

Investor Watch

“Spam” e-mail that promotes hot stocks: a risky proposition

What is spam e-mail?

Spam is unsolicited e-mail that usually advertises a product, service, business, scheme, or strategy. It is typically sent to large numbers of e-mail addresses at a time, by people paid to promote a scheme. A growing proportion of spam e-mail is related to stocks, where someone who doesn't know you tries to get you to buy stock in a certain company.

What should I be concerned about?

Be wary of unsolicited e-mails that promote specific investments. Many of these e-mails promote microcap companies, smaller companies that often have limited assets. Microcap stocks often trade on over-the-counter (OTC) markets that have fewer regulations than the major stock exchanges. These OTC markets include the United States OTC Bulletin Board (OTCBB) and the Pink Sheets.

The OTCBB is a U.S. electronic quotation system that displays real-time quotes, sale prices and trading information for stocks. Companies listed on the OTCBB must file financial reports with the United States Securities and Exchange Commission (SEC), but do not have to meet the listing requirements of the major exchanges. The Pink Sheets are listings of price quotes for companies that trade in the OTC market. The Pink Sheets are not regulated by Canadian securities regulators or the SEC.

While all investments have some risk, microcap stocks are considered high risk because many of these companies are new and have few assets or business operations. In addition, there is little public information available about them. By contrast, larger public companies that trade on recognized exchanges like the Toronto Stock Exchange (TSX) must meet minimum listing requirements. They must also file financial statements and other reports with securities regulators, which any investor can get for free on such websites as www.sedar.com.

When should I investigate further?

The Canadian Securities Administrators (CSA) urge investors to protect themselves by researching all investment opportunities **before** investing. Investors should be particularly careful of spam e-mail touting microcap investments, as by their nature these can be very risky investments. While no investment is without risk, up front research may reduce the risk of investors falling victim to a scam or committing to an unsuitable investment opportunity.

What should I watch out for?

- **Unsolicited recommendations.** You do not know the motives of the person sending the e-mail, and they do not know you, your financial objectives or risk tolerance. They are not in a position to give you investment advice.
- **Wordy disclaimers and liberal use of jargon.** Some spam e-mails have lengthy disclaimers that are at odds with other information in the e-mail. If you read the fine print, you may find that the people sending you the e-mail are being paid to promote the investment. They also may benefit from an increase in the value of the stock they’re encouraging you to buy. They may also use sophisticated scientific or financial jargon to convince you that the people behind the opportunity are professional, knowledgeable and experienced. Don’t take it at face value.
- **High-pressure sales tactics.** Spammers urge you to act with statements like “this one is ready to explode!” and “We have a runner – opportunities like this don’t knock on the door every day.” If they are trying to manipulate the market for the stock, it’s in their interest to get you to act fast.

What should I do if I receive spam?

- **Don’t reply.** Even if you just reply to ask the sender to remove you from their mailing list, that tells them that they have a legitimate e-mail address and you may get more spam.
- **Delete the e-mail.** Block further e-mail from that sender. Some web-based email systems also allow you to report the email as “junk” email. This helps to increase the effectiveness of junk mail filters, and can reduce the amount of spam you receive in the future.

Where should I go for more information?

If you have a question or concern about an e-mail that promotes an investment opportunity, contact your provincial or territorial securities regulator.

CSA website: <http://www.csa-acvm.ca/>

Provincial and Territorial Securities Regulators

Yukon Securities Registry Bette Boyd 867-667-5225 bette.boyd@gov.yk.ca	British Columbia Securities Commission Andrew Poon APoon@bcsc.bc.ca 604-899-6880 1-800-373-6393 (BC & Alberta only) www.bcsc.bc.ca
Securities Registry Northwest Territories Donald MacDougall	Alberta Securities Commission Tamera Van Brunt tamera.vanbrunt@seccom.ab.ca

<p>donald_macdougall@gov.nt.ca 867-920-8984 www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.htm</p>	<p>(403) 297-2664 1-877-355-0585 (toll free) www.albertasecurities.com</p>
<p>Nunavut Securities Registry Jennifer MacIsaac jmacisaac@gov.nu.ca Phone: (867) 975-6591</p>	<p>Saskatchewan Financial Services Commission www.sfsc.gov.sk.ca</p>
<p>Manitoba Securities Commission Ainsley Cunningham aicunningh@gov.mb.ca 204-945-4733 1-800-655-5244 (Manitoba only) www.msc.gov.mb.ca</p>	<p>Ontario Securities Commission Wendy Dey 416-593-8120 1-877-785-1555 (toll free in Canada) www.checkbeforeyouinvest.ca www.osc.gov.on.ca</p>
<p>Autorité des marchés financiers Frédéric Alberro frederic.alberro@lautorite.qc.ca 514-395-0558 poste 2176 1-800-361-5072 (Québec only) www.lautorite.qc.ca</p>	<p>New Brunswick Securities Commission Rick Hancox Rick.hancox@nbsc-cvmnb.ca 506-658-3119 1-866-933-2222 (New Brunswick only) www.nbsc-cvmnb.ca</p>
<p>Nova Scotia Securities Commission Chris Pottie pottiec@gov.ns.ca 902-424-5393 www.gov.ns.ca/nssc</p>	<p>Department of Attorney General Prince Edward Island Mark Gallant mlgallant@gov.pe.ca 902-368-4552 www.gov.pe.ca/securities</p>
<p>Financial Services Regulation Division Newfoundland and Labrador Doug Connolly Connolly@gov.nl.ca 709-729-2594 www.gov.nl.ca/scon</p>	