

Securities Crime Unit

Webinar to

Police Services and Police Services Boards

Gary Logan, Former Detective Sergeant

Toronto Police Services Fraud Squad

&

Diane A. Urquhart, Independent Financial Analyst

May 26, 2009

Webinar Agenda

1. Opening remarks by Diane Urquhart on need for proposed Securities Crime Unit
2. Statement by Wynne Miles one of 1,800 retail owners of asset backed commercial paper
3. Description of the proposed Securities Crime Unit by Gary Logan
4. Questions from you by e-mail that will be answered by us verbally

Webinar Administration

1. We thank Jonathane Ricci of National Class Action Services for setting up this webinar
jricci@nationalclassactions.ca (416) 644-3088
2. We thank Henry Juroviesky of Juroviesky and Ricci LLP for the use of his boardroom here in Toronto
HJuroviesky@jruslaw.com (416) 481-0718 Ext. 324
3. This webinar is being recorded and will be made accessible to others unable to attend
4. To contact Gary Logan or Diane Urquhart
urquhart@rogers.com or (905) 822-7618

www.ismymoneysafe.org

Download or Stream Videos

SECURITIES CORRUPTION

CBC News Sunday – The Great Wall Street Swindle – And Shady Practices in Canada - September 14, 2008, September 21, 2008 and January 4, 2009.

