



OBSI 2010 Annual Report

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OMBUDSMAN
for Banking Services and Investments | des Services Bancaires et d'Investissement

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS (OBSI)

- The Ombudsman for Banking Services and Investments (OBSI) is Canada's independent dispute resolution service for consumers and small businesses with a complaint they can't resolve with their banking services or investment firm.
- We work informally and confidentially to find fair outcomes to disputes about banking and investment products and services.
- We look into complaints about most banking and investment matters including: debit and credit cards; mortgages; stocks, mutual funds, income trusts, bonds and GICs; loans and credit; fraud; investment advice; unauthorized trading; fees and rates; transaction errors; misrepresentation; and accounts sent to collections.
- Where a complaint has merit, OBSI may recommend compensation up to a maximum of \$350,000 for an individual or small business.
- Our service is free to consumers.
- We operate in both English and French, with our call centre able to handle inquiries in over 170 languages.

For more information please visit our website



www.obsi.ca

To conserve the environment and reduce costs, OBSI produced its 2010 Annual Report in electronic format only. Should you require a hard copy, please contact us; we would be happy to print and mail one to you.

The 2010 OBSI Annual Report covers our fiscal year 2010, which began November 1, 2009 and ended October 31, 2010.

2010 HIGHLIGHTS

- > Opened 1024 case files, a **3.4%** increase from 2009
- > **18.2%** increase in banking case files opened over 2009
- > **6.2%** decrease in investment case files opened over 2009
- > **55%** of case files completed in 180 days or less
- > **Investment suitability, mortgage prepayment penalties, service issues, and credit and debit card fraud** were the most frequent complaint areas

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MESSAGE FROM THE CHAIR



DR. PEGGY-ANNE BROWN, PH.D.,
CHAIR

IN MY PROFESSIONAL PRACTICE, I SEE MANY CASES THAT REINFORCE THE TRUISM THAT CHANGE IS INEVITABLE, PERVASIVE AND RELENTLESS. WE NOT ONLY HAVE TO TOLERATE THIS UNPREDICTABLE ENVIRONMENT BUT CONTINUALLY ADAPT TO EXCEL. THIS HOLDS TRUE FOR ORGANIZATIONS AND ENTIRE INDUSTRIES AS WELL.

We are experiencing a period of significant change in the Canadian financial services industry, particularly the banking and investment sectors, as pressure for change mounts in the aftermath of recent market and economic turmoil. New investor and consumer protection initiatives, legislation governing financial sector complaint handling, and public debate about the respective responsibilities of investment advisors and investors, are attracting the attention of all stakeholders: industry, regulators, investors and consumers. In providing dispute resolution at the behest of the regulators, OBSI finds itself in the middle of this changing industry environment resolving disputes between the financial firms and the investors or consumers that we serve. This is a fascinating vantage point at a unique time in the evolution of Canada's financial sector.

We are coming off a year where Canada's financial sector attracted much attention in this country and around the world for its ability to weather the recent global economic and financial sector crisis. It is not at all surprising that attention is now turning to market conduct and consumer protection. Complaint handling has become a priority for federal and provincial regulators in both the banking and investment sectors. New investor complaint handling rules came into force in February 2010 and federal legislation governing complaint handling by banks was passed in December. These changes have great significance for OBSI and its mandate. Some changes have already been incorporated through modifications to OBSI's Terms of Reference. Others will come in response to new federal regulations expected in 2011 that will require Ministerial approval of any proposed external dispute resolution provider in the banking sector and make bank participation mandatory for the first time. Decisions will be made in 2011 that will have long-reaching implications for investor and consumer protection.

During such times of change, clear communication is critical to ensure that all affected parties are kept informed. I am very pleased with the efforts made by OBSI over the past year to increase the degree of transparency and engagement with various stakeholders. It has fostered greater understanding of OBSI, its mandate, and stakeholder interests. It has also highlighted the key issues where regulators, industry, and investor and consumer advocates can focus their efforts to improve the complaint handling framework.

OBSI has also focused internally on initiatives to improve our dispute resolution service including an operational efficiency review by an external consultant, an overhaul of our funding formula which received unanimous industry support, and the formation of a Consumer and Investor Advisory Council to provide input directly to OBSI's Board of Directors.

All of this during a year when OBSI handled a record number of complaints. 2010 was indeed a busy year and OBSI management and staff are to be congratulated.

OBSI's Board of Directors has also undergone significant change in 2010 with the addition of three new Directors who bring varied skills and experience to OBSI's governance. This year, we welcomed Angela Ferrante, Ian Lightstone and Professor Louise Martel as independent directors. We bid farewell to Professor James Savary after many years of distinguished service and thank him for taking on the inaugural role of Chair of our newly created Consumer and Investor Advisory Council; an important addition to OBSI's transparency and a key source of stakeholder input to OBSI's governance. Our periodic

meetings with regulators, industry representatives, and consumer and investor advocates, ensure that the Board of Directors has the perspective required to effectively support management in its duties.

Looking forward to 2011, we have already initiated the external review conducted every three years in accordance with the Framework for Cooperation with the Joint Forum of Financial Market Regulators. We expect that this review will again validate the service we provide and make recommendations for the continued improvement of OBSI's effectiveness. Such openness to scrutiny is an important part of ensuring OBSI's accountability to properly perform its mandate in the interest of all stakeholder groups. We look forward to discussing the final report later in 2011 with regulators and other stakeholders.

Again this year on behalf of the Board of Directors, I wish to commend Douglas Melville, his management and staff for their tireless efforts and dedication to performing an important role under sometimes difficult and challenging circumstances. Whatever the outcome of the coming changes in the industry and regulatory environments, the efforts of the past year, undertaken to improve OBSI's operations and transparency, will ensure that all stakeholders continue to be well-served by effective dispute resolution delivered with impartiality, immune to the pressures inherent in periods of industry change and uncertainty.



Dr. Peggy-Anne Brown, Ph.D.
CHAIR

MESSAGE FROM THE OMBUDSMAN



DOUGLAS MELVILLE
OMBUDSMAN

A RELATIONSHIP OF TRUST BETWEEN FIRM AND CLIENT IS THE BASIS OF FINANCIAL SERVICES. AN EFFECTIVE COMPLAINT HANDLING STRUCTURE IS AN IMPORTANT PART OF MAINTAINING THAT TRUST. FINANCIAL SECTOR CONSUMERS NEED AND DESERVE AN IMPARTIAL AND EFFECTIVE ALTERNATIVE TO THE COURTS TO CONSIDER COMPLAINTS THEY HAVE NOT BEEN ABLE TO RESOLVE WITH THEIR FIRM. THIS IS GOOD PUBLIC POLICY, AND ALSO GOOD BUSINESS.

OBSI takes this important role very seriously. While we are accountable through our Board of Directors to the regulators responsible for Canada's banking and investment sectors, we operate in a complex multi-stakeholder environment comprising legislators and regulators, industry, consumers and investor advocates, and the media. We have made a concerted effort over the past year to establish stronger lines of communication to these various groups and demonstrate appropriate transparency in our governance and in our day-to-day work. This has led to a greater understanding of OBSI's role and greater engagement from many stakeholders in financial sector complaint handling.

In 2010, OBSI faced the largest volume of case files in its 15-year history. Despite this workload challenge, we also focused on improvements to our complaint handling processes and tackled the backlog of case files that accumulated during the economic and market turmoil of 2008 and 2009. We embarked on intensive discussions with stakeholders seeking to achieve alignment on important issues like investment suitability and methodologies to calculate losses due to unsuitable investments. We engaged an efficiency consulting firm to review our operations and make recommendations to improve how we perform our important mandate. To tackle the case file backlog, OBSI assembled a contract team of dedicated investigators tasked with the complete elimination of the backlog by October 31, 2011. The team is currently ahead of schedule.

Looking forward, 2011 will be a year during which important matters affecting regulators, industry firms and consumers will get resolved. Regulatory changes are underway in both the banking and investment sectors that will have significant implications for complaint handling. We will share our views and continue to pro-

mote effective complaint handling. We will also continue to work on improving the service we provide and engage in dialogue with all stakeholders to ensure that we are on the right track. Each day, we embrace the challenge of balancing often competing stakeholder interests to ensure impartiality of our work and our governance, and fairness in our decisions.

OBSI is fortunate to have a highly skilled and experienced team of investigators and case review staff. They bring industry experience, investigative abilities and dispute resolution skills to bear in resolving the most complex of disputes: those that could not be resolved between the firm and consumer.

This challenging work requires cooperative effort, both within OBSI and with our participating firms. I thank our dedicated staff for their continued diligence, professionalism, impartiality and resiliency in the pursuit of fair outcomes. It is not easy work. Despite our best efforts to facilitate settlements, in many cases, one party, either the firm or the client, is left disappointed by our decision. This is an inherent reality given our role. It takes strength of conviction to stand behind decisions each day in the face of often intense pressure from one party or the other. We strive to ensure that we remain impartial and professional when we determine what would be a fair and reasonable outcome to each complaint that comes to our office.

Thanks also go to those stakeholders who work with OBSI to promote fairness in the resolution of customer complaints and in the provision of financial services to Canada's banking and investment consumers. Finally, on behalf of all of OBSI's staff and stakeholders, I express our appreciation to our Chair, Dr. Peggy-Anne Brown and our Board of Directors for their guidance and steadfast support.



Douglas Melville
OMBUDSMAN

OBSI – WHO WE ARE



THE OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS, OR OBSI, IS CANADA'S NATIONAL INDEPENDENT DISPUTE RESOLUTION SERVICE FOR CONSUMERS OR SMALL BUSINESSES WITH A COMPLAINT THEY CAN'T RESOLVE WITH THEIR FINANCIAL SERVICES FIRM.

Established in 1996 as an alternative to the legal system, we work informally and confidentially to find fair outcomes to unresolved disputes about banking and investment products and services. We are free to clients. Our funding is provided from a levy on all participating firms. If we find an error, misleading advice or other maladministration that has caused a loss to a client, we may recommend compensation up to a maximum of \$350,000. Our independence is assured by a board of directors with a majority of independent directors and strong safeguards for our independence and impartiality.

How OBSI works

Our staff – with a wide variety of experience and training in financial services, law, accounting, dispute resolution and regulatory compliance – review unresolved complaints from clients about banking and investment products and services, such as errors in accounts, poor disclosure and inappropriate advice.

If we find the firm has caused a loss, we will recommend a settlement that aims to make the client whole. We may also recommend compensation for inconvenience in the appropriate circumstance, or non-financial actions such as correcting a credit bureau record. If we find the firm has acted appropriately, we will write to the client to explain why we came to that conclusion.

When we receive a complaint, our assessment team looks at the file to make sure it falls within our mandate. For instance, the firm has to be one of our participating banks, credit unions, investment dealers, mutual fund dealers and managers and scholarship plan dealers. We also look for a final answer from the firm to the client, which allows us to start our review knowing the positions of both firm and client. OBSI will look at complaints where the client is either unsatisfied with their firm's final response, or at least 90 days have passed since the client first complained to their firm and the complaint remains unresolved.

Depending on the file, we might try to settle the dispute through a facilitated settlement between the client and firm that aims to address the complaint quickly with a fair outcome to both parties. If we believe that the facts of the case do not warrant further review, we will let the client know quickly. We always make sure that we explain our reasons, just as we do for firms when we are recommending compensation.

If we can't facilitate a settlement, we will conduct an investigation. When we believe the client should be compensated, we will send a draft investigation report to the firm and then to the client. Following a brief comment period, we will send the client and the firm a final report that sets out our recommendation.

After reviewing the facts of the case, we make a decision based on "fairness in the circumstances" to both the client and the firm. We take into account laws, regulations, industry standards and practices as well as any standards

established by regulatory bodies, professional associations or the individual firm involved.

Neither a court nor a regulator, OBSI does not fine or discipline firms or individuals. Our recommendations are not binding on either party, but we have an excellent record of acceptance of our recommended settlements from both firms and clients.

While we do not handle matters that have already been through a court or an arbitration, if a client is not satisfied with our conclusions, they are free to pursue their case through the legal system, subject to statutory limitation periods.

OBSI's Commitment to You

The Ombudsman for Banking Services and Investments is committed to achieving excellence in our dispute resolution service. Our standards are designed to ensure a high-quality, independent and fair dispute resolution process for consumers of financial services in Canada.

Our Code of Practice commits us to achieving high standards of excellence in 11 separate areas of our operation and governance including accessibility, fairness and independence, timeliness and competence. These standards were based in part on emerging international complaint-handling standards through the International Standards Organization (ISO 10003).

