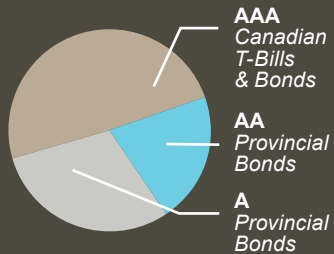




DID YOU KNOW?

CIPF Investment Portfolio
of \$387 million (fair value)
at Sep 30, 2010

Distribution of credit ratings
as rated by DBRS Limited



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BOARD MEMBERS
CASE STUDY
FAQs

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"We keep you informed about CIPF protection and provide information that you can easily share with your clients during your next conversation."

Rozanne Reszel
President & Chief
Executive Officer

Welcome to another edition of *Worth Knowing*

This time, I'd like to share the results of my discussions with investment advisors we've talked with during the past few months and to bring you up-to-date on what some of our counterparts in other countries have been doing.

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BOARD MEMBERS



William R. Fulton,
Industry Director

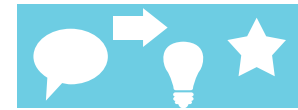
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Michael J. White,
Public Director

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CASE STUDY



David Foster was a newly licensed investment advisor. He was covering the phones over lunch one day when Mrs. Richards, an elderly individual, called quite distraught...

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FAQs



Are Tax-Free Savings Accounts (TFSA's) held in customer's accounts at an IIROC Dealer Member covered by CIPF?

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“An important part of my role is to reach out to representative groups of IAs to listen and to ensure that we are providing the right level of information and support to help them keep their clients well informed.”

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CEO'S MESSAGE

Listening to Investment Advisors

Investment advisors play a pivotal role in helping build investor knowledge and confidence and an important part of my role is to reach out to representative groups of IAs to listen and to ensure that we are providing the right level of information and support to help them keep their clients well informed.

Since August, I met with approximately 50 individuals, many of them IAs, who serve on the five IIROC District Councils of Atlantic Canada and Quebec. The IAs I spoke with are committed to providing their clients with all the information they require regarding CIPF. Some firms have created information that explains the operational aspects of our industry such as segregation and the role of central depositories in safeguarding assets. This speaks to the opportunity for IIROC and CIPF to collaborate on a joint brochure that could supplement the brochures that each organization currently provides.

IAs would like us to reinforce how the coverage is applied to any shortfall in the distribution of assets from the estate of an insolvent Member and how this permits accounts with values in excess of \$1 million to be fully protected. We'll cover this topic in our next newsletter.

The IAs I met with have also asked if they can subscribe to *Worth Knowing*. (Note: currently *Worth Knowing* is distributed to the Chief Compliance Officer of each Member who distributes it throughout their respective organization.) We are currently investigating this distribution option and other ways to improve your access to the newsletter so stay tuned.

I'm looking forward to meetings with more IIROC District Councils in the coming months to help us better understand the information needs of IAs.

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“We have entered into agreements with protection funds in the U.S., U.K., China and Taiwan to further protect investors by providing a framework for addressing cross-border cases of brokerage firm insolvencies.”

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CEO'S MESSAGE

Sharing best practices globally

Reflecting the **global nature** of the investment industry, CIPF works collaboratively with counterparts around the world to enhance our ability to protect the investing public. We have entered into agreements with similar protection funds in the United States, United Kingdom, China and Taiwan to further protect investors by providing a framework for addressing cross-border cases of brokerage firm insolvencies.

In June, the International Organization of Securities Commissions (IOSCO), of which CIPF is a member, held its conference in Montréal providing an opportunity for a concurrent meeting of compensation funds from around the world.

Of note were the experiences of our U.S. counterpart, the Securities Investor Protection Corporation (SIPC) with respect to handling the insolvencies of Lehman Brothers Inc. and Bernard L. Madoff Investment Securities LLC, and of the Financial Services Compensation Scheme (FSCS) in the United Kingdom, where they have encountered several defaults.

Representatives of the Canadian Foundation for the Advancement of Investor Rights (FAIR) were also in attendance as observers. FAIR is a not-for-profit organization whose mission is to be a national voice for investors on securities regulation and a catalyst for enhancement of the rights of Canadian shareholders and retail investors. They joined us to learn more about the compensation available to investors in Canada and around the world.

We will continue to forge relationships with our counterparts in other countries as we work to strengthen investor confidence in investing in capital markets.

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William R. Fulton
Industry Director

INTRODUCING OUR BOARD MEMBERS

*The **CIPF Board** is comprised of 10 Directors – four Public Directors, four Industry Directors, the Board Chair and the Chief Executive Officer – who together are responsible for the stewardship of the Fund and oversight of management.*

William R. Fulton, Industry Director

William Fulton was appointed to the Board in June 2002 and is Chair of the Industry Risk Committee. He also serves on the Coverage Committee and the Audit, Finance and Investment Committee.

He is currently President, Private Client Group and Head of U.S. Wealth Management at the TD Bank Financial Group, where he has been since 2004. William has 27 years of experience in the financial services and regulatory industry and is a former senior executive of First Associates Investments Inc., Yorkton Securities, Merrill Lynch Canada Inc., Midland Walwyn Capital Inc., Dean Witter, the Alberta Stock Exchange and CIBC Investment Bank.