Whose Guarding Your Money? - November 23, 2008 and November 30, 2008

ADVISERS CORRUPTION

CBC News Sunday – Can You Trust Your Adviser? – April 12, 2008 and May 10, 2008

SECURITIES CRIME UNIT

Gary Logan and Diane Urquhart

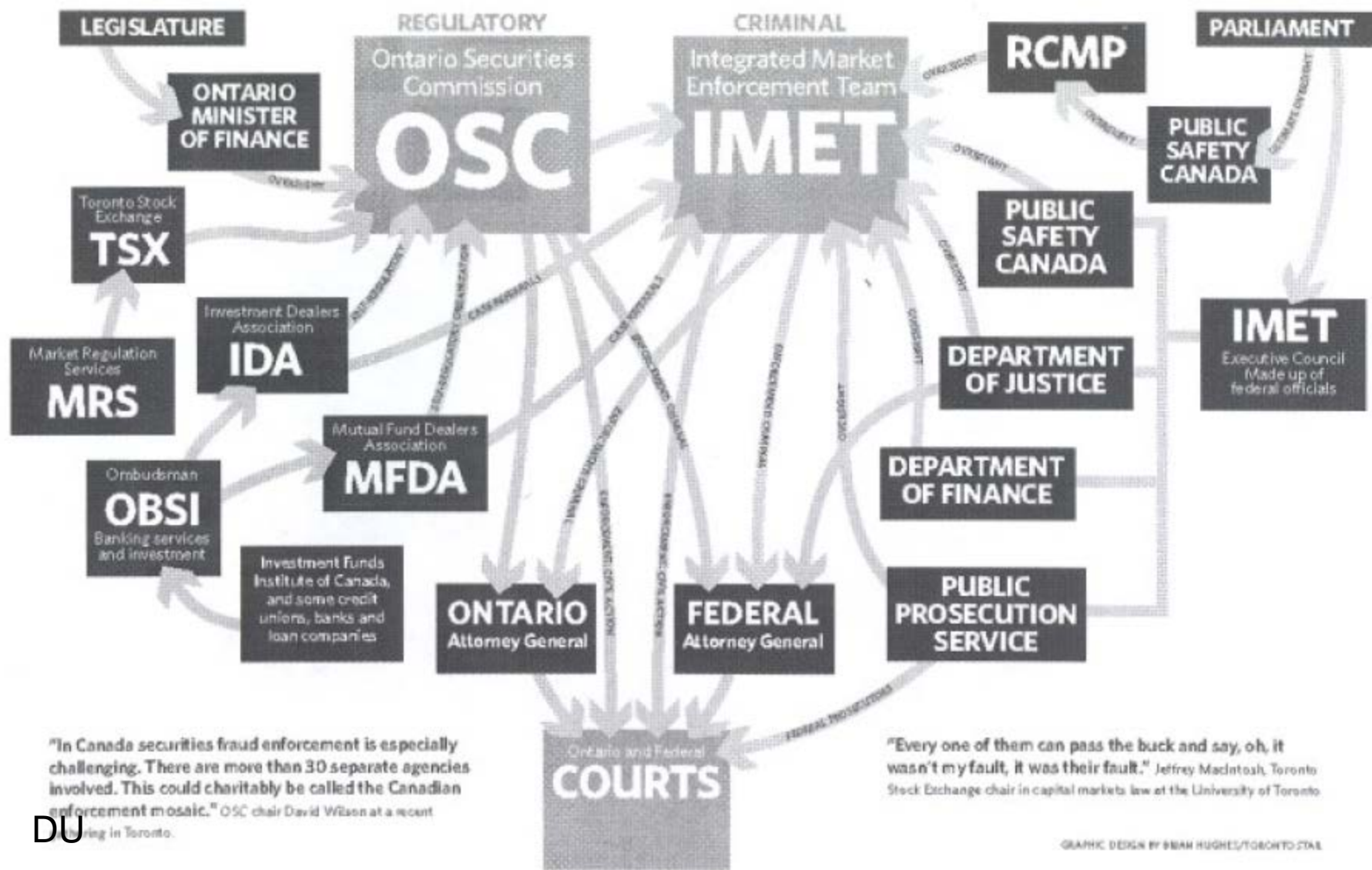
Securities Crime Damages

\$ Millions

Annualized Loss Due to Alleged Securities Crimes	(\$20,000)
Nortel	(\$351,500)
Non Bank ABCP	(\$22,400)
Business Income Trusts	(\$30,000)
Insider Trading Surrounding Acquisitions	(\$5,000)
Phillips Services	(\$2,600)
Unauthorized Foreign Exchange Transactions in RRSP & RRIFs	(\$2,500)
Cinar	(\$1,400)
Mutual Fund Market Timing	(\$1,300)
Norshield	(\$500)
Hollinger	(\$500)
Crocus	(\$200)
Portus	(\$100)
Norbourg	(\$100)

FINANCIAL REGULATORS > AN INVESTIGATION

Worried about stock fraud? Here's who's in charge



"In Canada securities fraud enforcement is especially challenging. There are more than 30 separate agencies involved. This could charitably be called the Canadian enforcement mosaic." OSC chair David Wilson at a recent hearing in Toronto.

"Every one of them can pass the buck and say, oh, it wasn't my fault, it was their fault." Jeffrey MacIntosh, Toronto Stock Exchange chair in capital markets law at the University of Toronto

Wynne Miles Presentation
One of 1,800 Retail Owners of
Non Bank Asset Backed Commercial Paper

**Gary Logan Presentation
Former Detective Sergeant
Toronto Police Services Fraud Squad**

Nature of Securities Crimes

- Theft from brokerage accounts
- Forgeries on account opening and other brokerage documents
- Fraudulent representation on client's investment knowledge and objectives
- Unauthorized discretionary trading
- Excessive trading in brokerage accounts “ Churning”
- Systemic fraud in design of income products (False Pretence)
- Misrepresentation of fact, by knowingly understating or overstating any product, or any statement made with the intent to mislead to entice

