

What is FOREX?

FOREX stands for **F**oreign **E**xchange. The FOREX market, also referred to as the currency or FX market is the changing of one currency for another by simultaneously buying one and selling another. Your profits and losses are dependent on the fluctuations in the exchange rate between the two currencies.

What should I know about FOREX?

1) The FOREX market is complex and volatile

From world affairs to the weather, many things can affect currency exchange rates. To speculate how these variables will influence a currency's value requires an expert's ability to monitor and interpret complex data and to implement strategies to help safeguard against inaccurate predictions. To become an expert requires a great deal of time, research, and practice. In addition, dealing with the extreme volatility takes experience and requires the capacity to accept and bounce back from possible losses.

FOREX seminars can cost thousands of dollars and end up being nothing more than an emotionally charged sales pitch to get you to buy more services and products. These seminars appeal to your desire for quick and easy profits by claiming they can teach you to be an expert in FOREX trading. Seminars and software may be used to assist with your analysis but neither can accurately predict where the market will go. Such strategies do not take into account the real world events that affect the FOREX market.

2) Trading on borrowed money can increase your losses

One of the attractions of FOREX is the option to pay only a small percentage of the purchase price up front. This is known as trading on margin. In effect, you are borrowing money to purchase the investment. Don't get caught by the lure of making big profits with a small initial deposit because your losses also accumulate more quickly that way.

For example, if your margin account allows you to borrow at a rate of 100:1 you can trade \$100,000 worth of currency with a \$1,000 deposit. If the currency you invested in goes down in value by just 1%, you will lose your entire \$1,000 deposit.

3) There are FOREX scams

Scam artists portray themselves as FOREX experts and promise to get you high returns in the FOREX market. They will take your money and run or gamble it away in the stock market. Either way, victims lose their money with little chance of getting it back.

The first line of defense is awareness. Recognize the red flags of a scam and report it to the authorities. The most common red flags are promises of:

- Guaranteed high returns, no risk!
There is no such thing. The higher the potential returns, the higher the risks.
- Profit like the experts!
To be an expert in anything takes time and practice. Just because someone says they are an expert does not mean they are one. Testimonials are not always true nor do they mean that you will have the same results. Do not accept their word or that of your friends and family without doing your own background checks.
- Offshore investment – tax free!
Tax evasion is illegal. Remember, the further away from home that you invest your money the harder it may be to recover it.

Contact the Nova Scotia Securities Commission (‘NSSC’) to report a suspicious opportunity and to get answers to your questions at www.gov.ns.ca/nssc.

Finding a qualified person to help you manage the risks

When relying on another person to be your FOREX expert, you need to carefully review that person’s credentials and track record. Here are a couple of things you can do:

- Check to see if they are a registered advisor in NS by contacting the NSSC at www.gov.ns.ca/nssc/capitalmarkets/registrants.asp. You can search registrations and find contact information if you have any questions. Registered advisers have an obligation to ensure that the investments they recommend to their clients are suitable for their clients’ needs. In addition, you can check with a registered person’s branch manager or compliance officer to ensure that they are qualified to advise you on FOREX trading. You should take notes of all your meetings.
- Do a background check on them to find out if the person or company is:
 - involved in a law suit or regulatory action,
 - bankrupt,
 - referred to in a relevant news story, and
 - who they say they are

Resources are available on the NSSC website at www.gov.ns.ca/nssc/links.htm. Links to the Investment Dealers Association (IDA), Mutual Funds Dealer Association (MFDA), securities regulators in Canada and the US, and other sites are available to assist with a background check. You can also search enforcement proceedings at www.gov.ns.ca/nssc/compliancenforce/enforproceedings.asp.

More information about how to choose a financial advisor is available at www.gov.ns.ca/nssc/investored.htm under ‘Brochures’.

It is important that you choose a qualified adviser who is a FOREX expert. They can help you assess your investment needs and determine if FOREX trading is right for you.

Proper expert advice about FOREX trading can lessen the risk of you suffering losses in the FOREX market that maybe detrimental to your retirement plans and investment goals.