



Both my member firm and its related fund have failed. Now what?

SITUATION

Gavin was approaching retirement. He wished to use some of his savings to make an investment that would generate monthly income. He met with Ben, an investment advisor at ABC Securities Inc. (ABC).

Ben told Gavin about an investment opportunity in one of his company's own products, a fund called XYZ, and assured him that both ABC and XYZ had a history of success. Ben reassured Gavin about protection from the Canadian Investor Protection Fund (CIPF) in case things went poorly.

Gavin decided to invest \$100,000 through Ben's firm — \$40,000 in 1,000 trust units of XYZ and \$60,000 in 862 shares in a conservative and well-established corporation, Gaggle.

Six months after his initial investment, Gavin received the news that both the broker (ABC) and its related fund (XYZ) had failed. Gavin never expected that ABC and XYZ would fail at the same time and he feared that he had lost all of his money.

Unable to reach Ben, Gavin remembered the CIPF protection Ben spoke about at their initial meeting. He looked CIPF up online and phoned them.

ACTION/RESOLUTION

Lauren, a CIPF staff member, confirmed with Gavin that ABC was a CIPF member firm. Lauren explained that CIPF covers the return of missing property, which is customer property held by a member firm on behalf of a customer that is not returned to the customer when a CIPF member firm becomes insolvent.

In Gavin's case, Lauren said that CIPF's role is to ensure that Gavin's 1,000 units in XYZ and 862 shares in Gaggle, that were held at Ben's firm, are returned to him. Since an insolvent firm can no longer carry on the function of holding property for its clients, accounts are usually transferred to another firm so that clients can access their accounts.

Lauren explained that CIPF does not guarantee what the investments are worth when they were purchased, or cover any drop in the value of investments after the purchase for any reason, even if the investment is in an entity related to the broker/member firm. She further explained that CIPF does not cover any losses from misrepresentations that may have been made about the investments or about CIPF's coverage.

Gavin was disappointed about his losses. He understood that CIPF does not guarantee the value of investments, even where it is the member firm's own product. He also understood that CIPF would ensure that his accounts at Ben's now-bankrupt firm (along with the shares and units in his accounts) would be moved to another CIPF member firm.