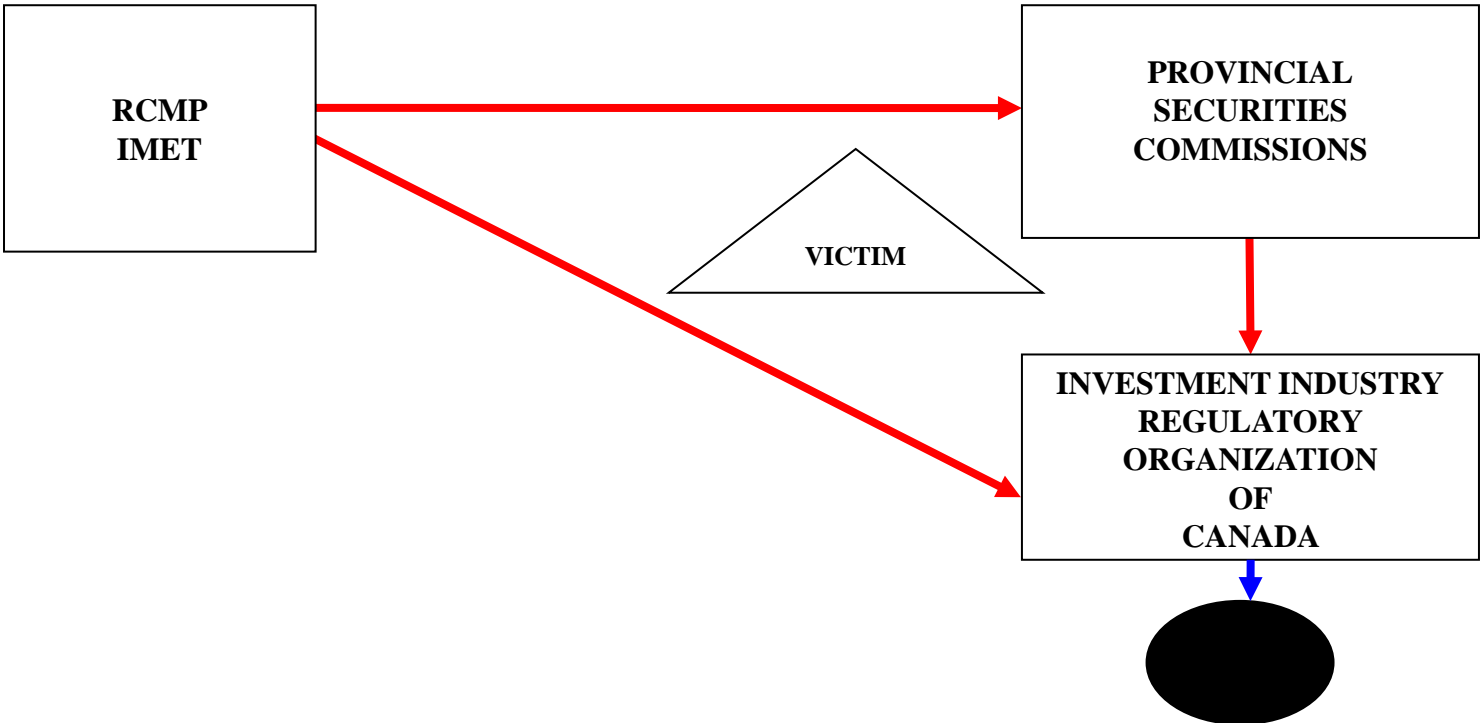
Current Securities Crime Policing Model

- RCMP has virtual exclusive jurisdiction for securities crimes
- RCMP Integrated Market Enforcement Team (IMET) collaborates closely with securities regulators
- RCMP only police service without a police services board

EFFECTIVELY NO JURISDICTION FOR SECURITIES CRIMES

MUNICIPAL POLICE	REGIONAL POLICE	PROVINCIAL POLICE	ROYAL CANADIAN MOUNTED POLICE
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EFFECTIVELY SOLE JURISDICTION FOR SECURITIES CRIMES



Current Securities Crime Complaints Process

- No division or separation between criminal and non-criminal complaints (Confusion in Police – Securities Regulator jurisdictional authority)
- Failure of securities regulators to refer criminal matters to the appropriate police service for investigation
- Reluctance for complaints to be received by police, due to victim's inability to articulate criminal complaints and police not familiar with criminal securities conduct
- No standardized occurrence reporting for securities crimes complaints

Current Securities Crime Complaints Process

- Complainants' frustration, due to securities regulators and police "Buck Passing "
- Complainants are made to follow through with their own complaints - with little or no assistance
- Mismanagement and loss of crucial time and evidence for investigations
- No accountability or transparency into complaints and any investigation

RCMP IMET Not Independent of the Securities Industry

Letter from Dean Buzza, Director of the RCMP Integrated Market Enforcement Team, addressed to Mr. and Mrs. Urquhart, dated December 11, 2008 says:

“In the case of the IMET investigation, the Unit Commander is obliged, by the conditions imposed by the federal government, to present all potential investigations to the Unit's Joint Consultative Group ("JCG"), which is comprised of managers from various agencies involved in the enforcement and prosecution of criminal, "quasi-criminal," and/or regulatory matters.”