William is also the Chair of the Finance and Audit Committee and a Member and Treasurer of the Executive Committee of the Toronto East General Hospital Foundation. He is a graduate of the University of Western Ontario, where he earned an honors degree in Business Administration, and is a Chartered Accountant.

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Michael J. White
Public Director

INTRODUCING OUR BOARD MEMBERS

Michael J. White, Public Director

Michael White was appointed to the Board in April 2007 and serves as Chair of the Audit, Finance and Investment Committee.

He is currently President and Chief Executive Officer of Addenda Capital, an investment management firm. Michael has more than 25 years experience in the financial services sector and was previously President of Co-operators Investment Counselling Limited and prior to that, President and Chief Executive Officer of Foresters. He is a former senior executive with National Trust, Confederation Life and the Bank of Montreal.

Michael is also a Director and Chair of the Audit Committee of the United Corporations Limited, Chair of the Holland Bloorview Kids Rehabilitation Hospital Investment Subcommittee and a Member and Vice-Chair of the Delphine Foundation.

He holds a Master of Business Administration from the Schulich School of Business, York University and a Bachelor of Commerce degree from the University of Toronto. Michael is a Fellow of the Institute of Chartered Accountants of Ontario.

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SITUATION



ACTION



RESOLUTION



LESSON

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CASE STUDY

Enhancing your clients' understanding of CIPF coverage

SITUATION:

David Foster was a newly licensed investment advisor in a mid-town branch of a large retail firm, Autumn Securities Limited. He was covering the phones over lunch one day when Mrs. Richards, an elderly individual, called quite distraught. She had dealt with Winter Securities Inc. – a firm that had recently been suspended – and just that morning had received a letter advising that her account was being transferred to Autumn Securities. Mrs. Richards was anxious to get some advice about the securities in her account. She was particularly upset, because she believed the balance being transferred was much less than it should be, and wondered if there was anything that could be done as the letter describing the transfer mentioned the Canadian Investor Protection Fund.

ACTION:

David invited Mrs. Richards to come in for a meeting and bring her most recent statements and correspondence from the suspended firm, so they could check that all positions had been transferred to Autumn Securities. David also planned to use this opportunity to document her client information and investment objectives.

The next day, David reviewed Mrs. Richards' last account statement from Winter Securities and confirmed that the money balance and all investments had been transferred. He asked Mrs. Richards about her investment knowledge and investment objectives and completed her new client account information.

It quickly became evident that Mrs. Richards was not very knowledgeable about investments and, having been widowed two years before, had not made any changes to the account that her late husband had always handled. Though the account was generally well balanced with some government and corporate bonds and dividend paying securities, there were also a number of more speculative securities that did not fit with the investment objectives David had just documented.

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CASE STUDY

RESOLUTION:

Mrs. Richards agreed that all positions on her last statement from the suspended Member had been transferred to the new Member, but was most upset about the apparent losses in value of securities that had occurred in her account while it was at the previous Member. David used this opportunity to explain market fluctuations and the need to align her holdings to match her investment objectives.

Earlier this year, David had completed CIPF's online education course, [***Talking to Your Clients About the Canadian Investor Protection Fund***](#). He pulled up the CIPF website while he explained the purpose of the Fund: to ensure client assets are protected – within defined limits – if an investment dealer who is a CIPF Member becomes insolvent. David explained to Mrs. Richards that to have a financial loss eligible for CIPF coverage all of the following must be true:

- The client must have an account with a CIPF Member
- The CIPF Member must be insolvent
- There are assets in the client's account that have not been returned to the client

He also advised that CIPF does not cover losses from market fluctuations, no matter how drastic. David noted that in most cases, the client's account is transferred to another CIPF Member, which was exactly what had happened in this situation.

LESSON:

Investment advisors play an important role in helping their clients understand the inherent risks associated with all types of investments. CIPF relies on investment advisors taking the time to explain what CIPF coverage does and doesn't protect.

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FREQUENTLY ASKED QUESTIONS

Q: Are Tax-Free Savings Accounts (TFSAs) held in a customer's accounts at an IIROC Dealer Member covered by CIPF?

A: Yes. A TFSA account is considered part of a customer's general account for purposes of CIPF coverage. Therefore, a TFSA will be combined with other general accounts eligible for \$1 million coverage.

Q: How does CIPF determine coverage for TFSAs?

A: We'll use the example of John and Mary to explain:

- John and Mary have a Canadian dollar joint trading account in which they are equal owners
- John has a Canadian dollar TFSA account
- Mary has a U.S. dollar TFSA account
- John and Mary each have a RRSP account

John's CIPF coverage would be as follows:

- John's proportionate share in the value of the joint trading account and the value in his Canadian dollar TFSA account would be combined into a single general account, which is eligible for up to \$1 million coverage
- John's RRSP account is considered a separate account and is also eligible for up to \$1 million coverage

Mary's CIPF coverage would be as follows:

- Mary's proportionate share in the value of the joint trading account and the Canadian dollar equivalent of the U.S. dollar TFSA account are combined and eligible for up to \$1 million coverage
- Mary's RRSP account is considered a separate account and is also eligible for up to \$1 million coverage

For more information visit www.cipf.ca/Public/FAQ/Coverage/General.aspx