

Annual Report
2015



Trusted. Impartial. Effective.



2015 Highlights

Sarah P. Bradley

appointed as OBSI's new Ombudsman
and CEO in August

Pg 4

68,000+
website visitors

12% increase from
last year



21%

increase in
banking cases

Pg 17

Zero

backlogged cases

Pg 24

18,000+

calls received

Top banking issues

include fraud, mortgage prepayment penalties,
and collections

Pg 49

\$21,275

average compensation

Pg 43

\$4,659,194

total compensation

Pg 43

571

OPENED CASES

273

banking-related
cases

298

investment-related
cases

Pg 42

ALMOST 5,300

inquiries about financial
services firms handled

Pg 43

69

new firms joined OBSI

Top investment issues

include suitability of investment or advice,
fee disclosure, and poor product disclosure

Pg 51

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Message from the Chair

The year 2015 was a time of accomplishment and change for OBSI. During the year, OBSI achieved a number of key objectives including elimination of the investment case backlog, increased cooperation and information sharing with regulators, and significant improvement in the timeliness of our investigative process.

The organization also underwent a leadership change for the third time in its 20-year history.



Fernand Bélisle
CHAIR

IN 2015, OBSI underwent a significant leadership transition. Following a comprehensive search process, the board appointed Sarah P. Bradley as Ombudsman and CEO in August and she joined OBSI in September. Ms. Bradley has a proven record operating in complex multi-stakeholder environments and is committed to an open, constructive relationship with our stakeholders.

Prior to joining OBSI, Ms. Bradley was Chair and CEO of the Nova Scotia Securities Commission. She is a former Vice-Chair of the Canadian Securities Administrators (CSA), and has been a member of the North American Securities Administrators Association and a representative on the Canadian Joint Forum of Financial Market Regulators.

Ms. Bradley succeeded Douglas Melville who took on a new role at the inaugural Channel Islands Financial Ombudsman. We are grateful for Mr. Melville's many contributions. He led OBSI through a crucial period including the expansion of OBSI's investment mandate to include hundreds of new participating firms, allowing many more Canadians access to our services.

The board also welcomed two new members in 2015, Stephen Gaskin and Scott Stennett, who were the nominees of the Canadian Bankers Association and the Investment Industry Regulatory Organization of Canada, respectively. They replaced Lynne Kilpatrick and Craig Hayman who completed their terms this year. The board benefitted from the expertise and insights of Ms. Kilpatrick and Mr. Hayman and their dedicated service will be missed.

The board continues to benefit from the valuable input and advice of its Consumer and Investor Advisory Council. The Council's principal focus this year was accessibility. We remain committed to excellence in serving all Canadians including individuals with disabilities. I would also like to thank Julia Dublin, Chair of the Council, for her guidance and leadership. I am encouraged by the work done so far and look forward to the Council's continuing contributions.

“I am proud of the great work of OBSI's staff and their continued efforts to bring effective, fair, and impartial dispute resolution services to Canadians.”

Fiscal responsibility and preparedness were also key priorities for the board this year. Accordingly, the board adopted a policy to gradually rebuild a six-month reserve fund for operating costs. The fund will reduce operational risk for OBSI and help ensure we are able to provide consistent, effective dispute resolution services even in times of crisis. In 2015, the organization significantly reduced expenses as compared to 2014 and was able to make strong progress towards its reserve fund goals.

In 2016, OBSI will undergo an external review as set out in the Memorandum of Understanding with the CSA. The independent evaluation of OBSI's operations and practices will be conducted by Deborah Battell.

Ms. Battell is an independent consultant and former New Zealand Banking Ombudsman with prior experience as both a regulator and strategic consultant with KPMG specializing in organizational reviews. The board appointed Ms. Battell to be the independent evaluator, a decision accepted by the CSA in consultation with the Joint Regulatory Committee.

I am proud of the great work of OBSI's staff and their continued efforts to bring effective, fair, and impartial dispute resolution services to Canadians and I am optimistic about the organization's future. In partnership with our stakeholders, including consumer and industry groups as well as regulators, OBSI will continue to set the benchmark for high-quality dispute resolution services that Canadians have come to expect.

I thank all our stakeholders who were supportive of OBSI this year, in particular through the leadership transition.



Fernand Bélisle
CHAIR

KEY FOCUS: Rebuilding operating reserve



Message from the Ombudsman and CEO



Sarah P. Bradley
OMBUDSMAN AND CEO

Since assuming the role of Ombudsman in September, I have had the honour of spending time with many of OBSI's stakeholders, including our staff across the country, our participating firms and their representatives, consumer advocates, regulators and policy makers. These meetings have allowed me to deepen my understanding of OBSI and the critical role it plays in our financial services system.

IN MY FORMER role as Chair of the Nova Scotia Securities Commission, I had the chance to observe OBSI's work from the outside. I saw the organization face some significant challenges, and saw it evolve and grow in response. I was impressed by OBSI's commitment to excellence, its passion for its mission, and the real desire of its leadership to ensure a fair complaint resolution process continued to be available to consumers and financial services firms in Canada.

Now that I have had the opportunity to engage with OBSI's internal and external stakeholders and to spend time understanding the organization from the inside, I am equally impressed, and I am encouraged by the broad expression of support for OBSI and its mission that I have heard from industry, consumers and regulators alike.

An Ombudsman scheme only works well when people believe in the process. Trust and respect from consumers and participating firms is essential to the fulfilment of our purpose.

I decided to join OBSI because I believe in the work that it does and the crucial role that it plays in ensuring that consumers of financial services in Canada have an accessible and effective dispute resolution service. This service promotes fair treatment of consumers and in turn encourages consumer confidence in the integrity of Canada's financial services and capital markets.

OBSI is Canada's trusted independent dispute-resolution service for banking and investment services firms and their customers. All registered investment firms and almost all Canadian banks participate.

In 2015, OBSI received nearly 5,300 inquiries from Canadian consumers. The majority of these (74%) were banking related, while 18% were investment related. The remaining 8% were about non-participating firms or involved a consumer who chose not to disclose the name of the firm.

5,288 INQUIRIES

74%

Banking inquiries

18%

Investment inquiries

8%

Non-participating and non-disclosed firm inquiries

“I decided to join OBSI because I believe in the work that it does.”

From these initial inquiries, we opened 571 cases, nearly the same number as we opened in 2014. We saw a significant shift, however, in the nature of these cases, with a 21% increase in banking cases and 14% decrease in investment cases. In the fourth quarter, the increase in banking cases was even more pronounced, up 37% from the same period last year.

In 2015, we facilitated settlements or recommended compensation in 35% of the files we closed, and the total amount of compensation we recommended was \$4.66 million.

This year also saw a significant achievement at the end of April, with the elimination of the backlog of cases stemming from the financial crisis. This was a tremendous accomplishment for the OBSI team and required a significant effort to achieve. The lessons learned from the backlog elimination have also led to lasting improvements in the efficiency of our investigative processes.

Beyond our core mandate, we also made progress on a regulatory front. On August 5, OBSI became an approved External Complaints Body (ECB) for Canadian banks, overseen by the Financial Consumer Agency of Canada. The new designation

Trusted independent dispute-resolution

resulted in some additional reporting requirements, and imposed strict timelines for the resolution of our banking cases. More than a year ago, OBSI proactively adopted the federal government’s standards for ECB complaint resolution timeliness in its policies and procedures and we concluded our investigations in accordance with these timelines for all cases in 2015.

More recently, Quebec’s Autorité des marchés financiers joined other Canadian securities regulators as a signatory to the “Memorandum of Understanding concerning oversight of the Ombudsman for Banking Services and Investments” (MOU) between the Canadian Securities Administrators (CSA) and OBSI, recognizing that many investors in Quebec have the option of using OBSI

to resolve their financial services disputes.

As we look to the year ahead, we have an opportunity to continue to make a difference on many fronts.

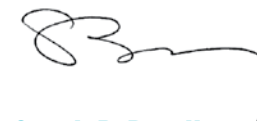
We will be undergoing an independent external evaluation as part of our MOU with the CSA.

This evaluation will assess whether OBSI is fulfilling its obligations under the MOU and whether any operational changes are desirable. The final report will be presented to the board and to the Joint Regulators Committee in 2016.

I also look forward to working with regulators, investor advocates and industry firms, to examine the feasibility of replacing our “name and shame” process with an alternative that works better for participating firms and consumers.

In 2016, we will also introduce a new case management system that will enhance our overall efficiency and provide greater scope for data analysis.

Finally, 2016 marks OBSI’s 20th year of operations. Such milestones are an opportunity to celebrate and reflect on the achievements of long-term operations. OBSI’s longevity is the result of the commitment and dedication of the OBSI staff and Board of Directors over the years, the cooperation and trust of participating firms and the oversight of regulators as well, of course, as the consumers who have used our service. It is a testament to all those who have played a part supporting the mandate of the organization these past 20 years. I am proud to now have this opportunity to play a part in the ongoing history of OBSI as Ombudsman and CEO and look forward to the future.



Sarah P. Bradley
OMBUDSMAN AND CEO

What's New

External Complaints Body

Effective August 5, 2015, OBSI was approved as an External Complaints Body for banking complaints under the Bank Act. Federal banking complaints regulations now require all Canadian banks to use the services of an approved External Complaints Body. Since its inception as the Canadian Banking Ombudsman in 1996, OBSI has helped to resolve thousands of disputes for Canadian consumers and banks and remains Canada's trusted and recognized independent dispute-resolution service for the banking sector.

Memorandum of Understanding with the Canadian Securities Administrators

The Memorandum of Understanding concerning oversight of the Ombudsman for Banking Services and Investments (MOU) provides for securities regulatory oversight of OBSI as well as a framework for cooperation and communication. The MOU also establishes a Joint Regulators Committee (JRC) that includes representatives of the Canadian Securities Administrators (CSA), Investment Industry Regulatory Organization of Canada, and the Mutual Fund Dealers Association of Canada. The JRC and OBSI meet on a regular basis to discuss governance and operational matters, as well as significant issues that could impact the effectiveness of the dispute-resolution system.

In 2015, the MOU was updated to include the Autorité des marchés financiers (Québec). All provincial and territorial securities regulators are now signatories to the MOU. The Autorité des marchés financiers also joins the Alberta Securities Commission, the British Columbia Securities Commission, and the Ontario Securities Commission as CSA designates on the JRC.

The JRC and OBSI worked together on refining information sharing this year. Anonymized complaint data is used to facilitate discussions on emerging issues and complaint trends. OBSI improved its data collection capabilities in several areas to facilitate the analysis of initial and subsequent settlement offers from firms, loss calculation details, and variances between loss calculations and compensation recommendations.

Case Management System

OBSI is investing in a new case management system (CMS). The process began in 2014 as OBSI looked for ways to improve workflows and meet its data collection needs, including those necessitated by the new banking and securities regulations affecting OBSI. Several legacy systems will be deactivated and their functions consolidated under the new system. The new CMS is expected to yield efficiencies in our investigative process and realize cost savings in the long term.

The new CMS was originally planned to launch in 2015 but the timeline was extended to the first half of 2016. The change allowed for additional testing and assurance that design specifications matched organizational needs.



Timeline Update for Complaint Intake Process

An update was made to OBSI's policies and procedures relating to the timely investigation of investment-related complaints. OBSI has committed to inform consumers in writing, within 30 days of receiving a complaint, if all or part of a complaint is outside our Terms of Reference. This change mirrors the update that was made to OBSI's policies and procedures for banking-related complaints a couple of years ago.