We are committed to regular independent reviews of our operations. Our last review in 2007 found our service to be both professional and effective. Our current review began in late 2010.

Our People

OBSI's experienced and professional staff is drawn from a variety of fields and disciplines such as law, accounting, finance, banking and investments. Our staff is committed to conscientious, fair and timely dispute resolution, which is evident in their dealings with all parties.

At the end of our 2010 fiscal year, we had a complement of 45 permanent full- and part-time staff, plus an additional 12 on contract. Our team of consumer assistance officers responds to the thousands of initial inquiries and complaints that are received by phone, email, online, letters and faxes each year. We have two teams of assessment staff and investigators, one for banking services and the other for investments, responsible for reviewing files in depth. Each is headed by a Deputy Ombudsman. The Manager of Administration is responsible for overseeing the office and the Director of Stakeholder Relations and Communications oversees outreach and communications activities.

Language Services

OBSI's call centre is equipped to receive inquiries in over 170 languages. We use an international telephone-based service that allows us to connect a phone call we've received from someone who doesn't speak French or English to an interpreter, literally in seconds. The interpreter helps us understand the nature of the inquiry or complaint and makes sure the client can comprehend our instructions as well.

Over the past year, we've used the language service with callers speaking Mandarin, Greek, Cantonese, and Italian, among others. While we can't offer to do a full case review or investigation in languages other than French or English, the interpreters help us explain to clients how OBSI works and point them to community resources where they can receive language assistance.

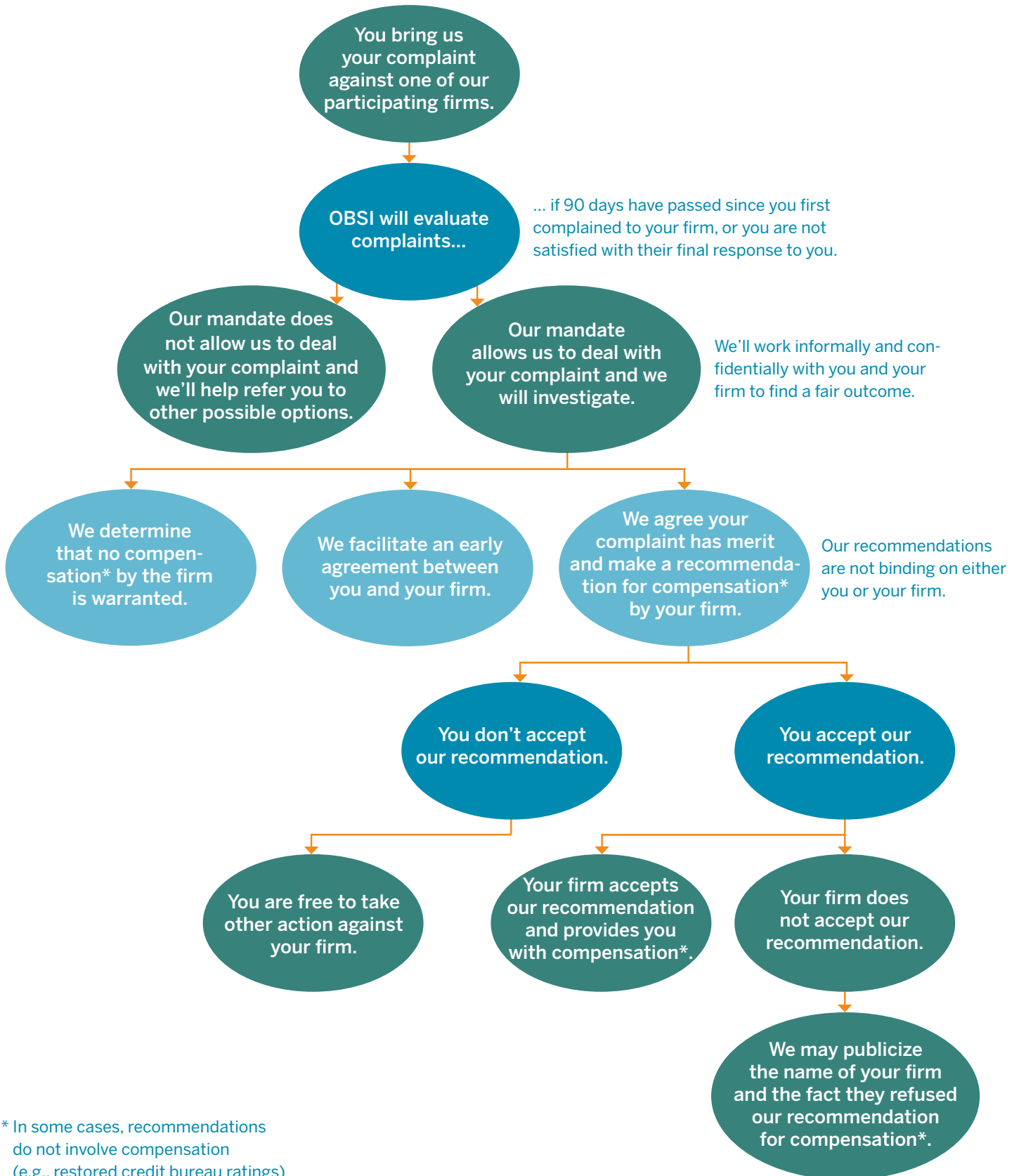
PARTICIPATING FIRMS

All financial services firms regulated by the federal or provincial governments are eligible to become a participating firm in OBSI.

Current participating firms include:

- Domestic and foreign-owned banks
- Credit unions
- All Investment Industry Regulatory Organization of Canada (IIROC) member firms
- All Mutual Fund Dealers Association of Canada (MFDA) member firms
- Mutual Fund companies
- RESP Dealers Association of Canada (RESPDAC) member firms
- Federal trust and loan companies, and other deposit-taking organizations

CONSUMERS' GUIDE TO HOW OBSI WORKS



* In some cases, recommendations do not involve compensation (e.g., restored credit bureau ratings)

OVERVIEW



OBSI'S CASELOAD WAS UP SLIGHTLY IN 2010, LEVELLING OFF AT AN ALL-TIME HIGH. AFTER SEVERAL YEARS OF RECORD GROWTH, WE OPENED 1024 CASE FILES IN 2010, AN INCREASE OF ONLY 3.4%. OF THOSE, 462 WERE BANKING SERVICES CASE FILES AND 562 WERE INVESTMENT CASE FILES. WE ALSO CLOSED 397 BANKING SERVICES CASE FILES AND 468 INVESTMENT CASE FILES, BOTH INCREASES OVER 2009.

On the banking side, we met our target of at least 80% of case files closed within 180 days (81%). In 2010, we closed 32% of investment case files in 180 days or less, though as the newly hired investment case backlog team started work partway through the year and began to close older files, it was expected this would show up in the statistics as a deterioration in timeliness. As the backlog is eliminated, the drag on case closing timeliness statistics should also lessen.

One reason for the continued large number of cases we receive is the increased awareness clients have of OBSI. On the investment side, this awareness is enhanced by the new complaint handling rules issued by the Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC), which came into effect on February 1, 2010. In their final responses to clients, firms are now required to provide information about the clients' options, including OBSI, if they are

not satisfied with the firm’s response. In our view, requiring firms to put information regarding OBSI in the actual letters – in addition to providing clients with separate literature – will go a long way to ensuring that investors are aware of their dispute resolution options.

In the past year, OBSI’s Terms of Reference expanded to include the investigation of “systemic issues”. These are issues that are raised in an individual complaint that OBSI believes may have affected or have the potential to affect a number of other customers. The power and obligation to investigate systemic issues is a significant benefit to consumers, as the goal is to obtain compensation for all customers in that affected group. It is also a benefit to firms, as it allows issues to be identified and addressed without the spectre of litigation. We are currently investigating a number of actual and potential systemic issues, and our experience working with firms on addressing these issues has thus far been positive.

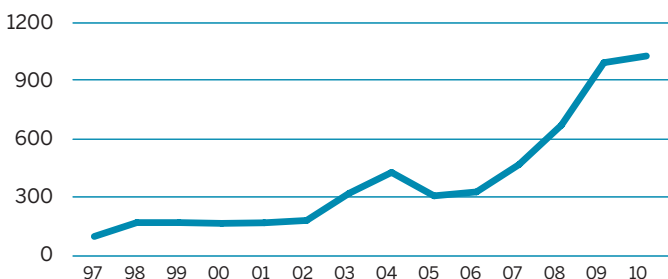
INQUIRIES BY PARTICIPATING FIRM

TOP 10 FIRMS	# OF INQUIRIES	% OF TOTAL
TD	1351	17.9%
CIBC	624	8.3%
BMO	542	7.2%
Scotiabank	537	7.1%
RBC*	467	6.2%
HSBC	227	3.0%
Amex Bank of Canada	226	3.0%
Citibank	225	3.0%
President’s Choice	218	2.9%
MBNA	181	2.4%

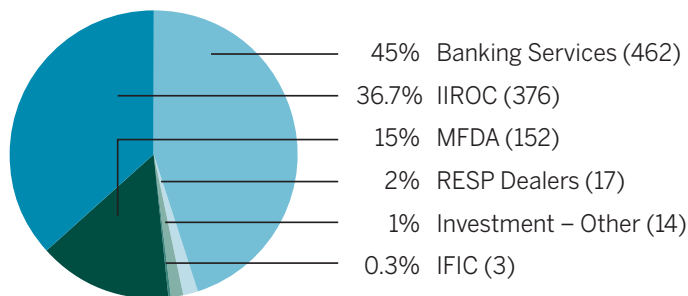
* 386 of 467 are RBC banking inquiries and therefore cannot proceed to become case files. (RBC is not a participating firm for banking services.)

We note that firms that generate a large number of inquiries relative to their size are not necessarily doing a poor job handling customer complaints. It is possible that the high inquiry volume stems from the fact the firms are diligently informing customers of OBSI’s existence and their right to bring a complaint to us.

OPENED CASE FILES OVER 14 YEARS (TOTAL)



OPENED CASE FILES IN 2010



Of the case files opened in 2010, 989 were complaints from individuals and only 35 were from small businesses.

CONTACTING OBSI

CHANNEL	# OF INQUIRIES	% OF TOTAL
Phone	4266	56.4%
Email	1832	24.3%
Mail/Courier	577	7.6%
Fax	483	6.4%
Online	385	5.1%
Walk-in	16	0.2%
Total	7559	100.0%

While the telephone is still by far the most common way of contacting OBSI with an inquiry or complaint, other channels of communication are growing, particularly email. Phone calls remain the largest proportion of the more than 7,500 inquiries our Consumer Assistance Officers received in 2010.

OBSI changed its phone message in 2009 to include more information on participating firms' internal complaint handling procedures. This has resulted in over 1,000 calls a month being referred to the appropriate firm without the need to speak with our Consumer Assistance Officers.

WHERE DO OUR COMPLAINTS COME FROM?

As a national service, OBSI gets complaints from coast to coast to coast. We also see files from customers of participating firms living abroad who have banking and investment relationships with firms in Canada. This table compares the percentage of complaints received by OBSI by province or territory compared to its percentage of the population of Canada. The proportionately lower number in Quebec reflects the fact that the caisses populaires Desjardins do not participate in OBSI for banking services.

JURISDICTION	COMPLAINTS	POPULATION
Ontario	55.9%	38.7%
British Columbia	14.6%	13.3%
Quebec	11.5%	23.2%
Alberta	7.2%	10.9%
Nova Scotia	3.8%	2.8%
Manitoba	2.0%	3.6%
Saskatchewan	1.4%	3.1%
New Brunswick	1.0%	2.2%
International	1.0%	NA
Newfoundland & Labrador	0.6%	1.5%
USA	0.6%	NA
Prince Edward Island	0.2%	0.4%
Yukon	0.2%	0.1%
Northwest Territories	0.0%	0.1%
Nunavut	0.0%	0.1%
	100.0%	100.0%

WHAT'S NEW

1 New Terms of Reference

OBSI'S NEW TERMS OF REFERENCE WERE IMPLEMENTED EFFECTIVE FEBRUARY 1, 2010, TO COINCIDE WITH NEW COMPLAINT-HANDLING RULES FROM THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC) AND THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA).