Joint Consultation Group Recommends Securities Crime Investigations

Members of the Joint Consultation Group:

- RCMP IMET
- Investment Industry Self-Regulatory Organizations
 - Investment Industry Regulatory Organization of Canada
 - Mutual Fund Dealers Association of Canada
- OSC and other Provincial Securities Commissions

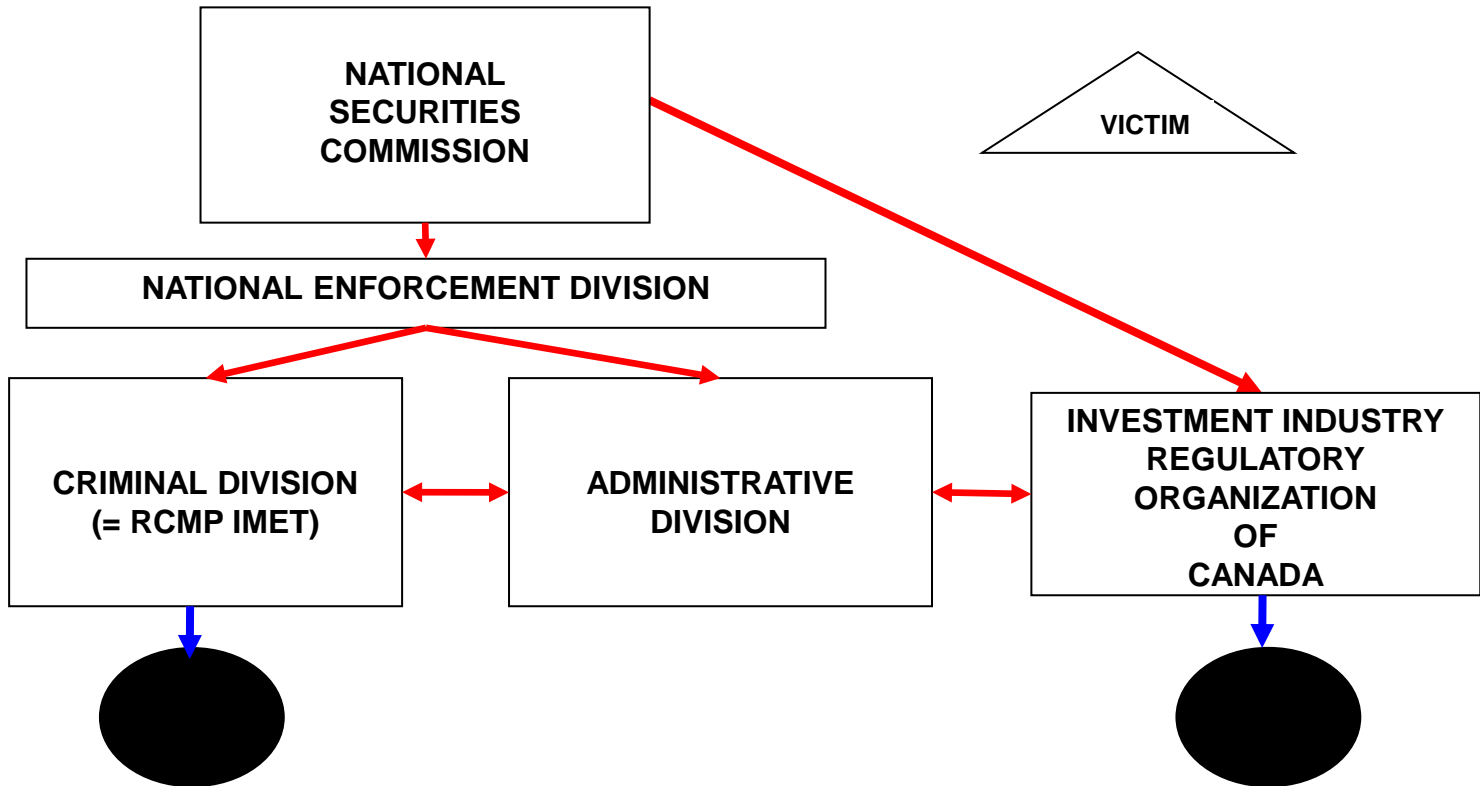
Investment Industry Proposed Securities Crime Policing Model