It has been and continues to be OBSI's practice to review every complaint as soon as it is received. Consumers are often informed within days whether their complaint falls within OBSI's mandate. This update, however, formalizes the 30-day mandate determination timeline and reflects OBSI's ongoing commitment to accessible and timely complaint handling.

Surveys

In keeping with OBSI's ongoing commitment to providing high-quality dispute-resolution services, we have revised our consumer surveys and are working on a new, separate survey for participating firms.

Consumers can expect to receive a survey asking them about their experience with OBSI as well as demographic questions approximately 30 days after their complaint is closed. The consumer survey is optional and confidential – there is no need for consumers to identify themselves and survey answers are collected by an independent third-party organization. From these surveys, OBSI receives anonymous, aggregated results.

In 2016, participating firms will also receive a survey asking them about their experience with OBSI. This survey is distributed annually to firms that have had a dispute referred to OBSI.

Surveys are important in helping us recognize things that we do well and identifying areas for improvement. Feedback will be incorporated into our annual planning and shared in our next annual report.

Firm Services Portal

A new web-based portal was developed for participating firms. The Firm Services Portal is designed to streamline administrative tasks and provide a secure method for electronic file transfers.

The rollout of the new portal began in 2015 with portfolio managers, exempt market dealers, and scholarship plan dealers. In 2016, the second phase of the rollout will include banks, IIROC member firms, and MFDA member firms. Several components of the Portal are now active and it is anticipated that all features will be enabled in 2016.

Senior Management Team



Robert Paddick

DEPUTY OMBUDSMAN,
INVESTMENTS

Marjolaine Mandeville

MANAGER, ADMINISTRATION

Brigitte Boutin

DEPUTY OMBUDSMAN,
BANKING SERVICES

Cheryl Shkurhan

MANAGER, POLICY

Sarah P. Bradley

OMBUDSMAN AND CEO

Mark Wright

DIRECTOR, COMMUNICATIONS
AND STAKEHOLDER RELATIONS

Dispute Resolution

Canada's trusted independent dispute
resolution service for consumers and
small businesses

Who We Are

OBSI is Canada's trusted independent dispute resolution service for consumers and small businesses with unresolved financial services complaints.

Established in 1996 as an alternative to the legal system, we work confidentially and in a non-legalistic manner to find fair outcomes to unresolved disputes about banking and investment products and services. Our services are free to consumers and are funded from fees paid by participating firms.

Our governance structure ensures the Ombudsman and staff are independent, impartial and have a diversity of perspectives and experience. Our staff of qualified professionals come from the financial services, law, accounting, dispute resolution and regulatory compliance fields. Our investigators have strong knowledge of the banking services and investments industries. They are trained to facilitate a fair and impartial dispute resolution process and receive ongoing training to ensure their work is effective and credible.

Our Code of Practice commits us to achieving high standards in 11 separate areas of our operation and governance including accessibility, fairness, independence, timeliness and competence. Our standards are designed to ensure a high-quality, independent and fair dispute resolution process for consumers and providers of financial services in Canada. These standards are based in part on emerging international complaint-handling standards through the International Standards Organization (ISO 10003).

How We Work

Our staff review and investigate unresolved complaints from consumers about banking and investment products and services.

OBSI looks at disputes where the consumer is either unsatisfied with their firm's final response, or at least 90 days have passed since the consumer first complained to their firm. Individuals must raise the complaint with their firm within six years of when they knew or should have known of the problem.

If we find the firm has caused a loss, we will recommend a settlement that aims to make the consumer whole. We may recommend compensation up to a maximum of \$350,000. We may also recommend non-financial actions such as correcting a credit bureau record.

If we find the firm has acted appropriately, we will explain to the consumer why we came to that conclusion.

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: over 99% of the thousands of complaints brought to OBSI since our organization's inception have been successfully resolved.

If a consumer is not satisfied with our conclusions, they are free to pursue their case through other processes including the legal system, subject to statutory limitation periods.



Participating Firms

All financial services firms active in banking services or investments and regulated by the federal or provincial governments are eligible to become a participating firm of OBSI. Current participating firms include:

- Credit unions
- Domestic and foreign-owned banks
- Exempt market dealers
- Federal trust and loan companies and other deposit-taking organizations
- Forex trading services
- Investment Industry Regulatory Organization of Canada (IIROC) member firms
- Mortgage brokers
- Mutual fund companies
- Mutual Fund Dealers Association of Canada (MFDA) member firms
- Portfolio managers
- Scholarship plan dealers

Accessibility

OBSI is committed to excellence in serving all Canadians, including people with disabilities. Our staff make every reasonable effort to ensure all Canadians have equal access to our services. Each individual is treated with dignity and respect. We listen to individual concerns and needs and provide accommodations where appropriate, at no cost.

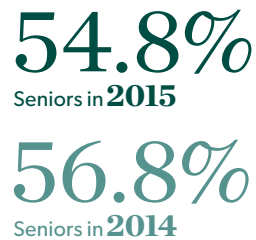
Our Accessible Customer Service Plan outlines OBSI's comprehensive approach for people with accessibility needs. Our staff are trained and familiar with various assistive devices that may be used by individuals while accessing our services. We will modify how we deliver our services when a need is identified. Canadians can contact us through a many channels including phone, email, mail, fax and telecopy. Our service is available in both official languages, English and French. We can also answer questions about our dispute resolution process in over 170 languages through the use of a translation service.

Who Uses Our Services

Gender



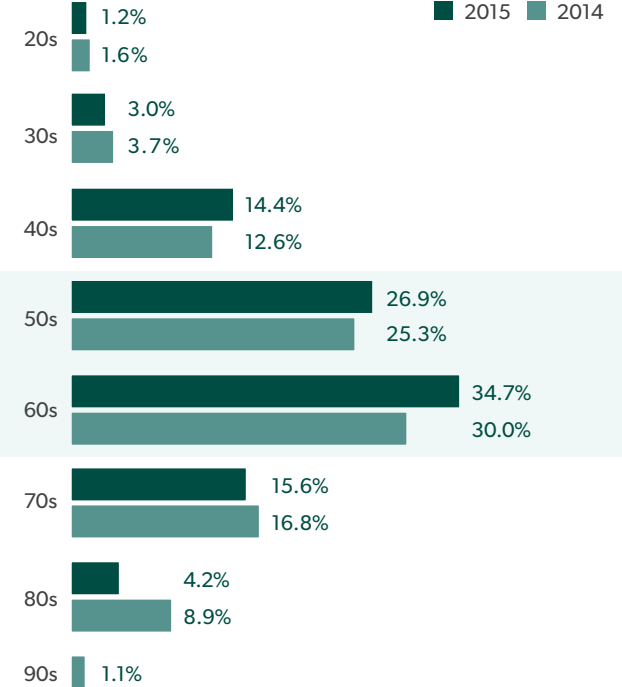
Seniors



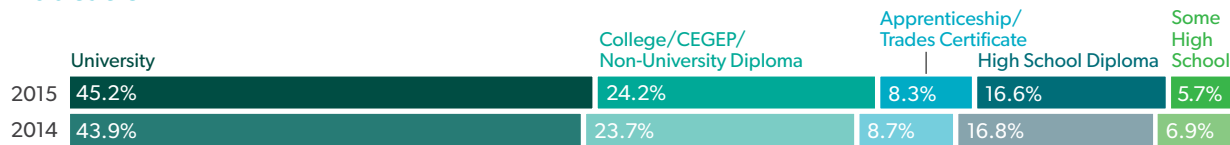
Visible Minority



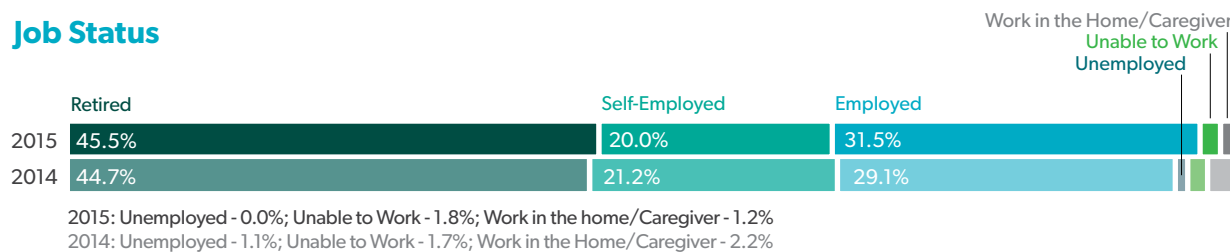
Age



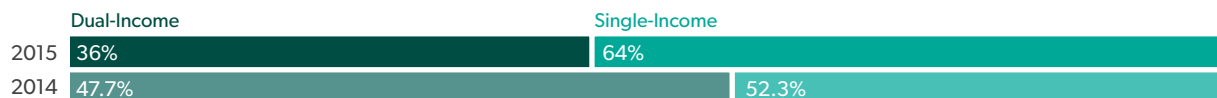
Education



Job Status



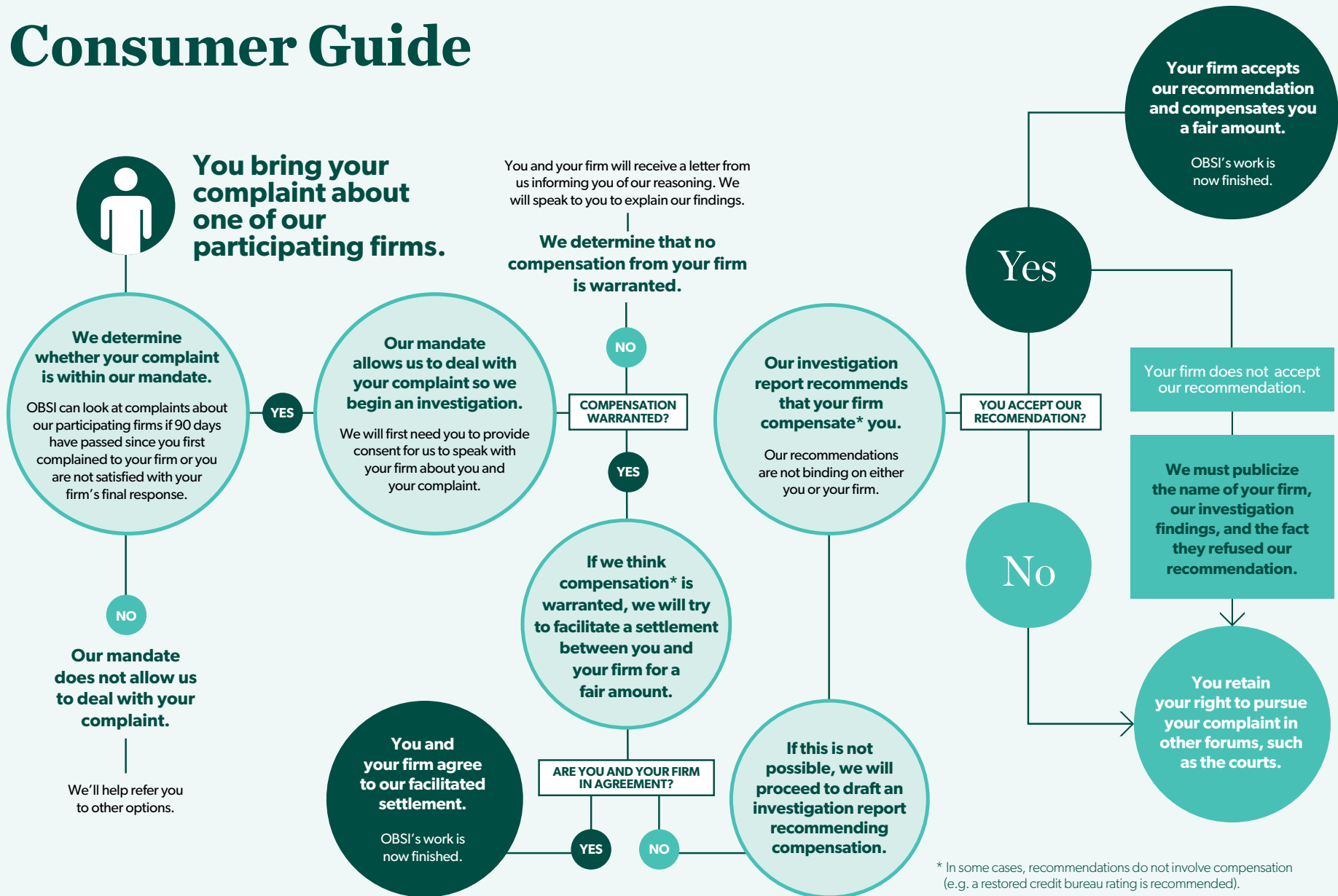
Family Income



“Our standards are designed to ensure a high-quality, independent and fair dispute resolution process for consumers and providers of financial services...”