The timing of the implementation was such that similar procedures applied to both investment and banking complaints as of the implementation date. This avoided confusion for both consumers and participating firms who might otherwise have faced different complaint handling procedures within the same firm. The new Terms of Reference were written to align with the IIROC and MFDA rules as well as the Framework for Collaboration developed by Canada's Joint Forum of Financial Market Regulators.

OBSI's new Terms of Reference differ from the previous version in three key ways:

- 1 Consumers can now bring their complaint to OBSI for review 90 days after they first complain to their firm;
 - 2 OBSI now has the ability to take action in response to systemic issues uncovered when reviewing an individual consumer complaint; and
 - 3 Participating firms, where permitted by law, will agree to suspend the applicable limitation period for a consumer's complaint so that their ability to later bring legal action against the firm is not jeopardized by the time it takes OBSI to investigate (see next section, Tolling Agreement).
-

The new Terms of Reference were written to align with the IIROC and MFDA rules as well as the Framework for Collaboration developed by Canada's Joint Forum of Financial Market Regulators.



2

Tolling Agreement

THE TIME PERMITTED TO COMMENCE LEGAL ACTION AFTER THE DATE AN ALLEGED GRIEVANCE OCCURRED IS KNOWN AS A LIMITATION PERIOD. IN CANADA, THIS PERIOD VARIES AMONG THE PROVINCES AND TERRITORIES. A TOLLING AGREEMENT IS THE NAME FOR AN AGREEMENT THAT STOPS THE CLOCK ON THE LIMITATION PERIOD, AND IS PERMITTED BY LAW IN EVERY CANADIAN JURISDICTION EXCEPT QUEBEC.

OBSI's new Terms of Reference require all participating firms to enter into a tolling agreement while OBSI considers a client complaint (if requested by OBSI and where permitted by law).

Following consultations with stakeholders, OBSI is now facilitating tolling agreements for all clients where permitted by law.

Most clients with a banking services complaint against one of OBSI's participating firms will now be covered by a blanket tolling agreement. This blanket agreement is signed by most banks – and some bank groups or bank-owned investment subsidiaries – that confirms a suspension of the limitations period for all complaints that come to OBSI.

Clients with any complaint not covered by the blanket agreement but for whom tolling agreements are permitted will be covered via clauses in OBSI's consent letter. The consent letter is a letter signed by clients that gives firms permission to share with OBSI certain personal information related to complaints so that we may investigate.

The text of the blanket agreement and a copy of the consent letter used for complaints not covered by the blanket agreement can be viewed at www.obsi.ca. If clients have questions about their limitation period they should seek independent legal advice.

The firms that have signed a blanket agreement as of the date of this publication are:

- Amex Bank of Canada
- Bank of China (Canada)
- BMO
- BMO Investments Inc.
- BMO Investor Line Inc.
- BMO Nesbitt Burns
- BMO Trust Company
- Canadian Tire Bank
- Canadian Western Bank
- Capital One Canada
- CIBC
- CIBC Securities Inc.
- CIBC World Markets
- Citibank
- Citizens Bank
- HSBC
- JPMorgan Chase Bank
- Laurentian Bank
- Laurentian Bank Securities
- Manulife Bank
- MBNA Bank of America
- National Bank
- Scotiabank Group
- TD Bank Financial Group

3

OBSI'S Funding Formula

INDUSTRY STAKEHOLDERS HAD EXPRESSED A DESIRE FOR A REVIEW OF OBSI'S FUNDING FORMULA IN LIGHT OF PERCEIVED UNFAIRNESS TO CERTAIN PARTIES. TO ADDRESS THIS CONCERN, A WORKING GROUP WAS FORMED IN NOVEMBER 2009, WITH NINE MEMBERS REPRESENTING THE SECTORS THAT COMPRISE OBSI'S PARTICIPATING FIRMS.

The group developed five considerations for evaluating funding formula options:

- 1 Fairness to all participating firms
- 2 Accurate allocation of expenses to activities
- 3 Impact on enlisting new participating firms
- 4 Administrative costs of OBSI
- 5 Stability of funding

The group formally met eight times over six months. During this time the group broke down the existing formula and developed a variety of different funding model options including per-file costing with tiers to measure complexity, annual fees, and different combinations of both. Each model had merits yet it was difficult to develop one that met all of the considerations set out at the beginning. Eventually, however, a consensus emerged as to which formula OBSI should adopt going forward.

In the new model, costs are allocated by breaking out the resources required to handle the complaints arising from each of the banking services and investment sectors:

Front end costs – costs associated with clients' initial contact with OBSI – are distributed between the banking and investment sectors by their proportional share of inquiries. These costs are weighted more heavily to the banking sector at this time as the majority of inquiries are banking-related.

Investigator costs are directly allocated to the banking and investment sectors based on the resources assigned to each. Investment investigator costs are currently higher than for the banking sector due to high investment case file volumes, resulting in more investment investigators.

Management and administration costs are allocated to all sectors by the proportional share of combined front end and investigator costs.

The new model has several advantages over the old one. One is that the formula equitably distributes costs based on the number of inquiries and case files generated. In addition, the formula is flexible. Any future volume shifts between the banking and investment sectors will be accurately reflected, thereby eliminating the need to revisit the funding formula in the future.

Based on the unanimous recommendation of the working group, OBSI's Board of Directors approved the new funding formula. It was implemented effective November 1, 2010.

4

Efficiency Consultants

IN THE SPRING OF 2010, OBSI ENGAGED AN EXTERNAL CONSULTING FIRM TO UNDERTAKE A REVIEW OF OUR OPERATIONS WITH AN EYE TO IDENTIFYING POTENTIAL EFFICIENCIES AND IMPROVING OPERATIONAL EFFECTIVENESS.

This exercise grew out of industry feedback during OBSI's 2009 pre-budget consultations. It was suggested that we take a look at identifying potential efficiencies in OBSI's operations that would mitigate the need for additional resources as our volume of case files grew. We also welcomed the chance to find additional opportunities to improve what we do and how we do it for the benefit of our clients.

The consultants spent over ten weeks examining OBSI utilizing a variety of methods, including a detailed review and mapping of OBSI's processes, observations of staff performing their duties, and interviews with clients and participating firms.

The final recommendations generally fell into three categories:

- 1 Those which OBSI can address on its own with existing resources;
 - 2 Those which OBSI can address only with dedicated assistance (either internal or external); and
 - 3 Those which OBSI can address only in partnership with industry stakeholders.
-

The recommendations in the first group were prioritized and are in the process of being implemented, with the expectation that most suggestions will be in place by the end of 2011. The second group of recommendations are dependent upon the availability of investment in internal or external support to supplement staff capacity in implementing the changes. These were deferred on cost-benefit grounds. Finally, those recommendations in the third group require cooperation from participating firms. In some cases, internal process changes are required, and we look forward to collaborating with our industry stakeholders to validate, prioritize and jointly implement this group of recommendations.

We appreciated the consultants' observations concerning the importance OBSI attaches to improving our processes and the efforts we have made in recent years. We also noted with some satisfaction their conclusion that the type and amount of potential efficiency improvements evident within OBSI are consistent with those of similar organizations.

OBSI recognizes that process optimization is an ongoing exercise of continuous improvement and innovation. We are grateful for the consultants' observations, recommendations, and training, which will guide us as we continue our efforts to fulfill our mandate as cost effectively as possible.

5

Consumer and Investor Advisory Council

AS PART OF ITS FRAMEWORK FOR COLLABORATION WITH FEDERAL AND PROVINCIAL REGULATORS, OBSI SUBMITS ITSELF TO AN INDEPENDENT, THIRD-PARTY EVALUATION OF ITS EFFECTIVENESS AT LEAST ONCE EVERY THREE YEARS.

During the last review, the evaluators noted that OBSI's Board of Directors meets directly with industry and regulators on an annual basis, but does not do the same with financial consumers and investors.

Over the years, OBSI management has held regular discussions with representatives of consumer groups and investor advocates, but the Board of Directors has not had the same opportunity.

In September 2010, to create a more robust and formalized channel for dialogue with this important stakeholder group, OBSI's Board of Directors approved the creation of a Consumer and

Investor Advisory Council, an independent body that will provide input directly to the Board. The first Chair of the Council is James Savary, former member of OBSI's Board of Directors and an expert on consumer issues.

The initial membership of the Consumer and Investor Advisory Council consists of the individuals listed on the following page. Each Council member has been invited to participate based on the unique perspective they bring to the table, with the entirety of the Council reflecting a broad range of consumer and investor perspectives.



Over the years, OBSI management has held regular discussions with representatives of consumer groups and investor advocates, but the Board of Directors has not had the same opportunity.

ADVISORY COUNCIL MEMBERSHIP

James R. Savary, Chair

Mr. Savary is Associate Professor of Economics Emeritus at York University in Toronto, specializing in financial institutions and markets and in monetary theory and policy. He is a member of the Board of Directors of the Travel Industry Council of Ontario, and a member and Past-Chair of the Stakeholder Advisory Council of the Canadian Payments Association. He is also an active participant in the work of the Canadian Standards Association and the Standards Council of Canada.

Julia Dublin

Corporate and securities lawyer in private practice as well as Adjunct Professor at Osgoode Hall Law School, teaching advanced securities law. Worked with the federal Department of Justice for four years, and subsequently with the Ontario Securities Commission for 18 years. Seconded from the OSC to the federal Department of Finance in 1992–93 as special adviser on securities regulatory issues connected with financial institutions.

Jim Emmerton

Executive Director of the British Columbia Law Institute (BCLI). Served in various legal and senior executive capacities with John Labatt and Methanex Corp. Broad spectrum of knowledge in the fields of law, finance and corporate development.

Robert Goldin

Investment Dispute Consultant with MacGold Direct and leading investor advocate. Over forty years' experience in the financial service industry as a lawyer, financial consultant, forensic financial auditor and investment dispute consultant.

John Lawford

Research analyst and lawyer with the Public Interest Advocacy Centre (PIAC). Expert in the areas of e-commerce, privacy, financial services and health law from a consumer perspective.

Ermanno Pascutto

Founder and Executive Director of the Canadian Foundation for the Advancement of Investor Rights (FAIR Canada). Executive Director and head of staff of the Ontario Securities Commission 1984–89. Vice-Chairman of the Hong Kong Securities and Futures Commission 1989–94. Independent director of Market Regulation Services 2004–08. Over 30 years' experience as a senior regulator and practicing Canadian and Hong Kong securities lawyer.

Laura Small

President of the Canadian Council for Small Business and Entrepreneurship. CEO of Women Entrepreneurs of Saskatchewan Inc. Served in various capacities with the Saskatchewan Attorney General's office and Western Economic Diversification Canada.

Glorianne Stromberg

Securities lawyer, now retired. Former Commissioner of the Ontario Securities Commission. Author of three reports on regulatory strategies relating to the provision of financial services. Frequent speaker and commentator on matters relating to the investment funds industry, the financial services sector, and the protection of investors.

Nidhi Tandon

Founder and Director of Networked Intelligence for Development. Designs and runs grassroots training workshops for women's organizations, small business and farmer communities in Africa and the Caribbean.

Laura Watts

CEO of Social and Enterprise Development Innovations (SEDI), as of February 1, 2011. Prior to that, served as National Director of the Canadian Centre for Elder Law. Vice Chair of the National Elder Law Section of the Canadian Bar Association. Editor-in-Chief of the Canadian Journal on Elder Law.

6

Seniors' Issues

OBSI RECEIVES A NUMBER OF COMPLAINTS OR INQUIRIES FROM INDIVIDUALS WHERE THERE IS AN ISSUE AROUND A CONSUMER'S CAPACITY OR THE USE OF SUBSTITUTE DECISION-MAKING ON BEHALF OF A CONSUMER.

In general, the complaints have fallen into the following categories:

- Complaints by family members, estate executors or estate beneficiaries about transactions carried out by others (usually a family member, friend, or caregiver) on behalf of elderly customers using a Power of Attorney (PoA);
- Complaints by holders of a PoA that the bank would not honour it and follow the instructions of the holder, or the bank requested a signed PoA be obtained on the bank's standard form;
- Complaints by family members or estates relating to the creation of joint accounts between individuals (usually a family member, friend, or caregiver) and an elderly customer, or about transactions (e.g., loan applications, guarantees, transfers of large sums of money) carried out by the elderly customer – usually in the presence of a family member, friend, or caregiver – without independent legal advice;
- Complaints by elderly customers about transactions carried out by the elderly customer, usually in the presence of a family member, friend, or caregiver, where the bank was requiring that independent legal advice first be obtained.

