fondation canadienne *pour* l'avancement  
*des* droits *des* investisseurs