- RCMP IMET and Securities Regulation Enforcement merged into single National Enforcement Agency
- National Enforcement Agency becomes a division of the single National Securities Commission

EFFECTIVELY NO JURISDICTION FOR SECURITIES CRIMES

MUNICIPAL POLICE	REGIONAL POLICE	PROVINCIAL POLICE	ROYAL CANADIAN MOUNTED POLICE
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EFFECTIVELY SOLE JURISDICTION FOR SECURITIES CRIMES



Back to Basics

Securities Crime Policing Model

- Securities Crime Unit expert intake and co-ordination of police services' criminal investigations
- Independent securities crime policing without securities industry and political influence

**GOVERNMENT
POLICE**

**SECURITIES CRIMES
UNDER THE FEDERAL
CRIMINAL CODE**

**FEDERAL – PROVINCIAL
SECURITIES CRIME UNIT**

**MUNICIPAL
POLICE**

**REGIONAL
POLICE**

**PROVINCIAL
POLICE**

**ROYAL
CANADIAN
MOUNTED
POLICE**

COURTS

**GOVERNMENT
REGULATOR**

**SECURITIES OFFENCES
UNDER THE FEDERAL
SECURITIES ACT**

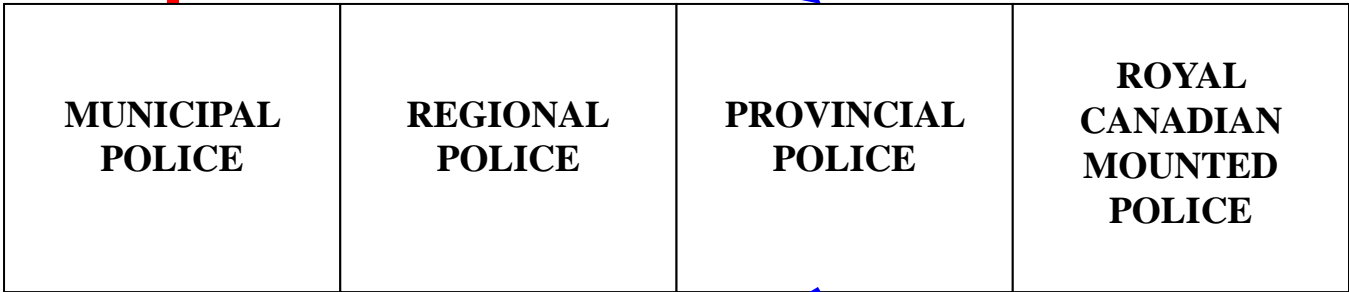
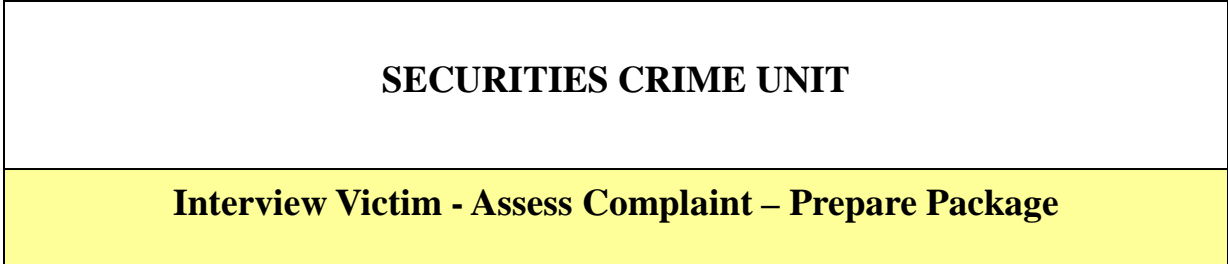
**NATIONAL
SECURITIES
COMMISSION**