While the number of complaints that we review of this nature is relatively modest compared to our overall case volume, it is a complaint area

that is likely to grow in significance as Canada's population ages.

The issue of elder financial abuse is also one that warrants public policy attention; community organizations and legal practitioners inform us that the issues we see within OBSI case files are illustrative of a growing societal problem.

The matter is nevertheless a difficult one for policy-makers: challenges faced by elderly customers are often not the making of a financial services provider, but rather are due to the actions or abuse by others in a position of trust – family, friends, or caregivers.

In response to the growing importance of these issues, OBSI undertook several new initiatives:

- We will be able to keep track of complaint case files that may involve aspects of seniors-specific issues – including elder abuse and capacity issues – in a systematic way that was not previously possible;
- We brought in an expert to provide training to our entire staff in order to sensitize them to seniors' issues; and
- This same expert conducted a high-level review of our public communications materials and made suggestions to improve their accessibility, readability and utility for seniors.

Going forward, we will continue to look for ways to improve our sensitivity to seniors' issues and enhance the service we provide to this important, vulnerable, and growing constituency.

7

Addressing the Case Backlog

WHEN THE GLOBAL ECONOMIC CRISIS AND MARKET DECLINE HIT IN THE FALL OF 2008, AND GATHERED STEAM INTO 2009, OBSI WAS HIT WITH A MASSIVE INCREASE IN INVESTMENT COMPLAINT VOLUMES. THAT INCREASE, MATCHED AGAINST THE EXISTING STAFF RESOURCES, RESULTED IN A SIGNIFICANT BACKLOG OF INVESTMENT CASE FILES ACCUMULATING IN OBSI'S INVENTORY. INDIVIDUALS WHO BROUGHT THEIR COMPLAINT TO US WERE FORCED TO WAIT LONGER AND LONGER BEFORE WE WERE ABLE TO LOOK AT THEIR CASE.

To address this backlog, OBSI's Board of Directors approved a special budgetary item in the spring of 2010. The investment case backlog was quantified and matched with appropriate resources to eliminate the backlog by the end of OBSI's 2011 fiscal year. A team of contract staff was hired and began work on the backlog project in June 2010.

The decision to create a one-time backlog project avoided the need for an increase in OBSI's base budget to provide additional staff capacity. New approaches are also being tried to more quickly reduce the backlog, including a move away from OBSI's traditional first-in, first-out approach to investigating cases. Instead, a "batching" approach is being attempted, grouping files either by participating firm, type of complaint, or product being complained about. These new approaches will be evaluated at the end of the backlog project to determine whether they might be adopted for ongoing use.



The investment case backlog was quantified and matched with appropriate resources to eliminate it by the end of OBSI's 2011 fiscal year.

8

Government Legislation on Internal and External Complaint-Handling Bodies

IN SEPTEMBER 2010, THE FEDERAL GOVERNMENT INTRODUCED BILL C-47, PROPOSED LEGISLATION THAT WOULD IMPLEMENT CERTAIN PROVISIONS OF ITS 2010 BUDGET. SEVERAL PROVISIONS IN THE LEGISLATION WERE OF INTEREST TO OBSI AND ITS STAKEHOLDERS.

Among other things, the legislation introduced to the *Bank Act* the new concept of an “approved” external complaints body, as an alternative to the provision for a “designated” external complaints body that previously existed. All banks will soon be required to be a member of an external complaints body, bringing to an end the voluntary phase of bank dispute resolution which led to the creation of OBSI’s predecessor organization in 1996. Regulations will be established setting out the requirements for approval.

The Commissioner of the Financial Consumer Agency of Canada will receive applications from potential “external complaints bodies” (like OBSI) to become approved under the Act. The Commissioner will review the applications

against the requirements to be set out in the regulations, and will then make a recommendation to the Minister of Finance. The Commissioner will also be responsible for providing ongoing oversight of any approved external complaints body to ensure its continued compliance with the regulatory requirements. These regulations are anticipated from the Department of Finance sometime in 2011.

In addition to all this, regulations are currently being drafted which will set out the requirements for banks’ internal complaint handling. A discussion paper has been circulated by the Department of Finance and comments were requested from industry and consumer groups. These requirements are also expected to be announced in 2011.

BANKING SERVICES



CASE FILES OPENED

462

in 2010

391

in 2009

324

in 2008

248

in 2007

OBSI'S BANKING SERVICES COMPLAINTS COME FROM DOMESTIC AND FOREIGN-OWNED BANKS, TRUST COMPANIES AND CREDIT UNIONS. IN THE FLUID WORLD OF FINANCIAL SERVICES, WE SEE INVESTMENT PRODUCT ISSUES ARISE IN BANKING FILES AS "WEALTH MANAGEMENT" SPILLS ACROSS THE FORMER SILOS OF BANKING, INVESTMENT AND INSURANCE.

In 2010, OBSI again experienced a significant increase in the number of banking services case files we opened, which grew by 18.2% to 462. Many of the issues we saw in banking complaints were familiar, including disputes over mortgage prepayment penalties, credit and debit cards, and internet fraud. The largest growth, however, was seen in complaints that related to service issues.

"Service issues" covers a wide range of concerns raised by clients. These days there is an ever-greater complexity in the large number of products and services provided by banking services firms through a variety of channels. While clients have a responsibility to read documents provided to them and ask questions when they don't understand, it is the responsibility of banking firms to ensure clients understand all aspects of the product or service being provided. The great majority of disputes we review in this area are the result of a breakdown in communication or misunderstanding between the parties.

With interest rates remaining low in 2010, many clients wanted to refinance their mortgages to take advantage of reduced rates. Clients were often faced with sizeable prepayment penalties. OBSI received a large number of complaints relating to the amounts and calculations of these mortgage prepayment penal-

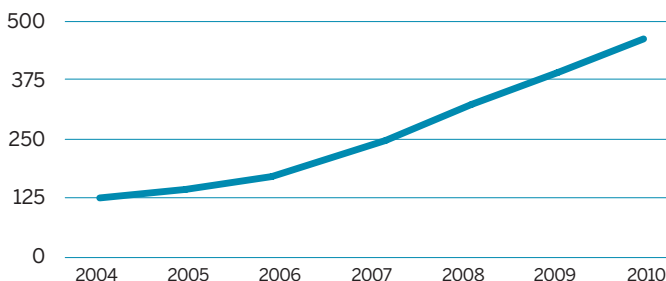
ties. There were also questions surrounding the disclosure provided in the mortgage documents. As many clients had become accustomed to penalties of three months' interest, the charging of an "interest rate differential" penalty due to the drop in rates generated a lot of client complaints. In most cases the mortgage documentation clearly disclosed the calculation of prepayment penalties, and OBSI did not recommend compensation to the client.

Credit card, debit card and internet fraud continued to be a concern in 2010. It is hoped and expected that the advent of the chip card will help reduce the amount of credit and debit card fraud affecting Canadian consumers. With a struggling economy, people are often drawn into situations that appear to be legitimate job opportunities or items for sale, but are in fact scams by fraudsters. While banks are aware of these scams, if the client does not share information with the bank, the situation can go undetected. Ongoing education through the media and by financial institutions has helped reduce the number of such fraud-related complaints coming to our attention, though fraudsters continue to invent new ways to fool the public.

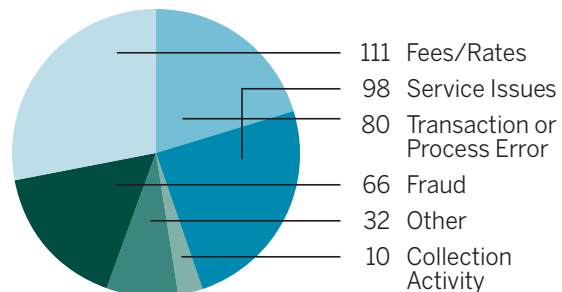
BANKING PRODUCT COMPLAINTS IN 2010

Mortgages	117
Transaction accounts	87
Credit cards	57
Loans	45
Debit cards	28
Other	27
Term deposit/GIC	10
Life insurance	7
RRSP/RRIF	4
Trust/estates	4
Electronic banking	2
Safe deposit box	2
Student loan	2
Travel insurance	2
Disability insurance	1
Merchant card services	1
P&C insurance	1

OPENED CASE FILES OVER THE YEARS (BANKING)



MAJOR ISSUES IN 2010



INVESTMENTS



CASE FILES OPENED

562

in 2010

599

in 2009

346

in 2008

220

in 2007

OBSI'S MEMBER FIRMS INVOLVED IN INVESTMENTS BELONG TO TWO MAJOR GROUPS. INVESTMENT DEALERS ARE REGULATED BY THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC). CLIENT ACCOUNTS MAY INCLUDE STOCKS, BONDS, MUTUAL FUNDS AND OTHER INVESTMENT PRODUCTS. MUTUAL FUND DEALERS ARE REGULATED BY THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA) AND ARE LIMITED TO DEALING IN MUTUAL FUNDS AND OTHER EXEMPT PRODUCTS.

WE ALSO REVIEW COMPLAINTS FROM CUSTOMERS OF SCHOLARSHIP TRUST PLAN DEALERS THAT ARE MEMBERS OF THE REGISTERED EDUCATION SAVINGS PLAN DEALERS ASSOCIATION OF CANADA (RESPDAC), AS WELL AS CUSTOMERS OF SOME MEMBERS OF THE INVESTMENT FUNDS INSTITUTE OF CANADA (IFIC), COMPANIES THAT CREATE, MANAGE AND MARKET MUTUAL FUNDS.

In 2010 the market continued its recovery from the sharp decline in the fall of 2008, which was good news for investors and firms alike. However, despite the improved market conditions, the number of investment case files opened in 2010 declined only slightly from the year before to 562, a decrease of 6.2%.

For several years, the number one investment complaint topic – by far – has been the suitability of investments and investment advice. 2010 was no exception. Given the importance of this issue, over the course of the year we met with investor advocates, industry representatives, and the MFDA and IIROC to discuss the way we investigate suitability cases and calculate losses. We found the meetings to be very informative and helpful, and we will be continuing those discussions into 2011. Early in 2011 we will

also be issuing for public comment our approach to suitability cases and our loss calculation methodology. It is our hope that making our processes public will lead to better understanding and help us resolve cases more efficiently, which will benefit both firms and clients.

In addition to unsuitable investment cases, we continue to receive complaints from investors about transactions that advisors are conducting without their dealer’s authorization (“off-book transactions”). Investment advisors are prohibited from engaging in such transactions. Investment firms are required to diligently monitor for such activity. However, investors also need to watch out for signs that the transactions their advisors are proposing do not involve and have not been authorized by the dealer. Some of the signs investors can watch out for include:

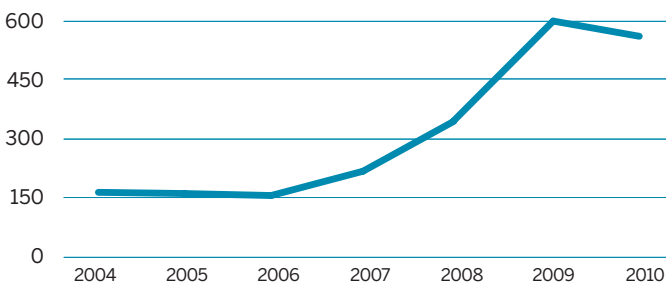
- The paperwork – or lack of paperwork – is different from previous transactions that have been made through the firm;

- The advisor is asking the investor to pay for the investment by writing a cheque to the advisor personally; or
- The transactions do not appear on the account statements the investor typically receives from the firm.

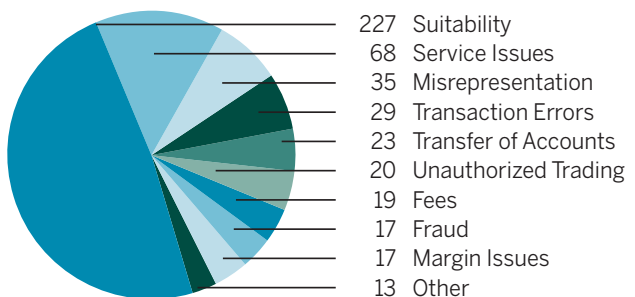
INVESTMENT PRODUCT COMPLAINTS IN 2010

Mutual Funds and Securities	417
Other	26
Scholarship Trust Plan	10
Principal Protected Notes	7
RRSP/RRIF	3
Segregated Funds	2
Loans	1
Mortgages	1
Term Deposit/GIC	1

OPENED CASE FILES OVER THE YEARS (INVESTMENTS)



MAJOR ISSUES IN 2010



BANKING SERVICES



The following case studies are provided as examples and are not meant to set precedents. OBSI assesses each case on its own merits and circumstances.