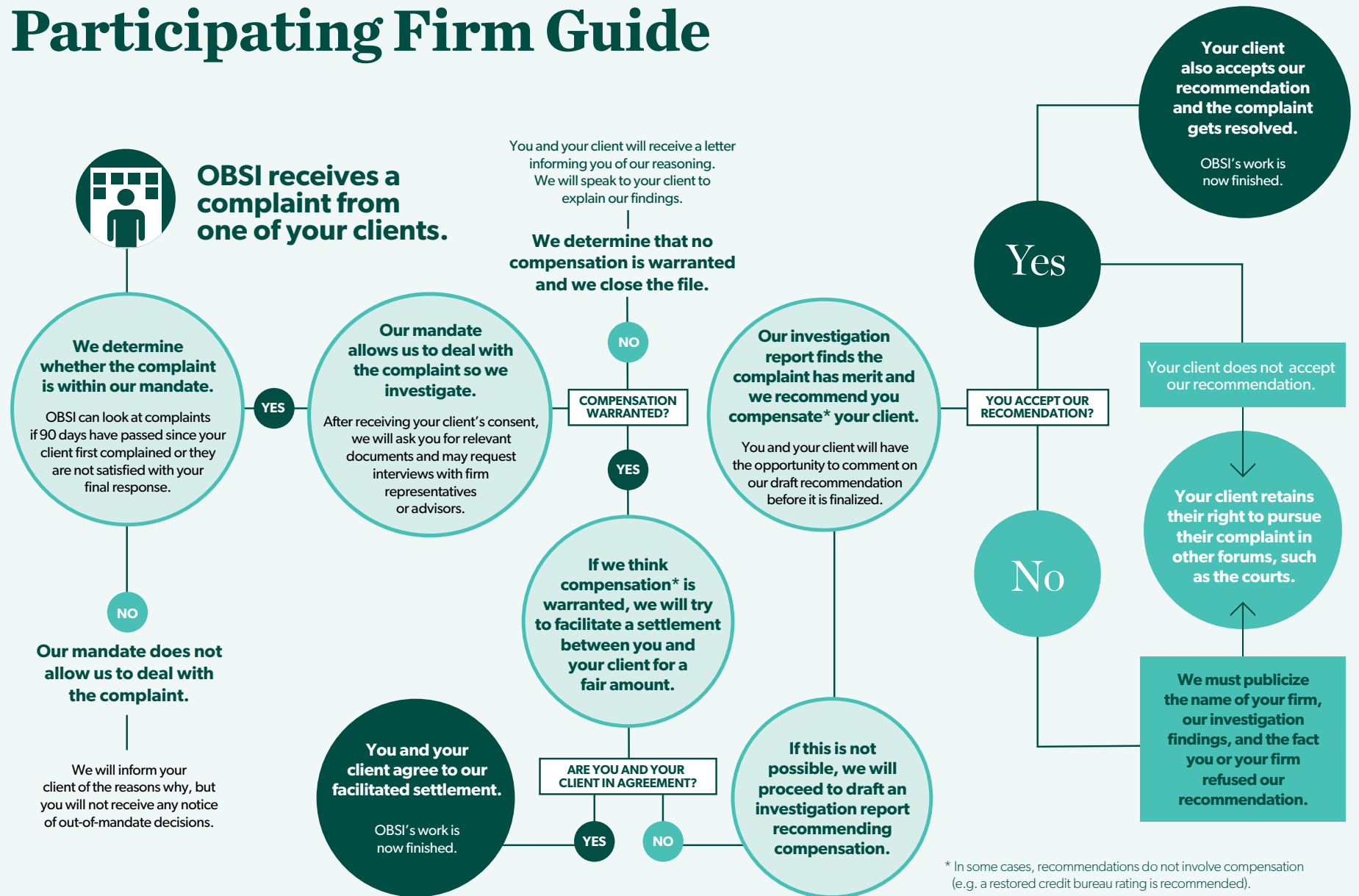
Some percentages may not add up to 100% due to rounding.

Consumer Guide



* In some cases, recommendations do not involve compensation (e.g. a restored credit bureau rating is recommended).

Participating Firm Guide



* In some cases, recommendations do not involve compensation (e.g. a restored credit bureau rating is recommended).

Consumer and Investor Advisory Council

OBSI's Consumer and Investor Advisory Council (CIAC) was created in 2010 to provide the OBSI Board with a consumer perspective on banking and investment issues relevant to OBSI's governance and operations.

Members come from across Canada and have backgrounds that ensure they are familiar with consumer issues and concerns. The CIAC is intended to provide an alternative perspective to the input the OBSI Board regularly receives from industry stakeholders and regulatory and government officials.

THROUGHOUT 2015, the Council met as a group approximately monthly by telephone, and once with all members in person, to exchange ideas and to receive briefings on current issues from senior management. It met with the board in early 2015 to present the results of its Internal Complainant Perception Study, prepared for the CIAC by a third party expert with participation by CIAC members.

Julia Dublin, Chair

Julia Dublin is a practitioner and authority on Canadian securities law. She was a lawyer with the federal Department of Justice and subsequently for 18 years with the Ontario Securities Commission (OSC). She was seconded from the OSC to the federal Department of Finance as special advisor on securities regulatory issues facing financial institutions, and led the OSC Fair Dealing Model project.

Ms. Dublin has served as Chair of the Independent Review Committee for the former Jovian Group of Funds, Adjunct Professor teaching Advanced Securities Law at Osgoode Law School, and a board member at OSC Investor Education Fund. Currently an IIROC hearing panelist and a member of the OSC Exempt Market Advisory Committee, Ms. Dublin has been retained as an expert witness in civil proceedings in Ontario, Quebec, and New Brunswick.

Guy Lemoine

Guy Lemoine is a lawyer with a master's degree. Prior to being appointed at the Office of the Attorney General of Quebec, specializing in economic crime, he was with the Department of Justice, Canada, and with the Commission des valeurs mobilières du Québec, where he also served as Vice-Chair. A former Board member of the North American Securities Administrators Association, Mr. Lemoine was founding President of the Bureau de décision et de révision en valeurs mobilières du Québec.

Ermanno Pascutto

Ermanno Pascutto is the founder and former Executive Director of the Canadian Foundation for the Advancement of Investor Rights (FAIR Canada). He was also Executive Director and head of staff of the Ontario Securities Commission, Vice-Chair of the Hong Kong Securities and Futures Commission, and independent director of Market Regulation Services. He has over 30 years' experience as a senior regulator and a practicing Canadian and Hong Kong securities lawyer.

James R. Savary

James R. 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 Board of Directors of the Canadian Automobile Arbitration Plan. He is also an active participant in the work of the Canadian Standards Association and the Standards Council of Canada.

Eric Spink, QC

Eric Spink is a lawyer specializing in securities law, policy and adjudication. He is a former Director of Enforcement and Vice-Chair of the Alberta Securities Commission, and Executive Director of Capital Markets Policy at Alberta Finance. He was also Chair of a not-for-profit corporation established in 1998 to fund specific projects to educate the public and entrepreneurs about investing and capital formation.

Richard Swift, QC

Richard Swift is a senior partner of a 10-lawyer firm in Courtenay on Vancouver Island, B.C., whose practice relates primarily to advising land developers and small business owners. He is the former Chair of the Board of Governors of the British Columbia Institute of Technology, and former Vice-Chair of the Land Title and Survey Authority of British Columbia. He is also Chair of the Patient Care Quality Review Board for the Vancouver Island Health Authority.

Nidhi Tandon

Nidhi Tandon is founder and Executive Director of Networked Intelligence for Development (NID), an independent consulting practice established in 1997 to provide clients with technical and project management services, interdisciplinary research and learning materials. NID's specialized services focus on the nexus of human rights, equitable development and healthy ecologies, in support of social and economic equity. She is a course instructor at Seneca College, possessing non-profit leadership and management graduate certificate. She is also past President of Ontario Nature and currently Vice-Chair of Oxfam Canada.

Laura Tamblyn Watts

Laura Tamblyn Watts is a lawyer and principal with Elder Concepts, a consultancy specializing in working with organizations, governments and industry on issues relating to aging, elder abuse prevention, and consumer rights. She is past Chair of the Canadian Bar Association National Elder Law Section, a Senior Fellow of the Canadian Centre for Elder Law, and immediate past National Director and staff lawyer at the BC Law Institute. An adjunct and sessional professor at a number of universities including the University of Toronto and the University of Victoria, Ms. Tamblyn Watts was awarded the Stetson University Distinguished Fellowship in Elder Law in 2012.

Year in Review

BANKING SERVICES

273

opened banking cases in 2015

120 DAYS

or less to complete all banking investigations

21 ↑ up from **13**

banking cases involving bank account closures

225

opened banking cases in 2014

37%

increase in cases during the fourth quarter

24 ↑ up from **9**

banking cases involving collections

Q&A with the Deputy Ombudsman, Banking Services

Brigitte Boutin
DEPUTY OMBUDSMAN,
BANKING SERVICES



What were the biggest changes you saw this year?

We saw a large increase in case volumes. The number of cases we opened grew from 225 to 273 during the year, a 21% increase. And during the fourth quarter, we saw a 37% increase over the same time last year.

Do you know why the volumes increased?

I can only speculate. The increased volume may mean that more people know about OBSI. Banks are communicating more effectively that we are available as an alternative to resolve their disputes with their clients. The increase can also be a result of the new federal regulations relating to complaints: banks now have 90 days to deal with a complaint after which time the consumer can decide to come to us.

Are there any trends you're seeing?

The type of complaints we are seeing is very similar to last year, but there are more of them. On a regional basis, it looks like that increase is largely in Ontario, which is surprising given the economic challenges in western Canada, and it's coming from consumers, not small businesses.