**NATIONAL SECURITIES
TRIBUNAL**

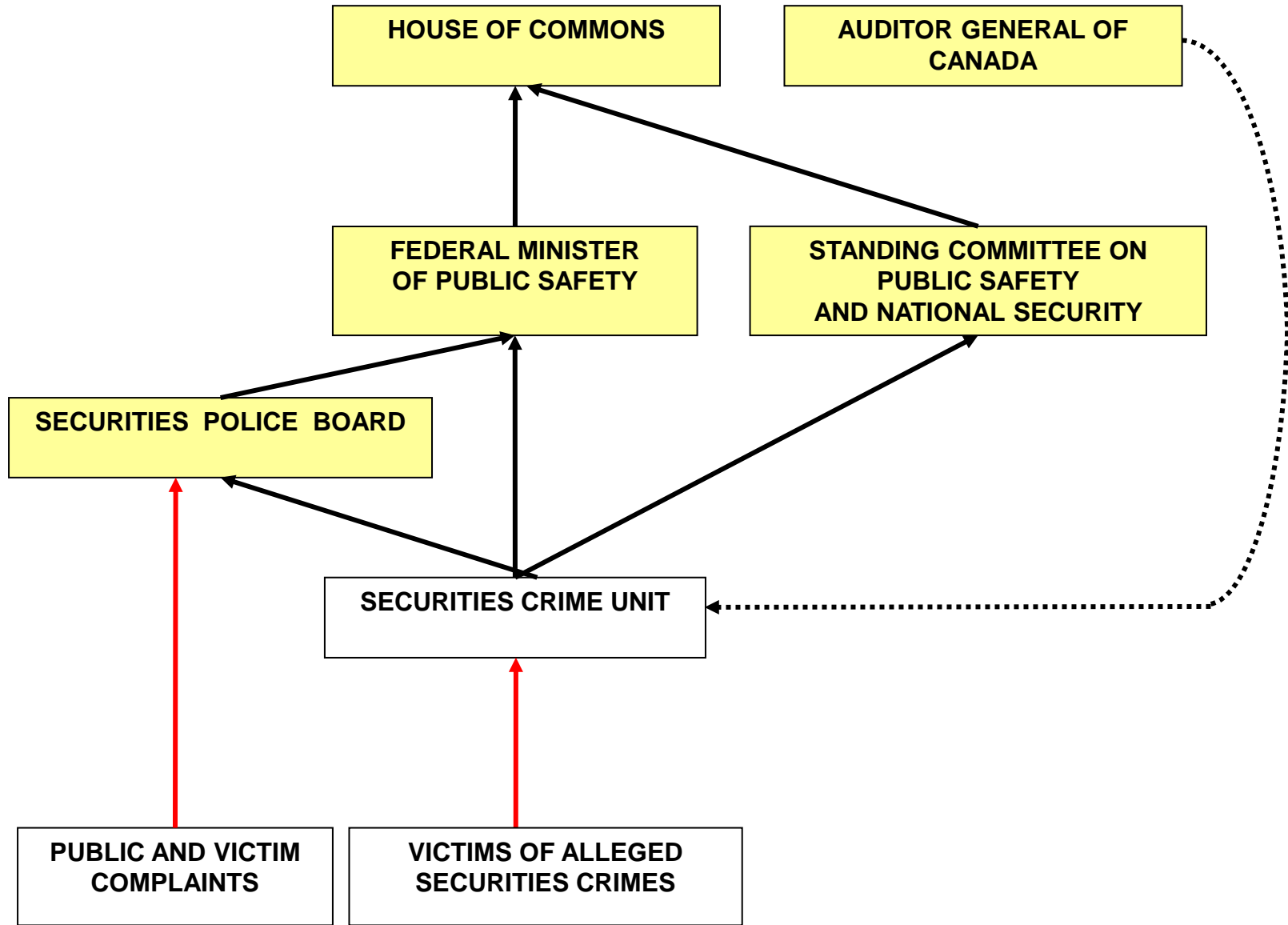
PRIVATE SECTOR

**VIOLATIONS
UNDER PRIVATE SECTOR
IIROC RULE BOOK**

**INVESTMENT INDUSTRY
REGULATORY
ORGANIZATION
OF
CANADA**



PUBLIC ACCOUNTABILITY



Security Crime Unit Staffing

There will be a total of 23 permanent positions for the Securities Crime Unit

British Columbia	2 Members
Alberta	2 Members
Saskatchewan	2 Members
Manitoba	2 Members
Ontario	3 Members (Including National Director Position)
Ontario	(1 Administrative Asst. to the Ontario Director)
Quebec	3 Members
New Brunswick	2 Members
Nova Scotia	2 Members
Newfoundland	2 Members
Prince Edward Island	1 Members
Nunavut / Yukon / NWT	1 Members
Total Annual Budget	\$ 4 Million

Benefits Of The Securities Crime Unit

- Restore public confidence in Canada's Capital Markets, through accountability and transparency of investigations
- Address victims' frustration and prevent "Buck Passing" through a standardized system of reporting crimes occurring within the market
- Police having sole jurisdictional authority to investigate all complaints alleging criminal conduct
- A standardized and recognized police system for dealing with criminal complainants and evidence management. Prevent cross-contamination of regulatory and criminal evidence
- Timely assessment and assignment of criminal complaints to the proper police service having jurisdictional authority to investigate.
- Create fraud statistics to plan future police resources and priorities

Impact on Provincial, Regional and Municipal Police Services

- We recognize that we are asking Police Services Boards to support new or incremental policing services that may require additional budget, headcount and fraud investigation expertise in your jurisdiction
- We say that the gap in securities crime policing is so detrimental to the financial health of Canadians that it is incumbent upon everyone in the policing governance field to help close this gap now

Our Work to Date with Politicians

- We and representatives of the National Pensioners and Senior Citizens Federation and United Senior Citizens of Ontario met with Federal Public Safety Ministry officials and Opposition Public Safety Critics in Ottawa