CURRENT WILL

Mr. S was his late aunt's primary caregiver. For three years, he took care of her by taking her to doctor's appointments, hiring additional support persons, consulting lawyers, making medical decisions and attending to other needs as they arose.

In accordance with his aunt's will, which was many years old, the bank was appointed sole liquidator of the estate upon her death. Mr. S argued the estate owed him \$100,000 as compensation for his role as primary caregiver. In addition, he sought \$15,000 for his time and effort planning the funeral.

The bank declined the client's request for remuneration. The applicable provincial laws did not allow for remuneration of individuals unless clearly specified in the will. In this instance, the will did not contain instructions to provide Mr. S with remuneration. The other beneficiaries of the estate offered Mr. S \$10,000 as a goodwill-gesture but the client refused. Mr. S then complained to OBSI.

Complaint not upheld

In our review of the case, we focused on whether the bank had acted appropriately in its handling of the estate. We found that the bank accurately followed the aunt's instructions. The bank had also informed Mr. S of his option to petition the court if he believed he was entitled to remuneration. OBSI did not recommend compensation for Mr. S.

It is impossible to know if the late aunt would have wished to provide more for her caregiving nephew. An up-to-date will would have avoided the uncertainty and resulting conflict the family experienced.

LIFE INSURANCE ON LINES OF CREDIT

Mrs. A's husband passed away in 2008 leaving her the sole beneficiary of his estate. After his passing, Mrs. A submitted life insurance claims for \$88,000 covering the two lines of credit (LOC) that her late husband had taken out in 2000 at their bank.

The bank declined Mrs. A's claim. It based its decision on two documents called "waivers" that had apparently been signed by Mrs. A's husband back in 2000 through which he declined life insurance coverage on the LOCs. Despite these waivers, however, the bank had withdrawn monthly premiums from the husband's account since 2000, totalling \$8,000. The bank advised there was no insurance in place and the payments were taken in error. They agreed to refund all payments to Mrs. A, but not honour the insurance claim. However, based on the regular premium payments being taken over the past eight years, Mrs. A firmly believed that life insurance had been in place on the lines of credit. Mrs. A escalated her complaint to OBSI.

Complaint upheld

During our investigation, we were able to determine that the signatures appearing on the waivers were most likely genuine and had been

obtained on the same date the LOCs were set up. Mrs. A did not challenge this.

However, the existence of signed waivers did not preclude the possibility that subsequent life insurance coverage was obtained on the LOCs. We raised this question as our review showed that it was typical for Mr. A to have life insurance coverage on all his other credit products. In addition, his account statements showed that the bank had started to take out life insurance premiums from his account right after the LOCs were set up. We also reviewed evidence that Mr. A conscientiously monitored his life insurance premium payments every month. Documentation retrieved by his estate also showed that Mr. A was considered insured within the bank's system as certain correspondence addressed to him referred to his LOCs as being insured.

Under these circumstances we concluded that, despite the existence of the waivers, the bank's actions through premium withdrawals and affirmative correspondence over an extensive period of eight years led Mr. and Mrs. A to believe that the two LOCs were insured. In all fairness, we felt Mrs. A's claim should be granted. After further consideration, the bank agreed and fully paid the claim of \$88,000.

The bank declined Mrs. A's claim. It based its decision on two documents called "waivers" that had apparently been signed by Mrs. A's husband back in 2000 through which he declined life insurance coverage on the LOCs.



POWER OF ATTORNEY

Mr. C brought a complaint to OBSI on behalf of his mother regarding a Power of Attorney (POA) document she signed appointing her three children to act as attorneys on her behalf. Each of her children could act alone. Mr. C's brother was responsible for administering the mother's finances and was aware of the POA, but the mother did not advise Mr. C or his sister that she had signed any POA document, or that she had authorized them to act as her attorneys.

The brother then convinced their mother to take out a Home Equity Line of Credit (HELOC) on her condo, against Mr. C's advice. The brother subsequently withdrew \$100,000 from the mother's HELOC, advising her he was investing it for her and she would receive a 10% return. The investment performed poorly and the money was lost.

Mr. C did not discover that his mother had given him and his siblings her POA until he learned that the bank was returning cheques on his mother's account due to lack of funds. At this point his mother signed a new POA which appointed only Mr. C and his sister as her attorneys, removing Mr. C's brother from any future involvement in the mother's bank accounts.

With her savings gone, the mother was not able to make the required minimum payments on the HELOC, and her home was put up for sale. Mr. C argued that the bank should bear some responsibility for his mother's losses. Mr. C questioned how the bank could have allowed his brother to withdraw \$100,000 from the HELOC shortly after it was established, without any questions

or concerns being raised by the bank. He also believed that if the bank had made him and his sister aware of their POA rights – which it didn't – they could have prevented their brother from taking their mother's money. When the bank did not accept responsibility, Mr. C raised his complaint to OBSI.

Complaint not upheld

Mr. C confirmed to OBSI that his mother did not have any cognitive impairment, was alert, and understood the situation. During our conversation with him and his mother, we found her to be well informed and regretful that she "placed her blind trust in her son, who abused that trust."

As part of our review we surveyed other banks for their procedures for POAs. We found that the bank's procedures were consistent with industry standards, and that typically it is the responsibility of the person appointing the attorneys to advise them of the appointment, not that of the bank.

We reviewed the POA document which gave all siblings, acting "jointly or separately," the authorization to administer the mother's bank accounts, take out loans, and other transactions on her behalf. We also reviewed the HELOC Agreement signed by Mr. C's mother and confirmed that the document clearly describes the security as the mother's residence.

We understand that the mother was put in a precarious financial position. However, we concluded that the bank was not responsible for advising Mr. C or his sister that his mother had appointed them as her attorneys. By ap-

We understand that the mother was put in a precarious financial position. However, we concluded that the bank was not responsible for advising Mr. C or his sister that his mother had appointed them as her attorneys.



pointing all of her children as her attorneys, the mother gave each of them the authority to act on her behalf. The fact that she made only the one brother aware of the appointment did not negate this authority nor deny him access to her account and the HELOC. The withdrawal he made of \$100,000 was apparently done with her knowledge and was based on her son's promise of a significant return.

We concluded that there was no evidence the bank acted inappropriately and as a result we did not recommend compensation.

MORTGAGE PREPAYMENT PENALTY

Mr. W had a mortgage with his bank, and wanted to know what penalty he would be charged if he paid out his mortgage early. Mr. W was told that the penalty would be \$2,300. He was also made aware that this amount could be significantly higher if five years or less were remaining on his term. At the time of this call, this second clause did not apply.

In the end, Mr. W decided to transfer his mortgage to another bank. Shortly after he did this, he received a payout statement that showed his actual prepayment penalty would be nearly \$12,000. Stunned by this figure, Mr. W asked his bank for an explanation.

In its response, the bank explained that since the remainder of the term was now less than five years, the prepayment penalty had to be calculated on a much higher interest rate. Mr. W decided to pay out his mortgage despite the large penalty. Mr. W then complained to his original bank that it did not give him all the required information and as a result they should refund the difference between the original penalty quoted and the one actually charged. The bank refused, and Mr. W brought his complaint to OBSI.

Complaint not upheld

When investigating mortgage prepayment penalty cases, we examine the signed agreements between the client and the bank and review the accuracy of the penalty calculation. We also look at the manner in which the client was informed of the penalty before they proceeded to pay out their mortgage. Mr. W's case, we found no errors. Our investigation showed that Mr. W knew that his penalty could increase significantly when the remainder of this term was less than five years. The fact that the client was not told all the specifics of the calculation did not change the fact that he had the necessary information to make an informed decision. In addition, if he had looked carefully at all of his mortgage information, he would have been able to see that he was approaching the date when he would fall within the five-year period previously communicated. OBSI did not recommend compensation.

Our investigation showed that the rules governing such transactions say that a cheque made payable to more than one payee must be endorsed by all parties before being deposited into an account which excludes any of the payees.



JOINT ACCOUNTS

Ms. D and her common-law spouse of 33 years had a \$120,000 investment to which they had both contributed over the years. Both elderly, in 2003, they decided to cash out their investment and received a jointly payable cheque. The couple visited their bank and met with their banking representative. Ms. D's spouse identified the account to which the cheque was to be deposited, which the banking representative wrote on the back of the cheque. A teller completed the transaction.

Neither Ms. D nor her spouse had endorsed the cheque, and they both assumed it had been deposited into their joint account. Ms. D's spouse passed away several years later, at which time it was discovered that the cheque had in fact been deposited into a joint account of the spouse and his daughter (no relation to the client). The daughter, executor of the estate, refused Ms. D access to the funds and eventually moved the money to another bank.

Ms. D complained to her bank that they made an error and that the money was rightfully hers: She never intended to have it deposited anywhere other than the joint account she had with

her late common-law husband. She requested that the \$120,000 be refunded to her. The bank declined the client's claim, saying that even if she was entitled to a 50% share of the funds, Ms. D should have raised the issue sooner. The bank also said that the lack of endorsement was not sufficient to hold the bank responsible if Ms. D otherwise benefitted from these funds – which the bank felt she did through her spouse. Ms. D brought her complaint to us.

Complaint upheld in part

We determined that the bank was responsible for ensuring that the cheque was properly endorsed. Our investigation showed that the rules governing such transactions say that a cheque made payable to more than one payee must be endorsed by all parties before being deposited into an account which excludes any of the payees. The bank should not have deposited the cheque into an account other than the one held jointly by the client and her spouse in the absence of her endorsement. The bank agreed to compensate Ms. D \$60,000, which represented her 50% share of the \$120,000, plus accrued interest.

CREDIT CARD FRAUD

Ms. H went on a trip overseas where she claimed she was the victim of a credit card fraud. Ms. H insisted that while she was traveling she never used her credit card or gave her PIN or card to anyone. Several overseas cash advances were recorded during her time abroad. She therefore asserted that she was a victim of fraud and requested that her bank compensate her for her loss of just over \$3,000.

Ms. H's bank denied her claim. In its view, Ms. H had kept both her PIN and her card together, which was in clear breach of her cardholder agreement. In addition, her bank pointed out that all the disputed cash advance transactions were made overseas prior to Ms. H's return to Canada. Since Ms. H claimed she did not use her card during her trip, the possibility that she was a victim of shoulder surfing was eliminated. Unsatisfied, Ms. H brought her complaint to OBSI.

Complaint upheld in part

Although we were not able to determine whether or not Ms. H was directly involved in the alleged fraud, the evidence we collected was sufficient to conclude that she had most likely been careless in safeguarding her PIN and her card. More specifically, as she claimed she never used her card or her PIN abroad, it was highly unlikely that her card was duplicated ("skimmed").

However, during our investigation we also determined that Ms. H's monthly cash advance limit on the credit card was \$1,200. In our opinion, the client's responsibility should have been limited to that amount. We concluded that the monies withdrawn from her account beyond her authorized limit should be credited back to her. The bank agreed with our position and refunded Ms. H accordingly.

INVESTMENTS



OFF-BOOK TRANSACTIONS

With a modest income and limited financial knowledge, Mr. P asked his investment advisor how he could achieve above-average returns with minimal risk. In response, Mr. P's advisor recommended an offshore investment with a three-year term, explaining that this product was similar to other interest-bearing products the client had previously invested in. Mr. P decided to invest \$10,500.

As the maturity date approached, Mr. P called his advisor to inquire about receiving his funds. The advisor told him that the company that offered the investment was under a regulatory investigation. The advisor was also involved in the regulatory investigation. The securities were found to be illegal. Later, the firm told Mr. P that the advisor was no longer working for the investment firm.

The advisor had sold Mr. P the illegal securities "off the books". However, Mr. P believed the advisor was representing the investment firm at all times. Mr. P sought compensation for his losses from his firm but this firm declined on

the basis the transaction was "off the books" and conducted without the knowledge and consent of the firm. Mr. P then brought his complaint to OBSI.

Complaint upheld

Our investigation determined the advisor acted in his capacity as an authorized representative of the investment firm when he advised and participated in selling the security to Mr. P. He discussed the product with Mr. P at the investment firm's office and sent related correspondences using the firm's fax machine. The client believed he was purchasing the security through the investment firm and there were no indications for him to believe otherwise. Courts have held that in "off book" transactions such as this, the investment firm may be responsible for the acts and omissions of its employees.