What types of complaints did your team resolve this year?

The banking products and issues consumers are complaining about mirror last year for the most part, dominated by credit and debit cards (chargebacks and fraud), mortgages (prepayment penalties), and chequing and savings accounts (account closures and collections).

That said, while the leading issues remain the same – such as fraud and mortgage prepayment penalties – we have seen an increase in issues related to account closings (or other instances of banks ending their business relationship with a client), which increased to 21 from 13, and accounts being sent to collections which increased to 24 from 9 last year.

Any comments on trends or emerging issues?

The issues remain fairly consistent. We are seeing a lot of complaints related to mortgages: penalty, pre-approved mortgages – and portability of a mortgage has become a bigger issue.

People sometimes take for granted that their mortgage is portable before selling their home. It's interesting – we've seen cases where the bank refused portability because the borrower's financial situation no longer met the bank's lending criteria. However, the client was able to get approved somewhere else right away.

“People sometimes take for granted that their mortgage is portable before selling their home.”

A bank can refuse to transfer a mortgage from one property to another because the client's situation has changed and we can't force a bank to lend money when its lending criteria is not met. Remember to read the terms in your mortgage agreement carefully. Check if there are certain criteria related to portability and check if you meet your lender's criteria before deciding what to do.

Also, we've seen an increased number of files relating to mortgage pre-approval. Banks may not verify everything in detail when they pre-approve a mortgage. Then, when people go to finalize a mortgage, the bank will ask for more information and for supporting evidence of what was previously disclosed. Sometimes that new information will lead the bank to change financing terms or refuse financing altogether. People can then get caught, especially if they removed the condition for financing on their offer to purchase a home. A pre-approval document indicates certain conditions that need to be met. Be careful that you've given the right information to your bank and that your documents match what you provided at the beginning of the mortgage process.

Any trends regarding financial elder abuse?

We are seeing an increase in the number of people who are meeting strangers online and through social media or who decide to do business with untrustworthy companies. They believe they've contacted a distant relative, have built a meaningful relationship with someone, or have a deal that is too good to be true. Unfortunately, these individuals are in fact fraudsters who coax their unsuspecting victims to make large wire transfers to foreign accounts.

Has anything changed since becoming an External Complaints Body?

The main change is that we have a requirement of completing all investigations within 120 days and determining if a case is out of mandate within 30 days. We've been operating to that standard for some time, however, even prior to it becoming a regulatory requirement.

What are the strengths of your approach?

We have a very experienced team with a lot of specialized industry knowledge – some people have been on the banking team for many years. We have a strong process for following up with clients. We're very efficient in how we communicate with clients. We also try to approach participating firms early in the process to obtain relevant documents as soon as possible.

Any tips to communicate to consumers?

If you have a complaint with your bank, make sure to document it. Make sure you put everything in writing. Record names of people you are dealing with and when you spoke to them.

Is it easy to say no to a consumer or have a recommendation go against a firm?

We first try to facilitate a settlement, an outcome that both the consumer and the firm can agree to. Sometimes this is not possible and it is inevitable that either the consumer or the firm is disappointed with our final recommendation. It's never easy. Sometimes when we don't find in favour of a consumer, we see that it will have an impact on their life and that's always difficult. However, our role is to be fair to consumers and firms. Our approach is always about fairness and what is right under the circumstances.

Every single complaint is different. As we go through the process, we always leave the door open for discussion. We present our findings, but they are subject to discussion and we are ready to hear what people have to say. Whether it's the consumer or someone working at a bank, people need to know that they've been listened to even when they don't agree with our recommendation.

Case Studies



Case Study 1

Chargebacks

Ms. B and her friends attended a presentation for real estate investment opportunities in the Caribbean. The salesperson explained that the investment was for a condominium timeshare located on a desirable waterfront location frequented by tourists.

THE SALES PRESENTATION impressed Ms. B and she signed a purchase agreement on February 1, 2015. She made three deposits using her credit card in the amounts of \$3,000, \$3,500, and \$4,500 that month. Sometime later, Ms. B began having doubts about the property and she tried to get more information. She sent numerous emails but did not receive a satisfactory response from the salesperson. On April 5, 2015, she contacted the bank and requested refunds on the three payments.

The bank refused to provide refunds. It viewed the matter as a contract dispute between Ms. B and the timeshare company. Ms. B had authorized each transaction. There were no signs of fraud. The bank noted that the purchase agreement Ms. B had signed allowed for a 10-day “cooling off” period and that had passed. Ms. B only expressed doubts two months later.

Unsatisfied, Ms. B came to OBSI.

“The bank refused to provide refunds. It viewed the matter as a contract dispute between Ms. B and the timeshare company.”

Complaint partially upheld

We interviewed Ms. B and the bank during our investigation. We also reviewed the relevant documentation.

Based on the information provided by Ms. B and the bank, this appeared to be a contract dispute with the timeshare company.

We enquired with the bank whether they knew of any issues with this timeshare company. The bank explained that it bank kept a list of “high-risk” merchants for fraud detection purposes and there were no signs of suspicious activity before or after Ms. B’s complaint about this merchant. We carefully reviewed the terms and conditions of Ms. B’s credit card. While some cards offer enhanced protection for timeshare-related transactions, this particular credit card provided standard protections. There was insufficient evidence to conclude the timeshare company was engaging in fraudulent activity.

However, we examined the payment transactions to ensure they were properly authorized by Ms. B. We noted that the merchant name on the \$3,500 transaction slip did not match that of the timeshare company. This was of concern given that Ms. B thought she was dealing with the timeshare company during the entire process. The bank agreed to reverse the \$3,500 charge. We believe this was a fair and reasonable offer under the circumstances.

Case Study 2

Small Business Debt

Mr. A's small business filed for bankruptcy in 2014 after several years of financial difficulties. At the time, there was a \$15,000 balance on the company credit card. The balance went unpaid for some time and the bank, unable to collect from the company, turned to Mr. A to personally pay the outstanding amount.

MR. A EXPLAINED that he was not personally responsible for the liabilities incurred on his company credit card. He reasoned that the credit card was opened for his small business, not for his personal expenses. All transactions were business related. He understood he completed the credit card application as a signing authority for the company, so the bank had no right to hold him personally responsible as he was simply acting as a company representative.

The bank disagreed. It explained that Mr. A and his small business were jointly responsible for the credit card and any outstanding balance. The bank was aware that the small business had declared bankruptcy and, in accordance with the cardholder agreement, it sought payment from Mr. A.

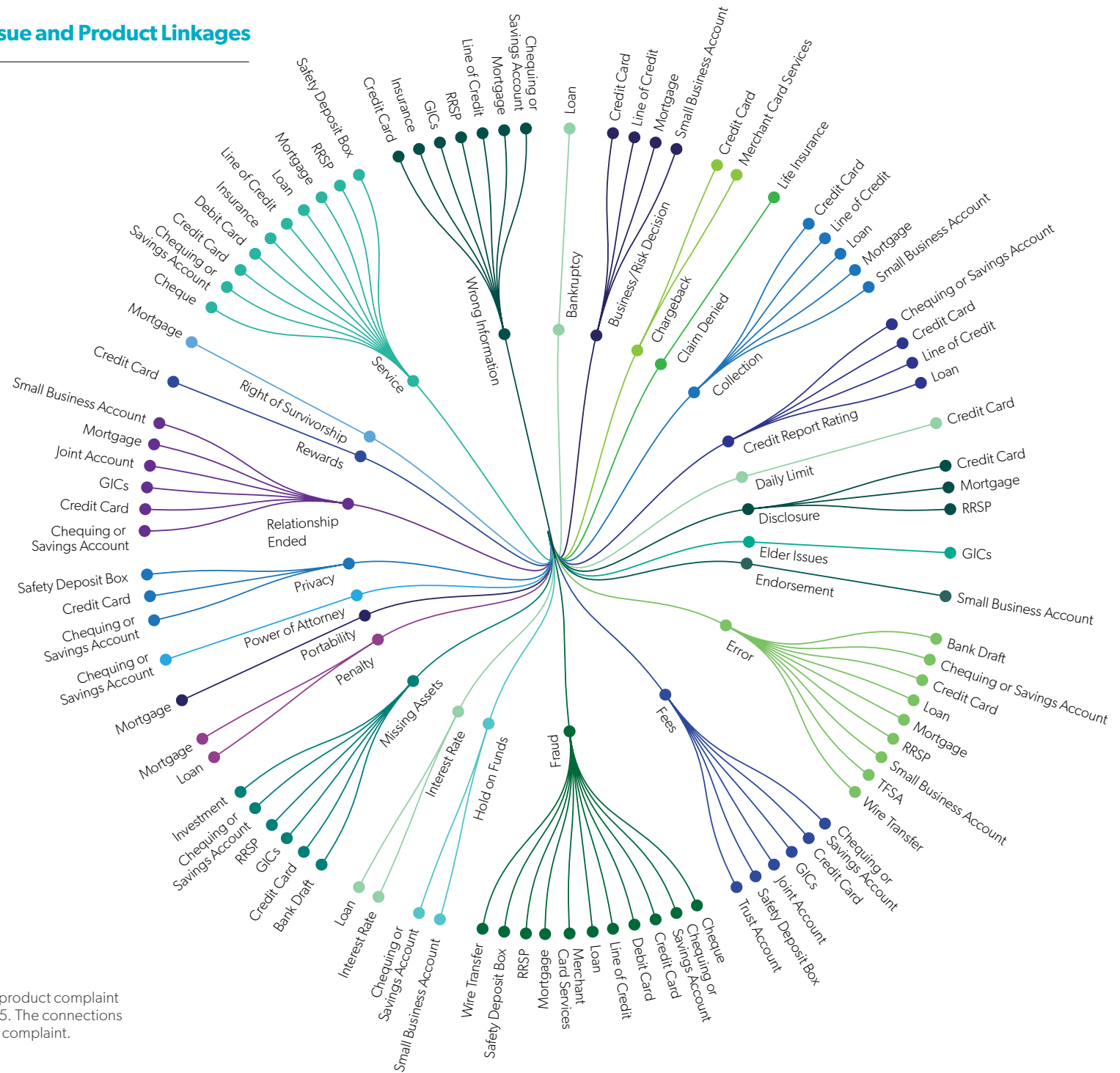
Unsatisfied with the bank's response, Mr. A came to OBSI.

Complaint not upheld

During the investigation, we reviewed the cardholder agreement for this particular credit card as well as the online application Mr. A would have completed. We also confirmed that statements and disclosures were sent to him. We noted several instances that clearly described the agreement as between the bank and both the applicants, in this case Mr. A, and his small business. It stated that Mr. A and his small business would be "jointly and severally" liable for all charges to the credit card. This meant that the bank would hold Mr. A's small business as well as Mr. A personally responsible for the balance, regardless of the reasons for the expenses.

We found the terms and conditions were clearly and properly presented during the credit card application process and we determined that Mr. A had multiple opportunities to review the provisions in the cardholder agreement. We did not find evidence to support Mr. A's position and, accordingly, did not recommend compensation.

Banking Complaint Issue and Product Linkages



Each line represents an issue and product complaint combination that OBSI saw in 2015. The connections are not weighted for frequency of complaint.

