# INVESTIGATION SUMMARY FOR PUBLICATION PURPOSES

## BACKGROUND

In 2004, Mr. P was 55 years old and Mrs. P was 53 years old. They both worked full-time earning a combined $240,000 per year, had accumulated a $1,400,000 net worth and anticipated retiring in about 10 years. They had limited investment knowledge and relied heavily upon their advisors. Their investment experience was limited to investing in mutual funds.

Mr. and Mrs. P were referred by a family member to Mr. S, a Richardson GMP advisor. Mr. S told them he could manage their investments on a discounted fee basis which was less than the fees charged on their existing mutual funds. Later that year, they opened RRSP, SRRSP, non-registered and corporate accounts at Richardson GMP. They transferred their existing investments into the accounts and made subsequent deposits. Mr. S provided Mr. and Mrs. P with investment advice. They say Mr. S described his investment recommendations as safe, good quality securities. Mr. and Mrs. P relied on Mr. S's advice, believing the investments he recommended were suitable.

Mr. S reviewed Mr. and Mrs. P's investments with them on an annual basis. Mr. and Mrs. P were satisfied with Mr. S and the performance of their investments and they had no concerns regarding their investments until early 2008. Mr. and Mrs. P say as the market conditions deteriorated in 2008, their investments began to steadily decline and they became concerned. Mr. and Mrs. P reached out to Mr. S more frequently and say his advice was to stick to the plan and hold the investments he recommended. They trusted Mr. S and followed his advice despite their concerns that their retirement savings were declining.

By May 2009, Mr. and Mrs. P had sustained $141,615 in losses on their net capital investments of $511,925. Mr. and Mrs. P transferred their investments away from Richardson GMP in June 2009.

## COMPLAINT

Mr. and Mrs. P complained to Richardson GMP in July 2009 saying:

- Mr. S was negligent in his management of their accounts. Specifically, he selected unsuitable securities (they provided a list), he paid no attention to individual security weightings, and he did not have an asset mix strategy;

- While Mr. S made investment recommendations to produce income, he was also responsible to protect their principal and properly manage risk. He did not use income investments like traditional government bonds, or bonds issued by well-known corporations, nor did he take immediate action when the securities he recommended lost their investment grade status. He also took no action when a stock fell from the mid-$20 range to below $1 when stop loss positions were at his disposal. Richardson

GMP provided no oversight and the advice Mr. S provided was to increase Richardson GMP's revenue and Mr. S's income; and

- Mr. S never explained to them the true risk or nature of the investments he recommended nor were the risks understood by Richardson GMP and/or Mr. S.

Mr. and Mrs. P requested compensation for their losses but did not specify an amount.

## RICHARDSON GMP'S RESPONSE

Richardson GMP responded to Mr. and Mrs. P saying:

- Mr. S provided Mr. and Mrs. P with up-to-date risk analysis and recommendations on which asset categories had to be rebalanced;

- The investments Mr. and Mrs. P specified in their complaint were in accordance with their documented Know Your Client (KYC) information. The decline in their value occurred after the credit crisis and Richardson GMP is not responsible for market losses; and

- Mr. S's recommendations were made in good faith, on a reasonable basis, in light of publically available information and consistent with the KYC parameters.

Richardson GMP did not offer Mr. and Mrs. P any compensation.

## OBSI FINDINGS

We accepted Mr. and Mrs. P's documented KYC information to be accurate. They had limited investment knowledge and experience, they were seeking a balanced approach to investing, and they were willing to take some risk with their investments.

OBSI conducted a detailed analysis of the investments in Mr. and Mrs. P's accounts using historical information about the investments at the time of their purchase. OBSI assessed the investments at periodic intervals during the period of time the P's accounts were open at Richardson GMP. OBSI concluded that a number of Mr. S's recommendations were unsuitable. In particular, Mr. and Mrs. P's accounts were invested in securities that exceeded their documented risk tolerance parameters.

OBSI presented its risk and asset allocation analysis to Mr. S and Richardson GMP for comment. Mr. S provided information to support his view that the investments OBSI concluded were higher-risk were in fact less risky. While OBSI was able to accept some of Mr. S's views regarding specific securities, we were unable to agree that all the investments were less than high risk.

By comparing the performance of the P's unsuitable investments to the appropriate benchmarks, OBSI concluded Mr. and Mrs. P incurred $66,366 in financial harm due to

Mr. S’s unsuitable recommendations. Richardson GMP is responsible for the P’s losses but has refused to compensate them any amount.