



OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS

Board of Directors

FINANCE AND AUDIT COMMITTEE MANDATE

1. Purpose

The primary purpose of the Finance and Audit Committee (the “**Committee**”) is to assist the Board of Directors (the “**Board**”) of the Ombudsman for Banking Services and Investments (“**OBSI**”) in fulfilling its oversight responsibilities related to the quality and integrity of financial reporting and pension arrangements. Consistent with this function, the Committee ensures fair presentation of the financial position and results of operations of OBSI in accordance with Canadian generally accepted accounting principles, and ensures that appropriate systems and controls are maintained for the proper recording of transactions and protection of assets. The Committee also oversees OBSI’s compliance with its legal, regulatory, and contractual obligations, and provides oversight of financial reporting and control activities to the Board.

2. Committee Membership

The Board will appoint annually from among its members the Committee, which will consist of at least three members of the Board, two of whom will be Community Directors, as defined in OBSI’s By-Law Number 1 (the “**By-Law**”), and one of whom will be an Industry Director, as defined in the By-Law. The Committee will appoint a Community Director as the Chair of the Committee. In the absence of the Chair of the Committee, another Community Director member shall act as Chair of the meeting. Committee members may be reappointed. The members of the Committee may be removed by the Board. In determining membership of the Committee, the Board will take into account the need for continuity and succession.

All members of the Committee must be fully conversant with financial statements and other financial issues relevant to an organization of the nature and size of OBSI.

3. Meeting and Procedures

The Committee shall conduct itself in accordance with the following operating procedures:

3.1 Meetings



The Committee is to meet at least four times per year and more frequently as circumstances require. Meetings may be convened at the request of any member of the Committee or at the request of OBSI's auditor. The Committee may ask members of OBSI's senior management or others to attend meetings or to provide information as necessary. The Committee shall have full access to all information it deems appropriate for the purpose of fulfilling its role.

The Committee may invite, from time to time, such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Ombudsman shall attend any meeting when requested to do so by the Chair of the Committee.

A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee in a timely fashion.

Any member of the Board may attend any meeting of the Committee.

3.2 Quorum and Decision-making

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. Unless otherwise determined by the Board, a quorum of the Committee shall be two members, and the Committee shall have the power to determine, as it sees fit, relevant procedures to govern its meeting.

If all of the members present at or participating in the Committee meeting consent, a meeting of the Committee may be held by such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other during the meeting, and a Committee member participating in the meeting by those means is deemed for the purposes of the *Canada Not-for-profit Corporations Act* to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given in respect of all meetings of the Committees held while a member of the Committee holds office.

The Chair of the Committee, in consultation with management, shall set meeting agendas.

Matters decided by the Committee shall be decided by majority vote. The Chair of the Committee shall have an ordinary vote, and in the event of a tie shall not be entitled to a casting vote.

3.3 Notice and Reporting

The Committee shall report to the Board as often as necessary and at least at the first Board meeting following each meeting of the Committee. The Committee



should submit the minutes of all Committee meetings to the Board on a timely basis.

Notice of meetings of the Committee shall be given by prepaid delivery, telephone, fax, e-mail or other means of recorded electronic communication to each member of the Committee not less than two days before the meeting is to take place or shall be mailed to each member of the Committee not less than ten days before the meeting is to take place. A meeting may be called with less notice by such means as are deemed appropriate, provided that a majority of the members of the Committee consent to holding such a meeting. The notice of the meeting of the Committee need not specify the purpose of the business to be transacted at the meeting. A declaration of the Chair or of any other individual authorized to call the meeting that notice has been given pursuant to this Mandate shall be sufficient and conclusive evidence of the giving of such notice.

3.4 In Camera Meetings

The Committee members shall, when deemed appropriate, meet in private session with the external auditor, with management and as Committee members only, to discuss any matters considered relevant to the Committee's mandate. An *in camera* session will be included as the last agenda item on every regularly scheduled Committee meeting.

4. Committee Authority

The Committee has authority to obtain information and conduct or authorize investigations into any matters within its scope of responsibility. The Committee has authority to require management to promptly inform the Committee and the auditor of any material misstatement or error in the financial statements following discovery of such situation. The Committee has authority to engage outside advisors as it considers necessary to carry out its duties, after consultation with the Chair of the Board, such engagement to be at OBSI's expense.

The Committee does not have decision-making authority except where, and to the extent that, such authority is expressly delegated by the Board. The Committee will convey its findings and recommendations to the Board for consideration and, where required, decision by the Board.

5. Responsibilities

The Committee is responsible for:

5.1 Financial Reporting, including, but not limited to:

- a) Making sure that financial reporting is appropriate, taking into account OBSI's major stakeholders.



- b) Reviewing and discussing with the external auditor and management the annual financial statements to ensure accuracy and completeness of information and reviewing key disclosures and changes from prior reporting periods.
- c) Recommending the annual financial statements to the Board for its approval.
- d) Reviewing and recommending to the Board the quarterly unaudited financial statements prepared by management.
- e) Reviewing the appropriateness of OBSI's internal accounting and financial controls.
- f) Reviewing with management and the external auditor, as appropriate, all significant accounting principles, policies and practices proposed, and seeking to understand their impact or potential impact on OBSI's financial statements.
- g) Reviewing the appropriateness of, and approving changes to, the financial and accounting policies and disclosures.

5.2 The Relationship with the External Auditor, including but not limited to:

- a) Recommending the annual appointment of external auditors and their annual compensation.
- b) Reviewing with the external auditor the conduct of the audit, including difficulties encountered.
- c) Meeting *in camera* with the external auditor to discuss any matter the committee or external auditor believes should be discussed privately.
- d) Reviewing with management and the external auditor all matters required to be communicated to the committee under generally accepted auditing standards.

5.3 Budgeting, including, but not limited to:

- a) Reviewing the proposed annual operating budget prepared by management and ensuring that the budget respects the approved budget guidelines and recommending its approval to the Board.
- b) Reviewing quarterly budget and variations.

5.4 Risk and Uncertainty, including, but not limited to:



Reviewing, at least annually, the significant risks and uncertainties within the Mandate that may affect OBSI and determining, together with the Board, the risk tolerance of OBSI.

5.5 Compliance with Laws, Regulations and Contractual Obligations, including, but not limited to:

- a) Reviewing and assessing the effectiveness of the processes for monitoring OBSI's compliance with applicable laws, regulations and contractual obligations.
- b) Reviewing reports from management and others relating to OBSI's compliance with applicable laws, regulations and contractual obligations.
- c) Reviewing the process for communicating and monitoring the Code of Conduct to staff.

5.6 Pension Plan, including, but not limited to:

- a) Reviewing the performance (risk and return) of the pension plan.
- b) Managing and taking responsibility for the relationship with the pension fund consultant, the performance of the fund, and the plan administrators.

5.7 Other Responsibilities, including, but not limited to:

- a) Reviewing the expenses of the Ombudsman.
- b) Reviewing the Mandate of the Committee and bringing forward changes to the Board if necessary.
- c) Performing other such duties as may be determined by the Board.