Consumer Feedback

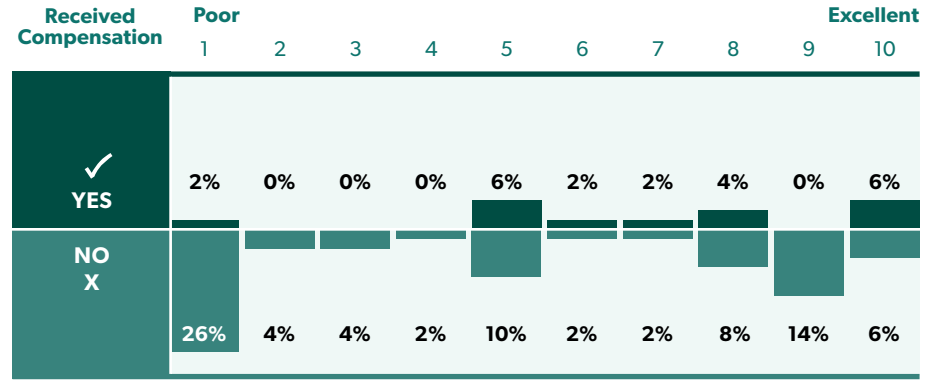
Banking

The charts show the correlation between whether consumers received compensation or not and their level of satisfaction with OBSI's service.

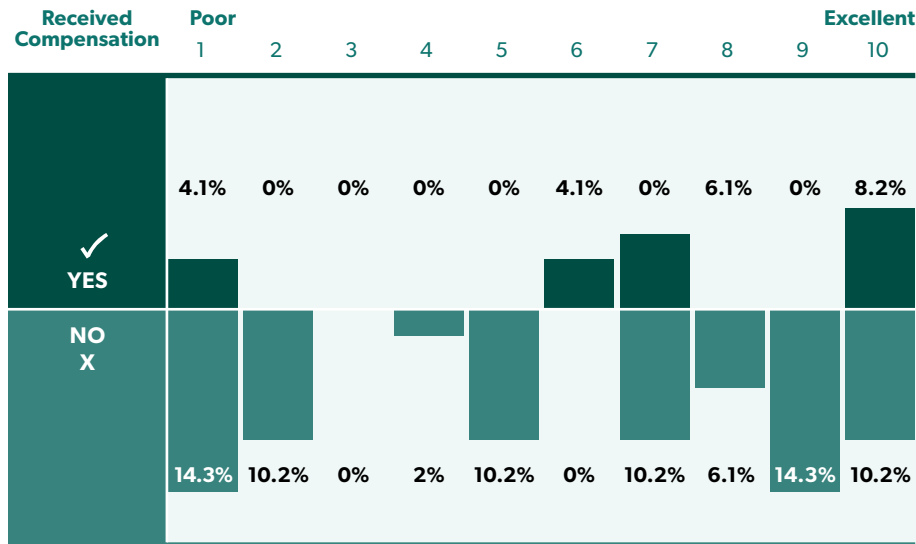
Quality of Service



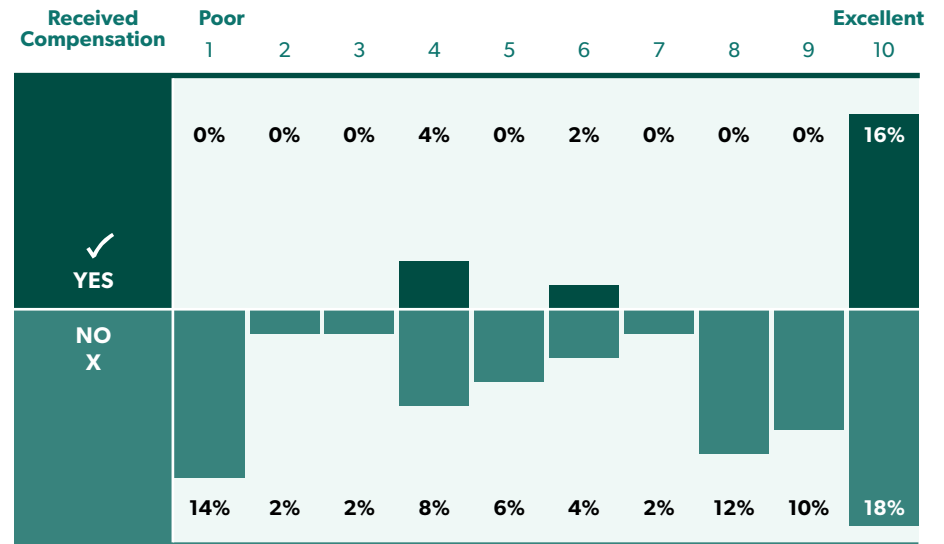
Investigation Occurred within a Reasonable Length of Time



Process Was Easy to Understand and Follow



Investigator was Courteous and Professional



Some percentages may not add up to 100% due to rounding.

Year in Review

INVESTMENTS

298

investment cases opened in 2015

50%+

investment cases involving mutual fund products

65%+

investment cases involving suitability issues

345

investment cases opened in 2014

0

backlogged cases

\$26,258

average compensation

Q&A with the Deputy Ombudsman, Investments



Robert Paddick
DEPUTY OMBUDSMAN, INVESTMENTS

What was one of the key accomplishments for 2015?

Eliminating the backlog of cases that had accumulated after the financial crisis was a huge accomplishment for the investment team. The backlog had been an issue for a long time, and it placed an enormous strain on our resources. However, the entire organization was committed to eliminate it once and for all. Thanks go to consumers and firms for their cooperation, to the board for providing the resources we needed and to the staff for all their hard work – it was a real team effort.

What's been the focus since then?

We are focused on two things – timeliness and quality of our investigations. It is critical that we meet our commitment to close 80% of cases within 180 days and not let another backlog happen. It is equally important that we conduct good quality investigations that result in fair resolutions for consumers and firms.

We are continually trying to be more efficient with better quality investigations and more consistent decisions and results. We've accomplished this through internal training, better internal guidelines and guidance, and ongoing discussions about issues with regulators and other stakeholders to ensure everyone is on the same page.

What types of complaints did your team resolve this year?

Our top issues are investment suitability and leverage.

We have seen an increase in complaints involving debt and equity securities in the resource sector in 2015.

We've also received a handful of portfolio manager and exempt market dealer complaints. Last year, our mandate was expanded to include these new categories of investment firms, and so far most of these complaints have been about suitability.

Any comments on trends or emerging issues?

I do have a concern about the number of out-of-mandate cases we see. Investors have six years to complain to a firm about a problem. Once they complain to the firm and it provides a substantive

“There are lot of cases that we cannot take on because the investor came to us after 180 days of them receiving a final response from the firm about their complaint.”

response, they then have 180 days to bring their complaint to our office. Firms are required to tell investors about the 180 days but we have a surprising number of investors that don't come to us within that window.

When we ask these investors what happened, unfortunately too often there isn't really a good reason for their delay. If there is a good reason, we will investigate. So it's important for investors to deal with their complaints in a timely fashion.

In order to help OBSI with resolving complaints as fairly and as quickly as possible, what are some things consumers and participating firms can do?

Provide us with all relevant documents as soon as possible. We often request information at the beginning of our investigation. However, we may ask for additional documents during the investigation. We appreciate prompt replies but understand that it can take time to retrieve documents, especially if they are many years old.

We appreciate frank, open and honest discussions. If we request a meeting or interview, an early commitment to specific dates and times also helps us to be more efficient and conclude things for everyone faster!

How do you approach participating firms when there is a proposed settlement or recommendation?

We are in regular contact with firms during our investigation. Our objective is to have a thorough understanding of the firm's position and be able to share ours as well. If we believe compensation is warranted, we will provide a detailed explanation of our reasons as well as materials, such as our calculation and analysis, for the firm to review. Sometimes this information is provided as an email or report and other times it could be a simple phone call. It depends on the situation. We strive to have an open dialogue each step of the way so firms understand how we come to our conclusions.

How can consumers and participating firms better handle situations where financial literacy is an issue?

In many of the complaints we see, the client has limited investment knowledge. More communication is helpful but better communication – using plain language for example – is ideal. We've seen the industry

make great strides towards helping consumers better understand their financial situation. As with most things, there is always room for improvement. Firms and their advisors have an opportunity to take the lead on this issue. While many take the time to help their clients understand the important risks and characteristics of the investments and strategies they are recommending, we must recognize that many clients may still have questions afterwards. We encourage firms and advisors to check if their clients understand what they have been told. Hopefully, this will prevent many complaints from happening in the first place.

For investors, be involved in your investments. Read your statements when they come in – don't just file them. If you have questions, be sure to ask them. Provide accurate information when the advisor asks for it. It's important that the advisor knows who you are and what your real risk tolerance is. Ask questions to stay as informed as you can be.

Case Studies



Case Study 1

Misappropriated Funds

Ms. P's husband passed away in 2003. She supported her three young children by working at a local café and saved money by living with her parents. It was Ms. P's late husband that managed the family finances and she felt overwhelmed with this new responsibility. A friend recommended an investment advisor, Mr. H, to help manage her investments.

MS. P WANTED "safe" investments that would meet her family's financial needs over time. Mr. H advised her to place her late husband's life insurance proceeds of \$900,000 into a margin account. Mr. H prepared an investment plan showing that Ms. P would earn \$50,000 in interest annually by investing in low-risk, income-producing investments. Between 2003 and 2013, Ms. P made additional deposits into her account.

Ms. P relied heavily on Mr. H for advice and trusted his recommendations. Mr. H was well known in the community and Ms. P and he had several common friends. Mr. H appeared to care about Ms. P's and her children's well-being and he became an important presence in their lives. He would encourage Ms. P whenever she felt depressed over the loss of her husband. He would also take Ms. P's children to soccer practice and buy them birthday presents.

In 2013, however, Ms. P became suspicious of Mr. H. She made enquiries, bypassing her advisor, and learned that her investment accounts had been closed for over a year, although she was still receiving what appeared to be regular interest income. She contemplated hiring a lawyer but

There were withdrawals from the account but Ms. P said she never received the funds.

decided that the legal fees would be too high. Instead, she approached Mr. H under the pretence of needing her funds to make a large purchase. She did not mention that she knew her investment accounts had been closed. Mr. H deposited \$700,000 into her bank account the next day.

Further attempts to access her remaining funds were unsuccessful. Ms. P approached the investment firm's compliance department for assistance. Ms. P complained that Mr. H had misappropriated her funds and never invested them in low-risk investments.

The investment firm reviewed Ms. P's account and identified some suspicious activities. The home address on the account was not hers, which explained why she never received any account statements. Furthermore, unknown to Ms. P, the account was jointly held by her and her late husband's brother with whom she did not have a good relationship. There were withdrawals from the account but Ms. P said she never received the funds.

The firm declined to provide compensation. It explained that the majority of the funds were returned to Ms. P when Mr. H deposited \$700,000 into her bank account and, in combination with regular interest payouts she had already received, Ms. P had received surplus of funds.

Ms. P disagreed and came to OBSI.

Ms. P ultimately received \$425,600 in compensation from the firm.

Complaint Upheld

Where a complaint has merit, OBSI may recommend compensation up to a maximum of \$350,000. While we explain our process to all consumers before we proceed with an investigation, we emphasized our recommendation limit to Ms. P given the sums of money involved.

The firm and Ms. P agreed that funds were misappropriated. Our investigation focused on whether all of Ms. P's misappropriated funds were recovered and if she was suitably invested.