We recommended compensation for the client of \$10,500, plus accrued interest, to which the firm agreed.

SCHOLARSHIP PLAN DISCLOSURE

Mr. B complained when his RESP dealer firm refused to return the funds he contributed to an RESP account. Mr. B had been making payments to a scholarship plan for several years, but due to personal circumstances requested his RESP dealer firm place a temporary stop on his required contributions. The firm agreed to this request and placed the account on “temporary termination”. Within 30 days, a notice was sent to the client stating simply that the account could be reactivated at any time within the next three years.

During the next five years, the client and the firm had no contact and no payments were made by Mr. B. When he attempted to transfer his RESP account to another firm, Mr. B was informed that the account “no longer existed” and its funds had been placed into the firm’s internal distribution fund; under certain circumstances the firm could add unclaimed or forfeited client funds to the remaining members’ pool of funds.

Mr. B complained to the firm that he had not been made aware that his contributions could be forfeited. In response, his firm explained that the prospectus he received stated that any account inactive for more than three years was surrendered and its funds were transferred to the distribution pool. When he stopped the payments, Mr. B had three years to either reactivate contributions or withdraw the money, less any fees already paid. The firm offered no compensation, and Mr. B complained to us.

Complaint upheld

We carefully examined the sections of the prospectus concerning forfeiture of contributions. Mr. B was to have received two notices: the first notice 30 days after the scheduled contribution was missed, and another 60 days after that outlining his options. The client never received any notices after the initial 30-day notice.

If the firm had sent the subsequent notice, Mr. B would have known his options: within three years, he could reactivate the account or withdraw the funds, minus fees. He would also have known that failure to do this would result in his contributions being forfeited.

In our view, the penalty after three years was of sufficient severity that the firm should have clearly informed Mr. B of the consequences. Furthermore, the firm did not follow its own obligations as outlined in the prospectus.

We discussed the case with the firm and it agreed to compensate Mr. B \$8,700 – an amount equal to what the client would have received had he elected to withdraw the funds soon after the account was put on “temporary termination”.

STRUCTURED INVESTMENT PRODUCTS

On the suggestion of his advisor, Mr. V had purchased special “synthetic” preferred shares of a complex structured investment product designed to return capital at maturity. Its returns depended on the number of future credit defaults, or in other words, the level of net losses within the underlying portfolio. Shortly after purchasing the shares, an unexpected rise in credit defaults seriously impaired the viability of the product. Shareholders voted for early redemption, even with the knowledge that only a fraction of their investment could be recovered.

Mr. V complained to his investment firm that the product was way above his risk tolerance and not consistent with his stated investment objectives. He believed the product was promoted in a way that implied additional safety given the investment firm’s involvement. Mr. V wanted compensation of \$17,000 for the capital loss he incurred on the shares.

The investment firm declined. It responded that the investment was appropriate given Mr. V’s financial knowledge, medium risk tolerance, and long-term investment objectives. Mr. V then brought his complaint to OBSI.

Complaint not upheld

We investigated two issues: whether the investment was suitable for Mr. V, and whether the firm had provided adequate disclosure about the risks.

We found that Mr. V was indeed an experienced investor with above-average investment knowledge. He was experienced with dividend-paying equity investments and he wanted his equity investments to provide both income and the potential for growth with a measure of protection for his capital. The synthetic shares matched his goals and, at the time he purchased them, were rated high quality. Although the synthetic preferred shares were not a traditional equity investment, we determined they were suitable and in keeping with Mr. V’s objectives and risk tolerance.

On the issue of disclosure, Mr. V told us he had discussed the investment with his advisor. The advisor told us he had explained the risks of the investment and had provided Mr. V with a prospectus. Mr. V also told us it was customary for him to at least scan through a prospectus before investing.

We reviewed the prospectus and determined that with even a cursory read at the time of purchase Mr. V. would have known he could suffer a partial or total loss. We also found no evidence to suggest the investment firm provided additional assurances on the product.

We determined that Mr. V was recommended an appropriate investment product and was provided sufficient disclosure. As a result, we did not recommend compensation.

CLIENT RESPONSIBILITY AND LOSS APPORTIONMENT

When Mrs. K, a 51-year-old life insurance advisor, opened an investment account at Firm ABC, she signed a Know-Your-Client (KYC) form indicating 100% medium risk tolerance and an objective of 100% long-term capital gains. Soon after this, her investment advisor began to purchase higher-risk securities. While Mrs. K was privately concerned, she chose not to complain.

One year later, Mrs. K's advisor moved to a new investment company, Firm XYZ. Mrs. K transferred her portfolio to Firm XYZ and stayed with her advisor. A couple of years after that, the advisor moved back to Firm ABC and Mrs. K once again transferred her portfolio with him.

Six years after first opening her account, Mrs. K complained to Firm ABC that she had been unsuitably invested given her stated risk tolerance and asked for compensation for her losses. The firm responded that Mrs. K had had ample opportunity to raise concerns about her portfolio or switch advisors. The firm's records also showed that Mrs. K discussed her portfolio at least twice a month with her advisor and was knowledgeable about her investments. Unsatisfied with this response, Mrs. K brought her complaint to OBSI.

Complaint upheld in part

Our investigation first looked at whether Mrs. K's investments were suitable for her. We found they were not. Her portfolio carried more high-risk investments than her KYC form indicated were reasonable.

We then looked at what time period was reasonable for calculating losses. By the time Mrs. K transferred away from Firm ABC to Firm XYZ, she was already concerned about her investments. In our view, Mrs. K, a long-time life insurance advisor, was capable of asking questions and consulting other resources if she had concerns about her investments. We therefore determined that the relevant period for calculating losses should only be the first year after her account was opened, before the advisor and Mrs. K switched from Firm ABC to Firm XYZ.

Finally, we looked at whether Mrs. K bore any responsibility for her losses during this one-year period. Clients must take reasonable steps to limit their losses when they realize there is a problem. Because she did not, despite her concerns about her portfolio and her ability to ask questions or consult other resources, we felt Mrs. K bore some responsibility for her losses in the first year.

In the end, OBSI recommended that the losses incurred during the initial one-year period of the account be apportioned 25% to Mrs. K and 75% to Firm ABC, and that the firm compensate Mrs. K for that 75%. Both Mrs. K and Firm ABC agreed.

NOTIONAL PORTFOLIO USED TO CALCULATE LOSSES

In 2002, Mrs. E, then 71 years old, began investing at Firm ABC with the help of an investment advisor. As her financial knowledge was limited, she let her advisor manage her registered account. The Know-Your-Client (KYC) form she signed indicated she was a conservative investor seeking to preserve her capital. Her initial portfolio was worth \$71,000 and contained a mix of conservative investments such as corporate bonds as well as income and money market mutual funds.

Over the years Mrs. E was satisfied with how her account was being managed. In 2007 when her advisor moved to Firm XYZ, Mrs. E transferred her account with him. By this time, her account had increased in value to over \$91,000.

At her new firm, a completed KYC form was mailed to Mrs. E but she was not asked to sign it and her advisor did not go over it with her. This document portrayed Mrs. E differently from the one signed at the previous firm, increasing her risk tolerance and modifying her investment objectives to favour growth-oriented securities. These changes were not highlighted for Mrs. E nor were any explanations given. Mrs. E's comprehension of the KYC form was limited by her minimal financial knowledge.

Shortly after the account was transferred, a number of conservative investments were sold and replaced with riskier, growth-oriented equity securities. Mrs. E's portfolio increased briefly before sharply declining in value. By the end of 2008, her portfolio was worth only \$43,000.

Mrs. E complained to Firm XYZ that her advisor had mismanaged her account and asked to be compensated for her losses. She had expected it to be managed similarly to how it had been at Firm ABC, and was not knowledgeable enough to understand the new KYC form she had been given. Firm XYZ declined to compensate Mrs. E, stating she had been well informed of all purchases made on her behalf and that her portfolio accurately reflected her financial needs. Mrs. E then escalated her complaint to OBSI.

Complaint upheld

Our investigation confirmed that Mrs. E had very limited financial knowledge and relied heavily on her advisor for explanations and advice before making decisions. We found it peculiar that the advisor changed Mrs. E's risk tolerance and investment objectives when transferring her account. The advisor had not kept any notes of his discussions with Mrs. E, and we found no evidence that she was consulted on these changes. Under these circumstances, we accepted that Mrs. E was not in a position to independently assess the risks and characteristics of the investments recommended to her.

To determine what losses, if any, Mrs. E experienced with her investments, OBSI compared her actual portfolio against a notional portfolio. A notional portfolio uses historical financial data and simulates how a portfolio would have performed had it been suitably invested. In Mrs. E's case, the notional portfolio was created using historical financial data from April 2007 – the month Firm XYZ became responsible for her

To determine what losses, if any, Mrs. E experienced with her investments, OBSI compared her actual portfolio against a notional portfolio. A notional portfolio uses historical financial data and simulates how a portfolio would have performed had it been suitably invested.



portfolio – to May 2009, four months after she formally complained and was in a position to take the necessary steps to limit further losses. The notional portfolio was built to be consistent with Firm XYZ's guidelines for an individual such as Mrs. E with limited tolerance for risk and who is primarily seeking conservative income-oriented securities: a mix of 35% laddered benchmark bonds and 65% S&P/TSX Composite Index.

After we calculated Mrs. E's losses using a notional portfolio, Firm XYZ agreed to compensate her.



OUR GOVERNANCE STRUCTURE ENSURES THE OMBUDSMAN AND OBSI'S STAFF ARE INDEPENDENT AND IMPARTIAL, AND HAVE THE NECESSARY RESOURCES TO CARRY OUT THEIR JOBS.

An independent and non-profit organization, OBSI is overseen by a Board of Directors. A majority of the directors are independent and have not been part of industry or government for at least two years. A minority of the directors are appointed by industry bodies.

Beyond the composition of the Board, further important safeguards of OBSI's independence are in place. In addition to having at least a two-thirds majority on the board, the Independent Directors control the hiring and evaluation of the Ombudsman, the budget process, the Terms of Reference and the nomination of Independent Directors.

The Independent Directors search for new independent board members, balancing diversity, geography and a variety of backgrounds and skills. Collectively, the directors have experience in business, law, consumer and regulatory affairs, economics, community organizations, dispute resolution and public service.

The Board of Directors meets at least quarterly, and in addition has an annual strategic planning session. The Independent Directors also conduct performance reviews with the Chair every two years.

Rules prohibit the Board or individual directors from being involved with individual complaints. The final decision concerning complaints rests with the Ombudsman. There is no appeal to the Board, nor can the Board influence the decisions of the Ombudsman.

Board Committees

The OBSI Board of Directors has three active committees: Audit, Pension, and Independent Directors. There is also a Compensation subcommittee.

- The Audit Committee meets quarterly and reviews the financial statements of the organization, as well as receiving the report of the external auditor of OBSI.
- The Pension Committee oversees the defined contribution pension plan for OBSI, including reviewing fund performance.
- The Independent Directors Committee has several duties, including overseeing the hiring and evaluation of the Ombudsman, the budget process, and independent director nominations.
- The Compensation subcommittee, which reports to the Independent Directors Committee, oversees the performance management of the Ombudsman and his compensation.

All members of the committees and subcommittees are Independent Directors, with the exception of the Pension Committee.

BOARD OF DIRECTORS

INDEPENDENT DIRECTORS

Dr. Peggy-Anne Brown, Chair

Vancouver

Dr. Brown is President and Co-owner of Brown Crawshaw, a Vancouver-based company specializing in employee and family assistance programming, critical incident response and wellness training. Dr. Brown, a psychologist, is an active major shareholder in two other human resources consulting firms.

Adrian Burns

Ottawa/Calgary

Ms. Burns currently serves on the National Arts Centre Board of Trustees and is a member of the Executive Committee of the Board of Directors of Shaw Communications Inc. Ms. Burns is a past full-time commissioner of the CRTC as well as a former director of the Copyright Board of Canada. Ms. Burns also serves on the boards of several business and community organizations, including Banff Centre National campaign, Carthy Foundation, Ottawa Art Gallery and the RCMP Heritage Centre.

Angela Ferrante

Toronto

Ms. Ferrante is a retired executive with the Ontario Energy Board. She currently serves on the Board of Directors of Via Rail, the Independent Electricity System Operator, the Social Sciences and Humanities Research Council of Canada and the Canadian Foundation for Governance Research.

