

FINANCIAL SERVICES COMMISSION

Public Forum

Terra Nova Hotel

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Deputy Executive Director

Think and Check before you invest:

The role of the Investor in Investment Schemes'

Minister of Finance in the Ministry of Finance and the Public Service, Minister Don Wehby, the presenters for this evening, Mrs. Marlene Street – Forrest, General Manager of the Jamaica Stock Exchange, Mrs. Karab Damdar, Technical Specialist in the Office of the Director General, Tax Administration, Deputy Executive Director of the FSC, George Roper, special guests, ladies and gentlemen, members of the media, good evening.

Mr Wynter in his presentation earlier outlined a list of 19 unregistered schemes operating in Jamaica. By now we have all come to accept that they are operating outside of the law, but just to clarify, I will restate what these entities are in breach of as I want to quickly get to what are your responsibilities as investors within these schemes.

Regarding the **registration of issues of securities** it should be noted that any public offering of securities must first be registered with the FSC pursuant to section 26 of the Securities Act. Section 26 requires that every issuer should within a prescribed time before issuing any security apply for registration of the

said security in a format prescribed by the FSC. The format used by the FSC for registering securities is to be found on the FSC's website.

In addition to specifying fit and proper requirements, conducting examinations and registering issuers of securities, securities market regulators supervise market intermediaries, such as licensed dealers, to ensure that these service providers are financially sound and properly managed. Regulators also pay close attention to the conduct of all market players to ensure that material disclosures of price sensitive information are being made and also to ensure that no one person or group of persons is able to manipulate or otherwise carry out market abuse at the expense of investors.

The FSC in carrying out its responsibilities helps to ensure that investors receive all the information they need in order to make prudent investment decisions. But you cannot rely on the efforts of the FSC alone in order to ensure that your funds are safe.

By far the best way for investors to protect the monies they put into investment instruments is to do research and ask questions. The laws and rules that govern the securities industry are derived from a simple straightforward concept; that is, all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and as long as they hold it.

Through this Forum the FSC is advising you to 'think and check before you invest'. Implicit in this message is the advice to slow down, ask questions, request information and know that when you ask questions you have the right to get answers to your questions. If reasonable questions are not answered by someone offering you an investment opportunity, it may be best to walk away.

One reasonable question to ask of someone who is inviting you to invest in an entity is “Did the FSC register this investment?” In my view it is a wise and prudent person who avoids placing their funds in unregistered investment products.

Another important tip for investors is that they should ensure that they have full information about the person or entity that they have chosen to invest with. Ask for balance sheets and income statements, ask for contracts. Take them away and study them, share them with your attorney or a registered financial adviser. Find out from the FSC whether they have any knowledge of the person or entity, whether they are licensed or registered, and if they need to be licensed or registered.

I must now speak to the issue of online investing. Although it may save time and money investing online, we beg of you to still due your due diligence, to avoid costly mistakes. The internet allows individuals and companies to communicate with a large audience without spending a lot of time. A very important point to remember is that anyone can reach tens of thousands of people by building an internet website, posting a message on an online bulletin board, entering a discussion in a live ‘chat’ room, or sending mass emails. It is also easy for fraudsters to make their messages look real and credible. It is also impossible for investors to know the difference between fraud and fact when investing online.

We are also aware that many Jamaicans overseas are being invited to participate in transactions and these transactions may only be activated when money is wired to Jamaica. I implore you to conduct your background checks and due diligence to avoid fraud and scams. They exist and they are real. They are another means to separate investors from their money. Check to ensure that

these persons organizations are registered and that it is safe to conduct the said transaction.

Never invest in a product that you do not fully understand. Consult information sources such as business or financial publications. Call and ask for a licensed financial advisor or simply call the FSC. A further step, do not sign any contracts or new account agreements unless you thoroughly understand it and agree with the terms and conditions it imposes on you. Show it to an independent advisor or your lawyer. Do not rush. Do the necessary background checks before making a decision.

Another very important point to remember is that if you do business with an unlicensed securities dealer or company that later goes out of business, there may be no way for you to recover your money – even if an arbitrator or court rules in your favour.

The past success or perceived success of a company is no guarantee of future performance.

Before closing I would like to leave this sobering thought with you. The reality is that governments and laws and regulators cannot tell you where or with whom to invest your money, but it is important that you keep yourself informed and skeptical regarding extraordinary investment claims. In this regard my final tip is to follow the maxim: "If it sounds too good to be true... it probably is not true."

So please remember to:

- Take the time to investigate a possible investment opportunity before you hand over your hard-earned money.

- Remember to ensure that the individual or company has been licensed as a securities dealer by the FSC.
- Remember to closely examine the last annual audited financial statements and quarterly unaudited financial statements of the securities dealer and the company whose securities you are purchasing. If you are having difficulty understanding the financial statements, take the time to have its contents explained to you by an independent expert as this will help you to make an informed decision.
- Remember to be certain that you are comfortable with any document that you are asked to sign. Again, don't hesitate to get a second opinion.
- Remember to make sure that you understand the level of risk you are taking, and remember that, generally speaking, the higher the return, the greater will be the risk of loss that you are exposed to.
- Remember to pay attention to what investments you are buying and always seek advice if you do not understand.
- Remember to take an interest in and monitor your investments carefully and regularly. Request or ensure that you receive statements periodically and based on this information, make new appraisals of the firm or individual and the investment instrument.

Most importantly don't hesitate to seek guidance from the Financial Services Commission, especially if you are not satisfied with the quality of service that you receive from your securities dealer or investment advisor.

Remember as well that any investor may contact us to find out if an entity is legitimately carrying out operations as a securities dealer or investment advisor.

The FSC handles customer complaints and often is able assist investors in resolving their grievances. Through our Complaints Department, any grievances consumers may have with the practices of the insurance, securities, or private pensions industries may be examined. Call us toll free 1-888-372-4357 Monday – Friday, 8:30 a.m. – 4:30 p.m. or send us an email to complaints@fscjamaica.org . Note that all complaints must be put in writing before they can be investigated.

Finally, remember to “think and check before you invest”.

Thank you ladies and gentlemen.