We interviewed Ms. P and firm representatives. We also reviewed documents and correspondences, including those between Ms. P and Mr. H. We considered applicable industry rules, regulations, and practices.

Over a period of 10 years, Ms. P entrusted the firm with \$1,800,000. The funds came from a combination of life insurance proceeds, the savings of Ms. P and her late husband, and her additional savings. An analysis revealed that a significant portion of funds were not placed into her account but were redirected to accounts held by Mr. H's relatives. Ms. P ultimately received \$1,745,000 in withdrawals or returns of original investment. The interest income Ms. P thought she was withdrawing over time was in fact a return of the original investment or funds Mr. H obtained from elsewhere.

Ms. P believed she held low-risk investments, such as government bonds, consistent with her discussions with Mr. H. The Know-Your-Client form from her account indicated Ms. P had a low risk tolerance and conservative income investment objectives. However, Ms. P's portfolio only contained 1% low-risk income investments. The overwhelming majority of investments were moderate or high-risk growth securities.

We determined Ms. P had limited investment knowledge. She fully trusted her advisor and relied on his expertise. She regularly received what she believed was interest income and was given informal updates from Mr. H who she often saw at social events. Mr. H carefully controlled the information Ms. P received. Since her account statements were being redirected, Ms. P could not effectively monitor her account or review her investments independently.

An analysis was undertaken to determine what financial harm, if any, had occurred. We compared the performance of Ms. P's unsuitable portfolio to what she would have earned if her money were suitably invested in investments such as guaranteed investment certificates and bonds. We calculated that, net of fees and other expenses, Ms. P suffered a financial harm higher than OBSI's recommendation limit. Furthermore, we determined that the firm was responsible for the financial harm Ms. P suffered as the result of the actions of its employee, Mr. H. Accordingly, we initially recommended \$350,000 in compensation.

We continued to have extended discussions with the firm. It was committed to doing right by its client and wanted Ms. P to be fairly compensated. We explained our detailed calculations, which showed a financial harm significantly higher than \$350,000. The firm voluntarily agreed, without direction from OBSI, to fully compensate Ms. P according to our analysis. Ms. P ultimately received \$425,600 in compensation from the firm.

Case Study 2

Accepting Risks

Mr. Q preferred to invest in resource extraction companies. In 2010, a decision was made to invest \$50,000 in shares of a high profile forest plantation operator. Unfortunately, the stock declined in value and trading was eventually halted when the company filed for bankruptcy protection in 2012.

MR. Q COMPLAINED that the investment was unsuitable. He said he was retired and only accepted moderate-risk investments. Furthermore, he stated that he and his advisor had a verbal agreement that they would not need to discuss stock recommendations if the trade was for less than \$10,000. The advisor made this particular transaction without first consulting Mr. Q. He sought compensation for his losses.

The investment firm declined compensation. It reviewed Mr. Q's Know-Your-Client (KYC) form and related documentation and confirmed he had wanted higher-risk investments and short-term growth.

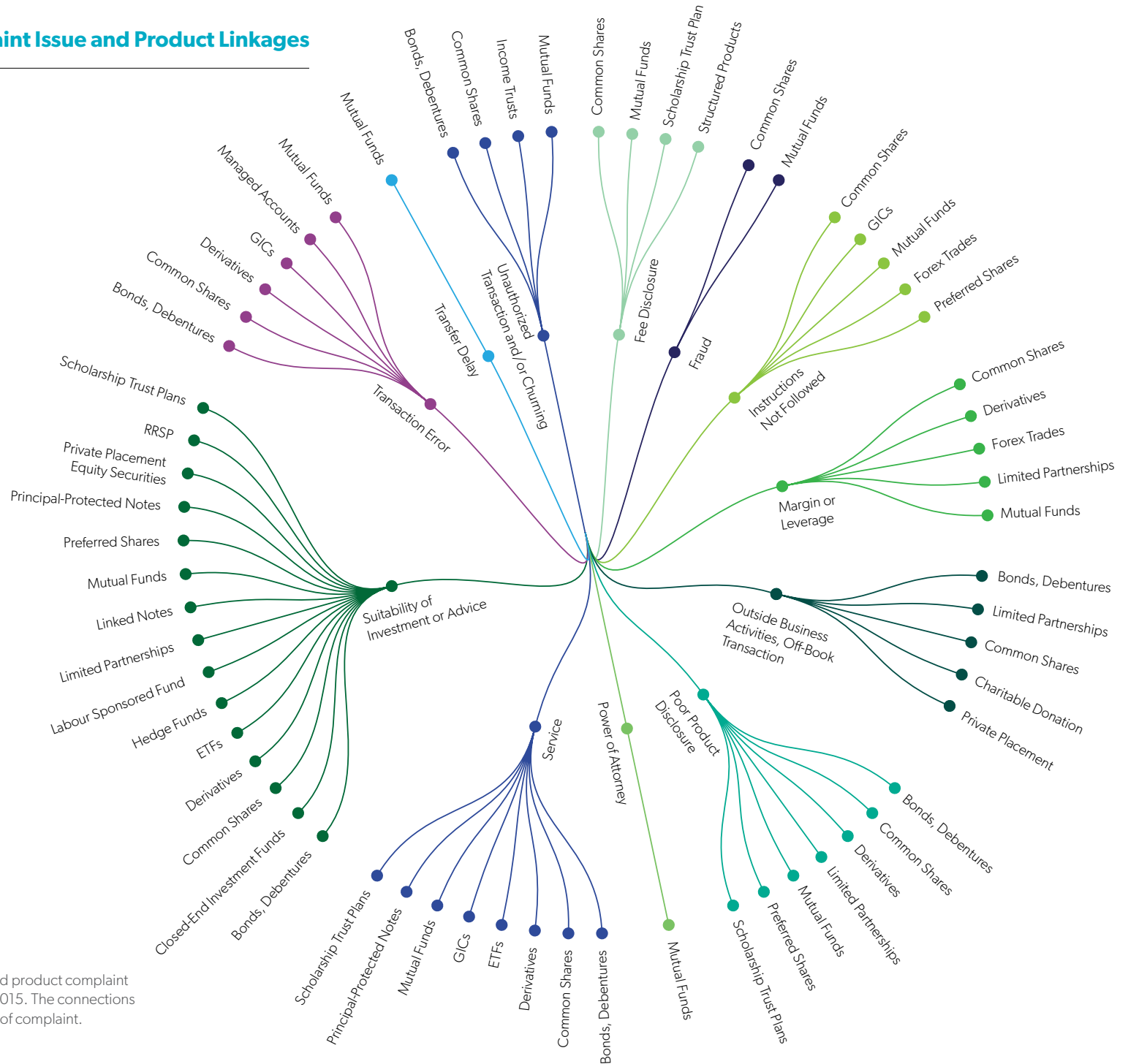
Unsatisfied, Mr. Q came to OBSI.

Complaint not upheld

During our investigation, we interviewed Mr. Q and the firm, and reviewed the relevant documentation. While many retired individuals seek lower-risk investments; risk tolerance and investment objectives are unique to each individual's situation. Mr. Q said he wanted to be invested in the same types of stocks as he had always been. An examination of Mr. Q's investment history revealed that medium- and higher-risk stocks were regularly purchased. This asset allocation matched the KYC form objectives. He eventually admitted he would tolerate some higher-risk investments. His investment objective was short term and he planned to sell his investments as soon as he could realize a reasonable profit.

We also looked at the circumstances surrounding the stock purchase. Mr. Q claimed that he only found out about the purchase after reviewing his quarterly statements. He questioned his advisor who described the stock as potentially "risky" but he decided to hold on to it despite this. He filed his complaint two years later, after trading had been halted and the bankruptcy proceedings against the company began. While we cannot determine what was said between Mr. Q and his advisor, we believe that Mr. Q had ample opportunity to sell the stock or ask additional questions if he had concerns. Given the time that had lapsed, we concluded that Mr. Q accepted the transaction and associated risks. We did not recommend compensation.

Investment Complaint Issue and Product Linkages



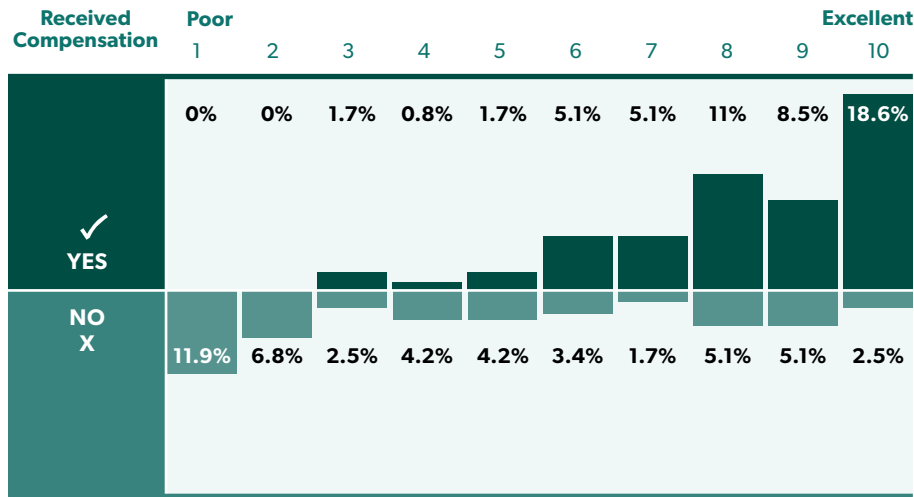
Each line represents an issue and product complaint combination that OBSI saw in 2015. The connections are not weighted for frequency of complaint.

Consumer Feedback

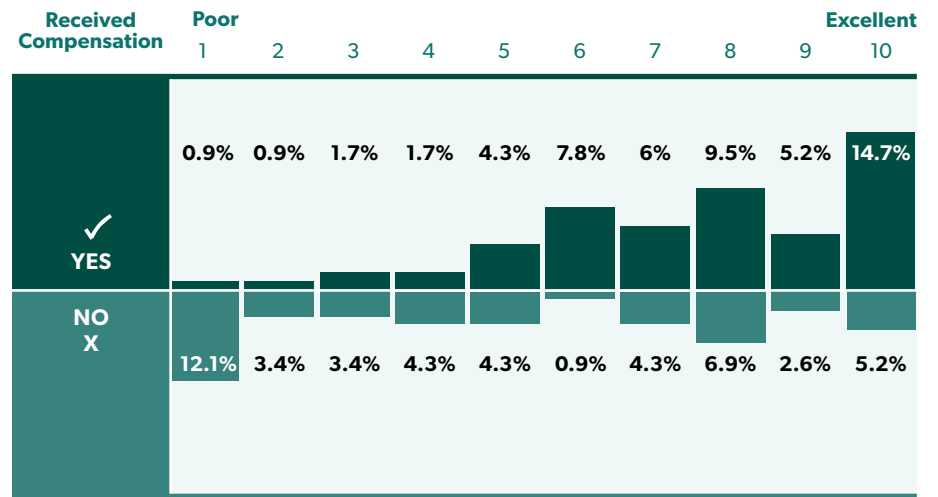
Investments

The charts show the correlation between whether consumers received compensation or not and their level of satisfaction with OBSI's service.