Leonard G. (Len) Flett

Winnipeg

Mr. Flett, a management consultant, is a retired executive with The North West Company, the leading retailer in northern markets. He is currently Chair of the National Aboriginal Achievement Foundation, past-president of Me-Dian Credit Union, past-chair of Aboriginal Business Development Corporation (Winnipeg) and past director of Winnipeg 2000 (City of Winnipeg Development Corporation). He is also a member of the Order of Canada.

Daniel F. Gallivan

Halifax

Mr. Gallivan is the Chief Executive Officer and Managing Partner of Cox & Palmer, an Atlantic Canada law firm. He specializes in corporate commercial, energy, and securities law. Mr. Gallivan is also a former director of the Bank of Canada and a former Vice-Chair of the Nova Scotia Securities Commission.

Louise Martel

Montréal

Mme Martel, FCA, is a full professor in accounting at HEC Montréal and director of the International Watch Centre for Financial Information. She also acts as a coach in accounting/finance for senior corporate executives. She is president of the audit committee of Télé-Québec and a member of the board of CIREM.

James R. Savary**Toronto**

Mr. Savary is Associate Professor of Economics Emeritus at York University in Toronto, specializing in financial institutions and markets and in monetary theory and policy. He is a member of the Board of Directors of the Travel Industry Council of Ontario, and a member and Past-Chair of the Stakeholder Advisory Council of the Canadian Payments Association. He is also an active participant in the work of the Canadian Standards Association and the Standards Council of Canada.

DIRECTOR EMERITUS**The Hon. Lincoln Alexander**

Former Lieutenant Governor of Ontario

INDUSTRY DIRECTORS**Ed Legzdins**

Senior Vice-President, Retail Investments and Managing Director, International Private Client Group and
BMO Capital Markets
BMO Financial Group

Luc Papineau

Senior Vice President and Branch Manager
TD Waterhouse

Kerry Peacock

Executive Vice President, Branch Banking
TD Canada Trust

DIRECTOR COMPENSATION

Independent Directors receive a \$10,000 annual honorarium and \$1,800 for each meeting day. The Chair receives an additional annual honorarium of \$4,000 and committee chairs receive an additional \$2,000 annually. Industry directors do not receive compensation from OBSI.

DIRECTOR ATTENDANCE

There were five meetings of the Board in fiscal 2010. The attendance of each director was as follows:

	MEETINGS
Dr. Peggy-Anne Brown	5/5
Adrian Burns	5/5
Angela Ferrante*	4/4
Len Flett	5/5
Daniel Gallivan	4/5
Louise Martel*	3/4
James Savary*	4/4
Ed Legzdins	4/5
Luc Papineau	5/5
Kerry Peacock	5/5

* Director served on the Board for a portion of 2010

There were several changes to the composition of the Board this year. We thank all the directors who are no longer with the board for their valued contribution to OBSI over the years.

COMMENTARY



AFTER A NUMBER OF YEARS WHERE THE DRAMATIC GROWTH IN COMPLAINT VOLUMES NECESSITATED SIGNIFICANT INCREASES IN OBSI'S OPERATING EXPENDITURES AND STAFFING LEVELS, A SLOWER RATE OF COMPLAINT GROWTH MEANT WE APPROACHED 2010 WITHOUT THE NEED FOR SIMILAR INCREASES. EXPENDITURE GROWTH – INCLUDING THE LARGEST COMPONENT, PERSONNEL COSTS – SLOWED SIGNIFICANTLY IN 2010 AS A RESULT.

Mid-year, the Board of Directors approved a one-time project to address the accumulated backlog of investment case files that had built up due to the explosion in complaint volumes in 2008-2009. A team of contract investigators was engaged and tasked with eliminating the backlog of case files by October 2011. At the end of 2010, the team was ahead of schedule.

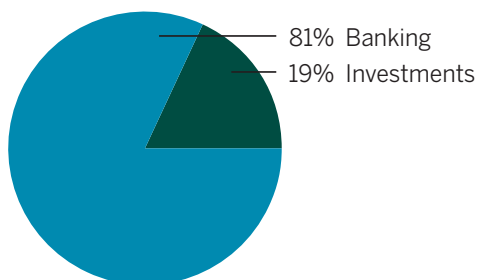
Operationally, 2010 saw OBSI resolve the largest number of complaints in its history. Through increased efficiencies and expense control OBSI managed to complete the fiscal year under budget with a substantial surplus. This surplus was put toward rebuilding the operating reserve that was depleted to cope with the rapid increase in complaint volumes. All Board-approved projects for 2010 were completed on schedule and on budget.

The 2011 budget reflects a levelling off of case file volume growth while also factoring in the full impact of the introduction of the HST in Ontario. Reflecting our multi-stakeholder mandate, certain costs associated with outreach activities have increased, including our translation and stakeholder consultations budgets. The one-time projects in 2011 include salaries for the backlog project contract staff team as they finish their work, as well as consultant fees associated with OBSI's triennial external review.

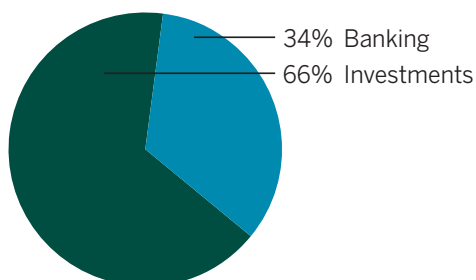
FINANCIAL HIGHLIGHTS

Fiscal Year Ended October 31	2011 Budget	2010 Unaudited	2009 Audited	2008 Audited	2007 Audited
Revenue					
Participating Firm Fees	\$ 8,480,359	\$ 7,668,402	\$ 5,524,779	\$ 4,973,987	\$ 4,135,797
Other		–	–	85,356	289,800
Interest Income		6,015	12,937	24,619	23,845
	\$ 8,480,359	\$ 7,674,417	\$ 5,537,716	\$ 5,083,962	\$ 4,449,442
Expenses					
Personnel	5,911,744	5,357,004	4,850,314	3,718,736	2,980,512
Directors' Fees and Expenses	412,270	306,806	364,266	273,261	286,973
Rent and Operating Costs	354,000	301,364	309,028	258,942	247,260
Marketing and Membership	224,960	111,448	138,316	107,561	88,871
Supplies, Services and Travel	162,630	126,422	127,157	100,697	100,947
Telephone	75,000	108,413	103,390	92,871	72,133
Information Technology and Support	129,635	112,197	112,703	77,520	58,061
Corporate Administrative	99,430	83,361	85,659	66,898	54,483
Legal Fees	154,020	137,155	138,716	33,152	62,394
Insurance	23,000	18,479	18,419	19,635	20,769
Audit Fees	23,670	22,600	18,850	18,000	20,000
Consultant Fees	20,000	28,844	88,099	12,509	151,526
Other	10,000	50,569	8,393	1,805	4,147
Amortization		83,212	68,603	51,854	50,761
	\$ 7,600,359	\$ 6,847,874	\$ 6,431,913	\$ 4,833,441	\$ 4,198,837
One-Time Projects	880,000	487,872	0	0	0
	\$ 8,480,359	\$ 7,335,746	\$ 6,431,913	\$ 4,833,441	\$ 4,198,837
Excess of Revenue over Expenses		\$ 338,671	\$ (894,197)	\$ 250,521	\$ 250,605

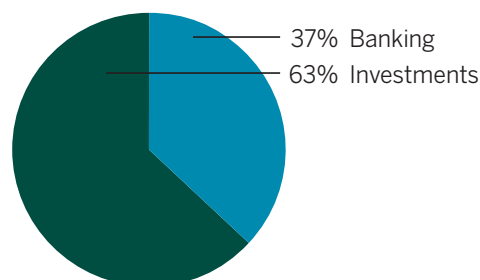
SHARE OF INQUIRY COSTS ASSOCIATED WITH EACH SECTOR



SHARE OF INVESTIGATION COSTS ASSOCIATED WITH EACH SECTOR



SHARE OF OVERALL COSTS ASSOCIATED WITH EACH SECTOR



STATISTICAL DATA



Time-to-close

OBSI's Board of Directors sets a target benchmark of closing 80% of cases within 180 days. In 2011, 55% of case files were closed in 180 days or less. 81.4 % of banking case files and 32.5% of investment case files were closed in 180 days or less. The deterioration in recorded timeliness in closing investment case files is a result of the special, limited-time project to clear the investment case file backlog: as the backlog is reduced, these files show up in the closed case file statistics.

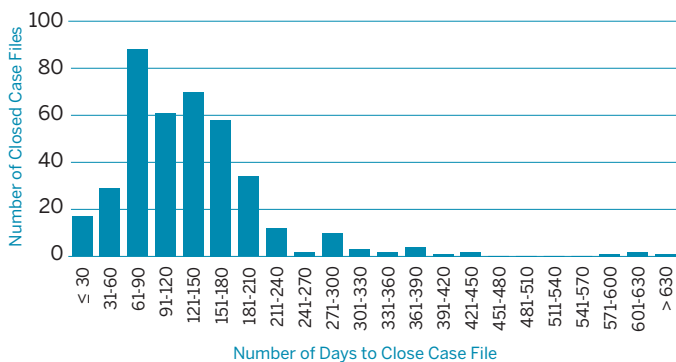
BANKING

BENCHMARK	NUMBER OF BANKING CASE FILES	PERCENTAGE OF TOTAL
≤ 180 Days	323	81.4%
> 180 Days	74	18.6%
Total	397	100.0%

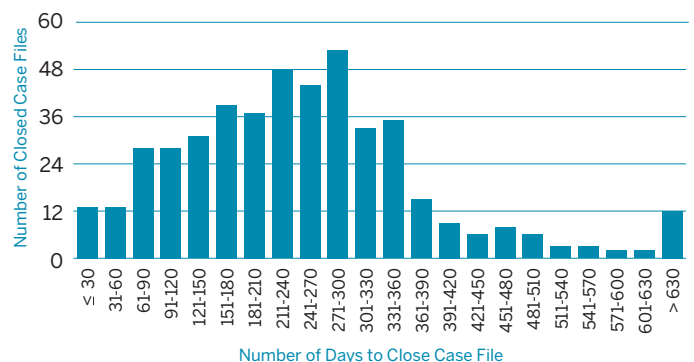
INVESTMENTS

BENCHMARK	NUMBER OF INVESTMENT CASE FILES	PERCENTAGE OF TOTAL
≤ 180 Days	152	32.5%
> 180 Days	316	67.5%
Total	468	100.0%

TIME-TO-CLOSE ANALYSIS (BANKING CASE FILES)



TIME-TO-CLOSE ANALYSIS (INVESTMENT CASE FILES)



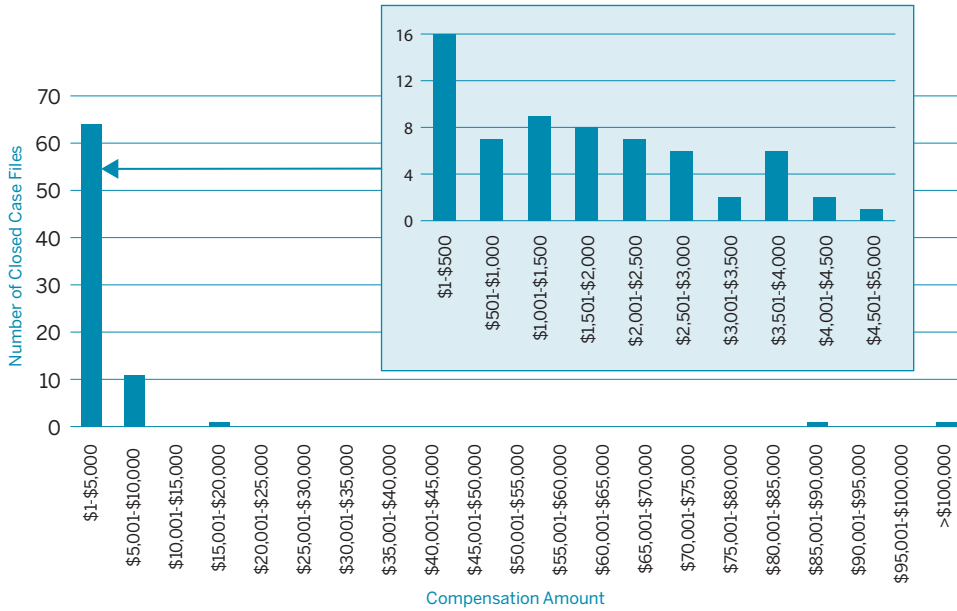
Compensation

In 2010, OBSI made recommendations for monetary compensation or facilitated monetary settlements in 255 cases files, worth a total of \$3,788,896. This represents 29% of all closed case files. Two of the 255 cases were monetary but non-quantifiable for the purposes of this reporting: the client is either paying less interest on a loan or paying interest on an improved repayment schedule.