- We are communicating with the Federal Finance and Justice Ministers and their Opposition Critics, to ensure it is clear that structural change in securities crime policing must occur separate from the National Securities Commission
- We are communicating with the Provincial Public Safety, Finance and Justice Ministers and their Opposition Critics throughout Canada
- We are informing the Canadian public in speaking engagements, such as Diane's presentation on ABCP to the Centre for Ethics and Corporate Policy in Toronto, which is sponsored by large corporations, financial institutions and legal firms
- Both Diane and Gary spoke to the McMaster University World Economic Crime Conference in Hamilton in January 2009

YouTube Channel

<http://www.youtube.com/profile?user=dianeurquhart&view=videos>

<http://www.youtube.com/watch?v=apH0FXnthD8>

On April 8, 2009, Anne Panasuk of CBC Radio Canada interviews independent financial analyst, Diane Urquhart; Gary Logan, former detective sergeant Toronto Police Services Fraud Squad; Craig Hannaford, former officer of the Royal Canadian Mounted Police Integrated Market Enforcement Team; and Michel Picard, former analyst of the Royal Canadian Mounted Police Integrated Market Enforcement Team.

<http://www.youtube.com/watch?v=Mb5zpALTy88>

Diane Urquhart and Gary Logan are interviewed on their Queens Park and House of Commons presentations on the Securities Crime Unit by Steven D'Souza of CBC News at Six on March 20, 2009.

<http://www.youtube.com/watch?v=M3t-hRpcUi4>

Andrew Bell and Kim Parlee of BNN interviews Gary Logan on his proposed Securities Crime Unit on January 23, 2009.

What Can Police Services and Police Services Boards Do?

- All in the policing field have a role to play in fixing a failing system
- Politicians will respond to both:
 - Canadians demanding improvement in public safety services over their pension funds and personal retirement savings
 - Police services and police services boards supporting reform
- We need your support for a Federal - Provincial Public Safety Ministers Meeting on adoption of the proposed Securities Crime Unit