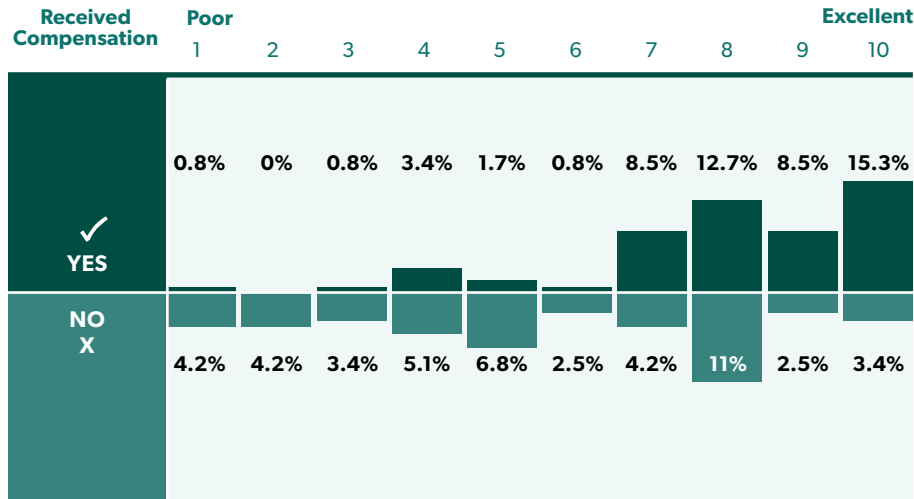
Quality of Service



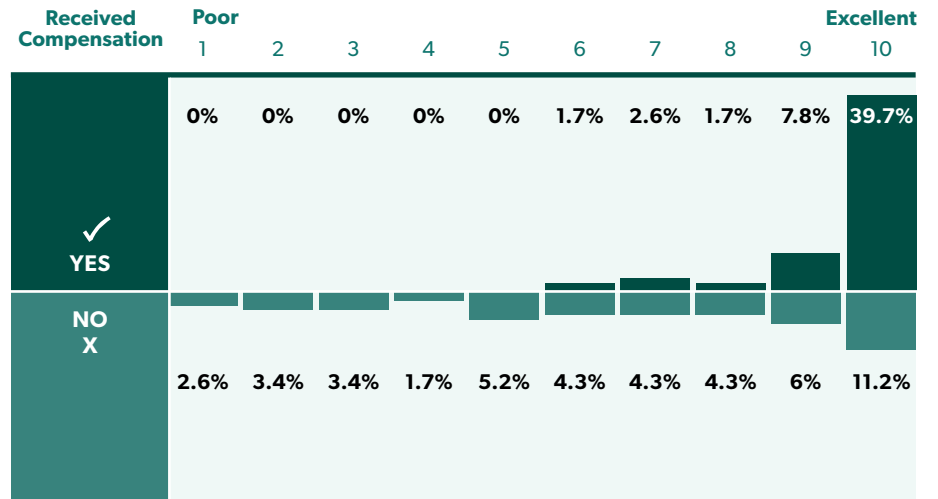
Investigation Occurred within a Reasonable Length of Time



Process Was Easy to Understand and Follow



Investigator was Courteous and Professional



Some percentages may not add up to 100% due to rounding.

Refusals

Those complaints that end in refusals by firms to compensate their customers have historically been very rare.

THE OVERWHELMING MAJORITY of complaints brought to our organization have been successfully resolved: over 99% of the thousands of complaints brought to OBSI since the organization's inception have been successfully resolved.

In six cases this year, however, firms simply did not agree to compensate their customers. Having exhausted all avenues to settle these complaints, OBSI is required under our Terms of Reference to publicize the refusals.



Investigation Reports on these refusals can be found at obsi.ca/refusals

Sentinel Financial Management Corp.

Sentinel Financial Management Corp. (Sentinel) refused to compensate several investors in the amount of \$20,249, \$55,000, and \$245,462.

Sentinel is a mutual fund dealer based in Saskatoon.

In one case, the investor, Ms. M, was 63 years old when she started investing at Sentinel. Now retired, her income consisted of Canada Pension Plan payments, Old Age Security, Guaranteed Income Supplement and occasional withdrawals from her modest Locked-In Retirement Account.

Our investigation determined that Ms. M relied heavily on her Sentinel advisor for investment advice, including how to manage her modest retirement savings. OBSI found that Ms. M was unaware she was sold "off-book" investments (meaning the Sentinel advisor sold the security outside of the firm). The advisor deposited Ms. M's money in the advisor's personal account. None of the funds were actually invested and Ms. M never recovered any of the funds.

We found Sentinel was responsible for the financial harm incurred by their clients as a result of the off-book investment they were placed in by their Sentinel advisor.

Sentinel chose not to fulfill its responsibilities to its clients by providing the compensation that OBSI recommended based on the facts of the case.

GP Wealth Management

GP Wealth Management Corporation (GP Wealth Management) refused to compensate a married couple in the amount of \$25,455.

GP Wealth Management is a mutual fund dealer based in Toronto with offices across Ontario. The clients, Mr. and Mrs. F, redeemed mutual funds understanding that they would incur approximately \$20,000 in fees (Deferred Sales Charges, or DSCs), based on assurances from their advisor. Upon selling their investments, they were actually charged DSCs of \$45,455. Both GP Wealth Management and Mr. and Mrs. F's advisor had an obligation to inform Mr. F of the correct DSCs prior to processing the redemption but they did not.

Since Mr. and Mrs. F understood and were willing to pay \$20,000 in DSCs, OBSI recommended that GP Wealth Management compensate the couple for the additional \$25,455 they incurred in DSCs.

GP Wealth Management refused to compensate their clients.

yourCFO Advisory Group

yourCFO Advisory Group Inc. (yourCFO) refused to compensate an investor in the amount of \$139,000.

The advisor, Ms. L, at yourCFO recommended the client, Ms. K, invest in a single purpose private company set up to lend money to an unrelated company that invested in second mortgages and was owned by the advisor's husband. The investment was also made off the books ("off-book") of yourCFO (meaning the advisor sold the security outside of the firm).

Based on our investigation, we accept that Ms. K reasonably believed that the investment was made through and approved by yourCFO. We determined that yourCFO is responsible, as a member of OBSI, and vicariously, as the employer of Ms. L, for the losses Ms. K incurred due to Ms. L's recommendation.

We recommended that yourCFO compensate Ms. K \$139,000, representing her initial investment less income she received. yourCFO has refused to compensate any amount.

Corporate Governance



“The search for board members balances diversity, geography and the need for a variety of backgrounds and skills.”

An independent and non-profit organization, OBSI is overseen by a 10 person Board of Directors. Seven are Community Directors who have not been part of the financial industry or government for at least two years prior to their appointment. Three directors are appointed from a list of nominees provided by industry bodies.

INDEPENDENCE IS FUNDAMENTAL to OBSI's governance. Beyond the composition of the board, further important safeguards of OBSI's independence are in place. Votes on key independence questions are not only decided by a majority of votes cast by all directors present at the meeting but also require a majority of the Community Directors present.

These key independence questions include such matters as the hiring and evaluation of the Ombudsman, the budget, and changes to OBSI's Terms of Reference.

Every search for new board members balances diversity, geography and the need for a variety of backgrounds and skills. Collectively, the directors have experience in governance, business, law, accounting, consumer and regulatory affairs, economics, community organizations, dispute resolution and public service.

Performance reviews of the board and Board Chair are conducted every two years.

Strict rules prohibit the board and individual directors from becoming 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.



Director Compensation

Community directors receive a \$10,000 honorarium per year, with the Chair of the Board receiving an additional \$4,000 annually and committee chairs receiving an additional \$4,000. Directors also receive \$1,800 for every day of meeting they attend (or \$750 if attending by teleconference). Any travel or preparation time is included in the above amounts and is not compensated further.

Industry-nominated directors do not receive any compensation from OBSI. In the beginning half of 2015, the Chair of the Board also acted as chair of the Governance and Human Resources Committee, but declined to accept the additional committee chair compensation for his work in that capacity. During the leadership transition in mid-2015, the Chair served as acting CEO and received additional compensation for this service. This work did not involve any Ombudsman responsibilities.

Board of Directors



Fernand Bélisle CHAIR

Mr. Bélisle brings to OBSI a wealth of experience in complex multi-stakeholder, highly regulated environments. He was a trustee of the Canadian Association of Broadcasters during their restructuring and is a consultant to several broadcast companies. Mr. Bélisle previously served as Vice-Chair, Broadcasting, at the Canadian Radio-Television and Telecommunications Commission (CRTC), following a series of senior executive posts at the organization, including Secretary General. He is a current Director of Corus Entertainment and RNC Media. Mr. Bélisle has also served on a number of other boards and is active in the community.



Adrian Burns, LL.D

Ms. Burns is the Chair of the National Arts Centre Board of Trustees, President of Western Ltd., a real estate corporation, and a member of the Executive Committee of the Board of Directors of Shaw Communications. She 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 the Carthy Foundation and the RCMP Heritage Centre. She has received the Queen's Diamond Jubilee Medal, the Saskatchewan Distinguished Service Award and the United Way Community Builder Award, has won several CanPro Gold Awards, and holds an Honourary Captain designation from the Royal Canadian Navy (HCapt. RCN).



Jim Emmerton, LL.B

Mr. Emmerton is a community director of OBSI and a member of the Finance and Audit Committee. He retired in June 2015 having served as the Executive Director of the British Columbia Law Institute (BCLI) and the Canadian Centre for Elder Law, from 2007.

He received an LL.B from the University of Western Ontario Law School in 1973 and was called to the bar of the Law Society of Upper Canada in 1975.

Prior to joining BCLI, Mr. Emmerton served in senior management positions with Canadian public companies, John Labatt and Methanex Corp., and as a mediator.

He is a Director and Treasurer of Family Councils of Ontario, a Director of Sources Foundation, and serves on Funding Review Committees for the National Energy Board (Canada). He is also a member of the National Seniors Council (Canada).



Angela Ferrante

Ms. Ferrante is a retired executive who served in senior executive roles with the Ontario Energy Board, BMO Financial Group, Ontario Power Generation and the C.D. Howe Institute. She has over 30 years of board governance experience, including as a board member of the Independent Electricity System Operator, the Social Sciences and Humanities Research Council, the Canadian Journalism Foundation, the Ontario Institute for Studies in Education, VIA Rail and the Canadian Foundation for Governance Research. Ms. Ferrante currently serves as Chair of the Toronto Central Local Health Integration Network.



Stephen R. Gaskin, MBA CBA NOMINEE

Mr. Gaskin is Senior Vice-President, Ontario Region, for Scotiabank, with accountability for acquiring, retaining and deepening customer relationships in Retail and Small Business Banking. Prior to that he held a number of executive roles over 30 years at Scotiabank in operations, fraud management, self-service (digital) banking, customer contact centers, and marketing, sales and service.



Ian Lightstone

Mr. Lightstone is currently a director of MJI Global and ArtsandTV.com company. He is a past member of the Board of Directors and past Chair of Bridgepoint Health Foundation, a member of the Board of Directors of Gore Mutual Insurance Company and a Fellow of both the Market Research Intelligence Association and the Dobson Centre for Entrepreneurial Studies. Previously, he was the founding principal of Thompson Lightstone Company, one of Canada's largest market research firms.



Louise Martel, FCPA, FCA

Mme Martel is director of the accounting studies department and director of the International Watch Centre for Financial Information at the École des Hautes Études commerciales de Montréal. She also acts as a coach in accounting/finance for senior corporate executives and participates in international projects. She is a member of the board and executive committee and president of the audit committee of Télé-Québec.



