

**Canadian banks****Beware grannies on Facebook**

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**Disgruntled small investors in Canada flex their muscles**

IN A world where might often prevails, a group of Canadian grannies and other small investors has successfully forced a number of financial firms to repay the millions that they lost on ill-fated investments in asset-backed commercial paper (ABCP). Their victory increases the chances that a landmark proposal to restructure Canada's C\$32 billion (\$32 billion) non-bank ABCP market will be adopted this month. The market has been frozen since early in the credit crisis last August.

Although they hold only about 1% of the total amount of ABCP, the 1,800 small investors have disproportionate clout because a number of companies acting as ABCP conduits were put into bankruptcy protection until a deal could be worked out. Under Canadian bankruptcy law, each investor, regardless of size, has an equal vote on restructuring proposals. The small investors have taken the chance to air two main gripes.

One is that the restructuring proposal, which will be put to a vote on April 25th, is designed to help the biggest institutional investors by replacing the now illiquid investments with longer-term notes in the hope that a secondary market will eventually emerge. Although the money would meanwhile be locked away, those with a long enough time horizon could eventually get much, if not all, of it back. But that does not include many of the retired.

The small investors also bristle at having to give up their right to sue participants in the ABCP market as part of the deal. "This junk was marketed as a safe savings product," complained Layne Arthur, a former farmer, in a letter to the governor of the Bank of Canada. He compared the proposal, which both the central-bank governor and the minister of finance praised, to the outright theft of his life savings.

Following the example of their children and grandchildren, some small investors formed a group on Facebook, a social-networking site, to trade information, provide mutual support and plot strategy. Brian Hunter, the group administrator, says the site turned out to be an "amazing tool". People who would never have met in real life, from pig farmers and retired loggers to MBA students and pastors, created a formidable interest group.

Campaigners were able to ensure that investors armed with information attended cross-country meetings held in late March and early April by the backers of the restructuring deal. "We had 300 raging grannies show up in Vancouver," says Mr Hunter. "[The backers] got their heads handed to them at that meeting."

The efforts of the campaigners paid off on April 9th, when Canaccord Capital, the investment broker that sold the paper to just over 1,400 of the 1,800 small investors, reversed its previous decision and said it would fully reimburse clients holding C\$1m or less as long as the broader deal wins acceptance. Other companies have made similar promises and more are expected to do so before the vote.

Purdy Crawford, a lawyer who heads the committee that developed the C\$32 billion solution, says the Facebook group actually made his life easier, because it helped him understand the concerns of small

investors and gave him a way to talk to them. "I also met quite a few of them on the cross-country tour," he says. They would have had no trouble recognising his face: his photo is the image on their Facebook site.

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