

November 2024 Speaker, David Milstead ***Financial Fraud***

David, a veteran, 30-years business journalist on staff at the *Globe and Mail* since 2009 specializing in unmasking financial fraud and other corporate wrongdoing, gave an illuminating, entertaining, and deliberately alarming talk. “FOMO– Fear Of Missing Out – on the possibility to make lots of money is why people have been victims of financial fraud for centuries and still are,” he said. “It’s more than greed, it’s the fear of missing out while others strike it rich.” He went on: “Instead, be skeptical; don’t fall for the story. It’s not only gullible people who get swept up; it’s rich people too. They think they’re smarter and entitled to special opportunities.”

David said his objective is “to identify [a problem] before it happens, rather than doing an autopsy afterwards.”

He alleged that those who should be protecting the public – auditors, accountants, lawyers, and, he admitted, business reporters – aren’t doing enough because they fear losing a client or a useful contact, “of being cut out.” Also, the United States Securities and Exchange Commission and the Ontario Securities Commission, the main overseer in Canada, have had spotty success in getting wrongdoers convicted. Even supposedly smart investors, such as institutional and pension funds, succumb to FOMO David said. He cited the Ontario Teachers Pension Plan in 2022 having to write off its \$95 million investment in FTX, a cryptocurrency digital exchange that collapsed when fraud was uncovered. “It happened with the Plan because management embraced FOMO; it didn’t want to be regarded as a stodgy pension fund for a bunch of old teachers.”

In October 2024, the month before he addressed us, Toronto Dominion Bank pleaded guilty to conspiracy to commit money laundering and had to pay a penalty of more than \$3 billion U.S. to U.S. regulators. David said the audit committee of the board of directors had been negligent. “For 10 years there’d been trouble tracking things. They were paid \$100,000 a year and did zero.”

David has a “gallery” in his office of business magazine covers that praised people who were revealed a short time later as fraudsters. His collection includes a *Business Week* cover picture of Jeffrey Skilling when CEO of Enron and an inside fold-out of him and Enron founder and chairman Kenneth Lay depicting them as power towers. Soon after they were charged with fraud (in 2006).

David’s accomplishments against business wrongdoing have made him feared and avoided. “I was at a bar with a source. He saw an acquaintance there who was in the financial industry. The man put out his hand to shake mine but pulled it back when told my name. He said: ‘No one wants to meet you; they’re all scared of you.’ He told my source, ‘I won’t tell anyone I saw you here with him.’”

His advice for not getting burned: “Unless you’re very wealthy consider not buying one individual stock because of the potential risk. To insulate yourself diversify and study.”

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David said he would give his honorarium from UWCNY for his talk to his mother, a 1961 graduate of the University of Saskatchewan now living in the U.S. who belongs to the American Association of University Women, to donate to its educational fund for needy international students. “Similar to your club’s support of CAMFED.”

Susan Goldenberg