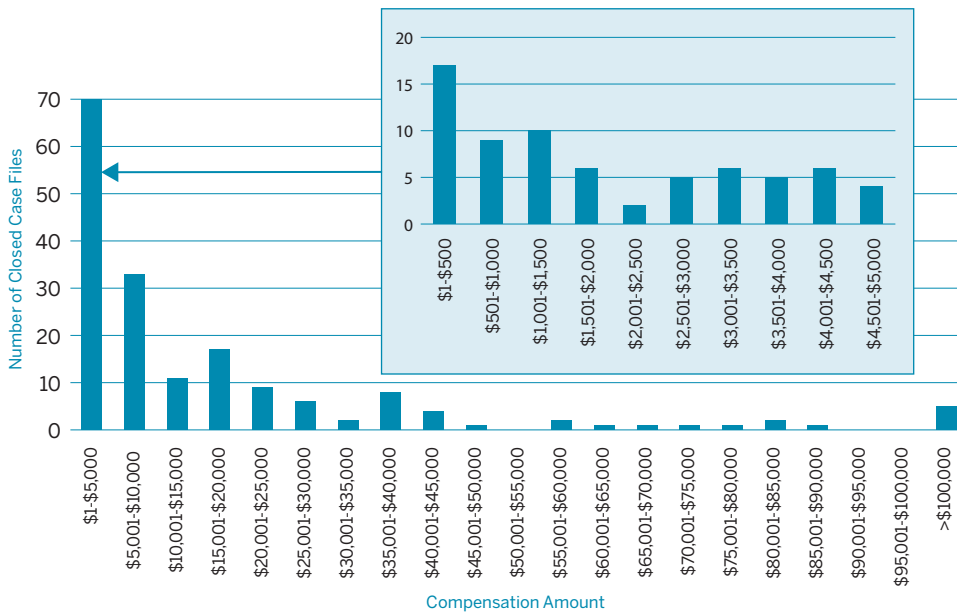
20% of banking case files (78 of 397) and 38% of investments case files (177 of 468) ended with a recommendation for monetary compensation or a facilitated monetary settlement. An additional 18 banking case files and 1 investments case file ended with a non-monetary recommendation or facilitated settlement.

<u>COMPENSATION</u>	<u>TOTAL</u>	<u>AVERAGE</u>	<u>MEDIAN</u>
Overall	\$3,788,896	\$14,976	\$4,326
Banking Services	\$442,758	\$5,676	\$2,000
Investment	\$3,346,138	\$19,121	\$8,205

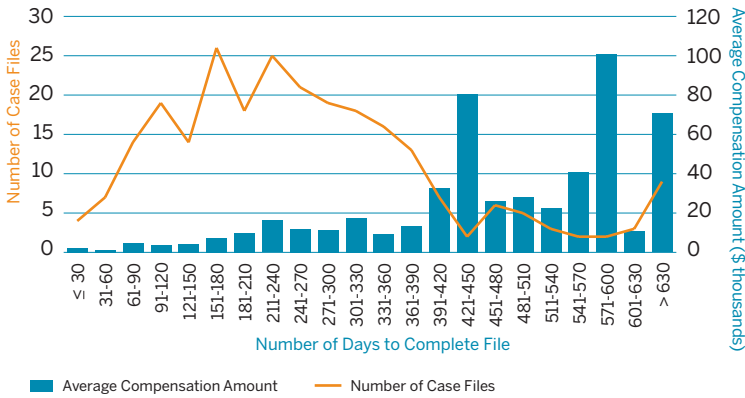
DISTRIBUTION OF COMPENSATION AMOUNTS FOR CLOSED CASE FILES (BANKING)



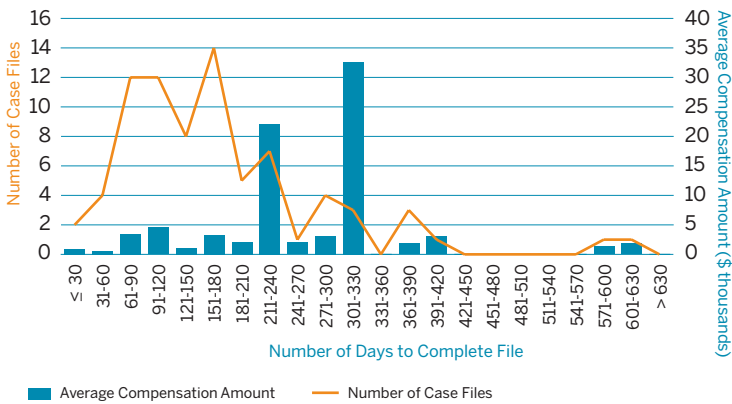
DISTRIBUTION OF COMPENSATION AMOUNTS FOR CLOSED CASE FILES (INVESTMENTS)



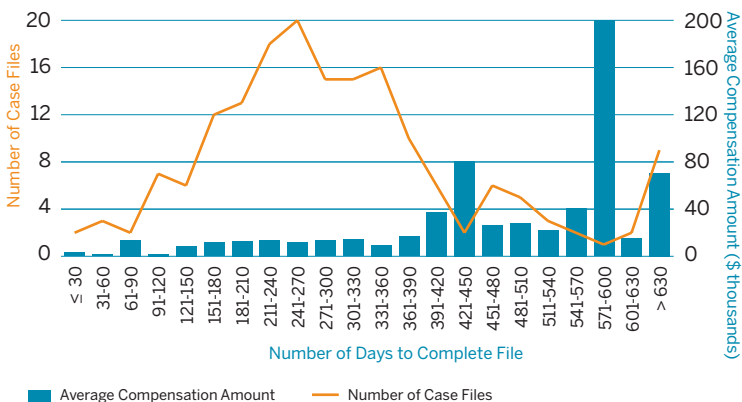
AVERAGE COMPENSATION AMOUNT AND TIME-TO-CLOSE (ALL CASE FILES)



AVERAGE COMPENSATION AMOUNT AND TIME-TO-CLOSE (BANKING CASE FILES)



AVERAGE COMPENSATION AMOUNT AND TIME-TO-CLOSE (INVESTMENT CASE FILES)



OPENED CASE FILES BY SECTOR AND FIRM

BANKING SERVICES

AGF Trust Company	1
Alterna Bank	3
Amex Bank of Canada	5
Bank of Montreal	34
Canadian Tire Bank	3
Capital Western Bank	2
Capital One Bank	4
CIBC	56
Citibank	10
CONEXUS Credit Union	1
Cornerstone Credit Union	1
Diamond North Credit Union	1
Equitable Trust Company (The)	2
First Data Loan Company	1
Home Trust Company	1
HSBC Bank Canada	10
ICICI Bank Canada	1
ING Direct	4
Investors Group Trust	4
JPMorgan Chase Bank N.A., Canada	4
Laurentian Bank	17
Manulife Bank of Canada	1
MBNA	11
National Bank of Canada	28
President's Choice Bank	7
Scotiabank	77
Servus Credit Union Ltd.	1
TD Bank	172
	462

INVESTMENTS

IIROC

All Group Financial Services Inc.	2
Argosy Securities Inc.	2
Assante Capital Management Ltd.	5
ATB Securities Inc.	1
Beacon Securities Limited	1
Berkshire Investment Group Inc.	2
BMO InvestorLine Inc.	5
BMO Nesbitt Burns Inc.	5
BMO Nesbitt Burns Ltée/Ltd.	16
Brant Securities Limited	1
Burgeonvest Bick Securities Limited	2
Caldwell Securities Ltd.	1
Canaccord Genuity Corporation	12
CIBC Investor Services Inc.	9
CIBC World Markets Inc.	20
CMC Markets Canada Inc.	2
Credential Securities Inc.	4
Desjardins Securities Inc.	3
Dundee Securities Corporation	15
Edward Jones	15
Foster & Associates Financial Services Inc.	1
Friedberg Mercantile Group Ltd.	1
Global Securities Corporation	1
Haywood Securities Inc.	1
HSBC Securities (Canada) Inc.	8
Industrial Alliance Securities Inc.	2
Integral Wealth Securities Limited	1
Interactive Brokers Canada Inc.	2
Investors Group Securities Inc.	27
IPC Securities Corporation	3

IIROC continued...

IIROC continued...

Jones, Gable & Company Limited	1
Laurentian Bank Securities Inc.	1
Mackie Research Capital Corporation	2
Macquarie Private Wealth Inc.	8
Manulife Securities Incorporated	9
Merrill Lynch Canada Inc.	2
National	14
Northern Securities Inc.	1
Octagon Capital Corporation	1
Odlum Brown Limited	1
Questrade, Inc.	5
Raymond James Ltd.	6
RBC Direct Investing	7
RBC Dominion Securities Inc.	28
Richardson GMP Limited	4
Scotia Capital Inc.	12
Scotia McLeod Direct Investing	14
TD Waterhouse Canada Inc.	72
Union Securities Ltd.	3
Wellington West Capital Inc.	15
	376

MFDA

Acadia Financial Services Inc.	1
Armstrong & Quaille Associates Inc.	6
Assante Financial Management Ltd.	3
Audentium Financial Corp.	1
Bick Financial Security Corporation	1
BMO Investments Inc.	8
Canfin Magellan Investments Inc.	2
CIBC Securities Inc.	2
Connor Financial Corporation	5
De Thomas Financial Corp.	1
Desjardins Financial Security Investments Inc.	2
Desjardins Financial Services Firm Inc.	2
Dundee Private Investors Inc.	8
Equity Associates Inc.	3
Excel Financial Growth Inc.	1
Family Investment Planning Inc.	2
Family Wealth Advisors Ltd.	1
FundEX Investments Inc.	6
Funds Direct Canada Inc.	1
Global Maxfin Investments Inc.	2
GP Wealth Management Corporation	1
HSBC Global Asset Management (Canada) Limited	1
Independent Accountants' Investment Group Inc.	1
ING Direct Funds Limited	2
Investia Financial Services Incorporated	4
Investment House of Canada Inc. (The)	1
Investors Group Financial Services Inc.	24
IPC Investment Corporation	7
Keybase Financial Group Inc.	4

MFDA continued...

MFDA continued...

M.R.S. Inc.	1
Manulife Securities Investment Services Inc.	6
Monarch Wealth Corporation	2
PFSL Investments Canada Ltd.	2
Quadrus Investment Services Ltd.	2
Queensbury Strategies Inc.	1
Royal Mutual Funds Inc.	8
Scotia Securities Inc.	4
Sterling Mutuals Inc.	1
Sun Life Financial Investment Services (Canada) Inc.	4
TD Investment Services Inc.	5
W.H. Stuart Mutuals Ltd.	1
WFG Securities of Canada	2
Worldsource Financial Management Inc.	10
	152

IFIC

AGF Funds Inc.	1
Dynamic Mutual Funds Ltd.	1
Invesco Trimark Ltd.	1
	3

RESP DEALERS

C.S.T. Consultants Inc.	4
Children's Education Funds Inc.	5
Heritage Education Funds Inc.	5
USC Education Savings Plans Inc.	3
	17

INVESTMENT – OTHER*

CIBC	1
BMO	2
Laurentian Bank	7
Scotiabank	1
TD Bank Financial Group	3
	14

* Banks that sold an investment product

CONTACT INFORMATION

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS (OBSI)

401 Bay Street, Suite 1505
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Toronto, ON M5H 2Y4

Tol-free tel 1-888-451-4519
Toll-free TTY 1-855-TTY-OBSI (1-855-889-6274)
Toll-free fax 1-888-422-2865
Email ombudsman@obsi.ca
Website www.obsi.ca

Financial Services OmbudsNetwork (FSON)

OBSI is one of three independent dispute resolution services that make up the Financial Services OmbudsNetwork. The two insurance services are the OmbudService for Life and Health Insurance and the General Insurance OmbudService for auto, home and business insurance.

OMBUDSERVICE FOR LIFE & HEALTH INSURANCE (OLHI)

Tel 1-800-268-8099
Fax 416-777-9750
Website www.olhi.ca

GENERAL INSURANCE OMBUDSERVICE (GIO)

Tel 1-877-225-0446
Fax 416-299-4261
Website www.giocanada.org



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