Kevin Regan, FCPA, FCA, CFP MFDA NOMINEE

Mr. Regan is the Executive Vice-President and Chief Financial Officer of IGM Financial Inc. and is responsible for all financial functions of IGM Financial Inc. and its subsidiaries, Investors Group, Mackenzie Investments and Investment Planning Counsel Inc. Kevin joined Investors Group in 1986 and has held numerous positions in the finance and distribution areas of the company.

Mr. Regan has a Bachelor of Commerce (Honours) degree from the University of Manitoba and he is a Fellow Chartered Professional Accountant, Fellow Chartered Accountant, and Certified Financial Planner. He is currently on the Board of Directors of the MFDA Investor Protection Corporation and CPA Manitoba, and he is the Finance Chair on the Board of the 2017 Canada Summer Games Host Society.



Janis Riven, LL.B, BCL, MBA

Ms. Riven, based in Montreal, has an established consulting practice on governance and compliance matters with clients encompassing publicly listed and closely held companies, as well as various types of not-for-profits, and is currently Adjunct Professor at the John Molson School of Business, Concordia University, where she teaches Corporate Governance. She is a well-known speaker in Canada and abroad at conferences on corporate governance, and has acted as a facilitator for boards and board committees of a number of different organizations seeking to improve their governance effectiveness. Ms. Riven has extensive board experience and currently is a member of the board of the Facility Association and the McGill University Health Centre.



Scott Stennett IIROC NOMINEE

Mr. Stennett is the Chief Operating Officer and a Director for Richardson GMP Limited. He is a member of the firm's Executive Committee and New Product Review Committee, and is chair of the Joint Operating Committee that aligns shared infrastructure support across Richardson GMP and the capital markets, trading and investment banking lines of GMP Securities L.P. He is responsible for operational service levels and adherence to regulatory and legislative requirements. His responsibilities extend to the enterprise technology suite and risk management. Mr. Stennett has more than 20 years of experience in the financial services industry and has acquired his Partners, Directors and Senior Officers certificate from the Canadian Securities Institute. In addition to his engagement with the OBSI, he currently serves on the Investment Industry Association of Canada Private Client Committee.

Director Attendance

There were four regularly scheduled meetings of the board in fiscal 2015.

Board of Directors	12/02/2014	02/24/2015	05/26/2015	09/29/2015
Fernand Bélisle, Chair of the Board	●	●	●	●
Adrian Burns	●	●	●	●
Jim Emmerton	●	●	●	●
Angela Ferrante	●	●	●	●
Stephen Gaskin	N/A	N/A	●	●
Ian Lightstone	●	●	●	●
Louise Martel	●	●	●	○
Kevin Regan	●	●	●	●
Janis Riven	●	●	●	●
Scott Stennett	N/A	N/A	●	●
Craig Hayman	●	●	N/A	N/A
Lynne Kilpatrick	●	●	N/A	N/A

● Present

○ Absent

N/A Not Applicable



Board Committees

The OBSI Board of Directors has three standing committees:

GOVERNANCE AND HUMAN RESOURCES

The Governance and Human Resources Committee assists the board on matters of corporate governance and relations with OBSI's stakeholders, including government. The committee also fulfills an oversight role relating to human resources policies and compensation matters.

	12/02/2014	02/24/2015	05/26/2015	09/29/2015
Ian Lightstone, Chair*	●	●	●	●
Fernand Bélisle	●	●	N/A	N/A
Adrian Burns	●	●	●	●
Angela Ferrante	●	●	●	●
Scott Stennett	N/A	N/A	●	●
Janis Riven	●	●	●	●
Kevin Regan	●	●	N/A	N/A

● Present N/A Not Applicable

* Mr. Lightstone was appointed as Committee Chair on May 26, 2015, replacing Mr. Bélisle who was the committee's previous chair.



FINANCE AND AUDIT

The Finance and Audit Committee provides oversight of financial reporting and control activities for the board. The Committee also oversees OBSI's defined contribution pension plan, receives the report of the external auditor, and ensures OBSI's compliance with its legal, regulatory, and contractual obligations.

	12/02/2014	02/24/2015	05/26/2015	09/16/2015
Louise Martel, Chair	●	●	●	●
Jim Emmerton	●	●	●	●
Stephen Gaskin	N/A	N/A	●	●
Kevin Regan	N/A	N/A	●	●
Craig Hayman	●	●	N/A	N/A
Lynne Kilpatrick	●	●	N/A	N/A

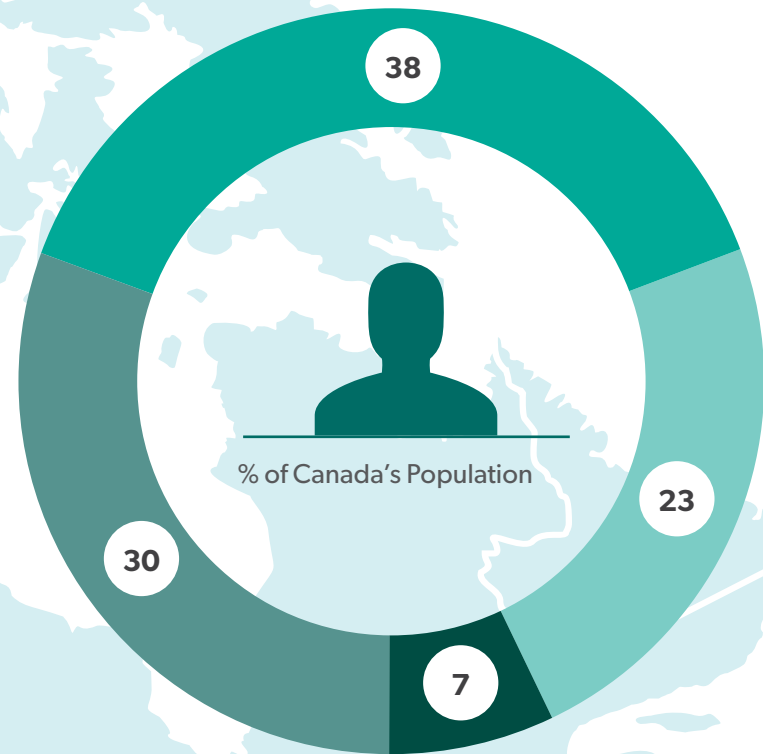
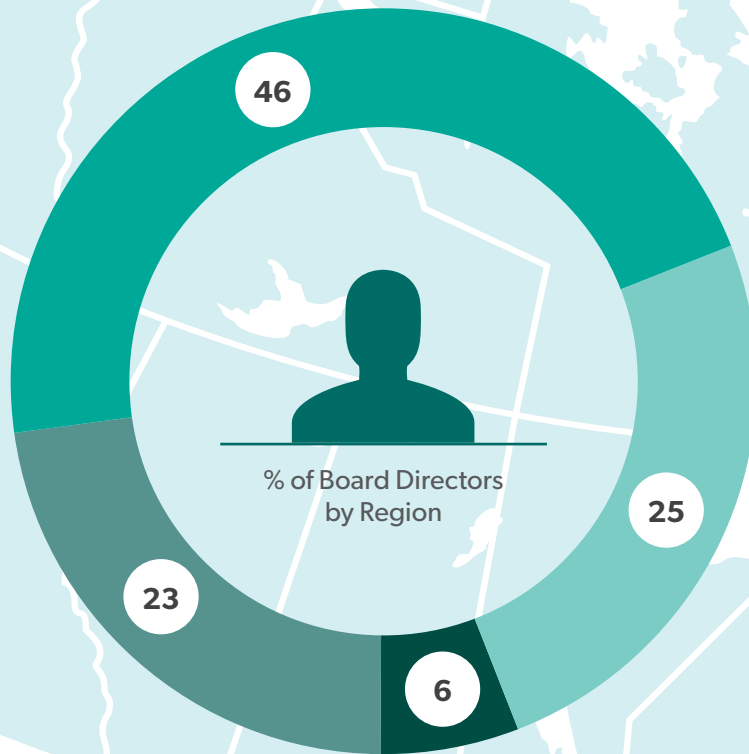
● Present N/A Not Applicable

STANDARDS

The Standards Committee is responsible for overseeing OBSI's quality and performance standards and making recommendations to the board of Directors regarding the organization's performance against regulatory requirements and expectations.

As in previous years, the board was of the view that, given the importance of the operational issues the organization was tackling, the full Board of Directors should participate in each of those discussions. As a result, the board's Standards Committee did not meet separately in 2015.

Board Geography



- West
- Ontario
- Québec
- Atlantic

Some percentages may not add up to 100% due to rounding.

Financial Highlights

operating reserve

70%+
FUNDED



10%
reduction in expenses

Financial Highlights

Year Ended October 31	2016 Budgeted	2015 Audited	2014 Audited
Revenue			
Participating Firm Fees (Banking Services, IIROC, MFDA)	\$ 8,344,087	\$ 8,380,993	\$ 8,167,962
Participating Firm Fees (CSA Registrants)	\$ 1,198,420	\$ 1,118,736	\$ 164,579
Interest		\$ 48,653	\$ 28,603
Total	\$ 9,542,507	\$ 9,548,382	\$ 8,361,144
Expenses			
Personnel	\$ 6,765,607	\$ 5,873,981	\$ 6,604,941
Director Fees and Expenses	\$ 370,450	\$ 390,574	\$ 279,422
Rent and Operating Costs	\$ 350,000	\$ 317,046	\$ 304,710
Marketing and Membership	\$ 153,400	\$ 136,833	\$ 154,159
Supplies, Services and Travel	\$ 122,500	\$ 110,318	\$ 121,967
Telephone	\$ 80,000	\$ 67,911	\$ 69,097
Information Technology and Support	\$ 219,000	\$ 194,941	\$ 138,223
Corporate Administrative	\$ 149,000	\$ 139,241	\$ 117,048
Legal	\$ 116,500	\$ 70,279	\$ 156,186
Insurance	\$ 13,500	\$ 13,419	\$ 12,847
Audit	\$ 32,550	\$ 36,160	\$ 33,900
Process Efficiency and Innovation	\$ 15,000	\$ 452	\$ 32,571
Consultants	\$ 25,000	\$ 4,441	\$ 93,215
Special Projects (Independent Evaluation)	\$ 125,000	\$ -	\$ -
Other	\$ 21,000	\$ 15,633	\$ 3,465
Amortization	\$ 194,000	\$ 97,523	\$ 93,408
	\$ 8,752,507	\$ 7,468,752	\$ 8,215,159
Excess of Revenue over Expenses	\$ 790,000	\$ 2,079,630	\$ 145,985
Funding Adjustments			
Contribution to Operating Reserve	\$ 700,000	\$ 1,754,434	\$ 225,555
Acquisition of Capital Assets	\$ 284,000	\$ 422,719	\$ 13,838

No Cross-Subsidization

In determining our membership fees, we build on the principle that no sector or registrant category should subsidize another. Banks do not subsidize the investment sector and vice versa. Within the investment sector, IIROC member firms, MFDA member firms and non-IIROC or MFDA registrants each pay for the costs associated with resolving their group's complaints only. We engage our auditor to verify compliance with this "no cross-subsidization" policy.

Senior management, administration and overhead costs are divided proportionally across the sectors according to their share of complaints.

Operating Reserve

The financial crisis resulted in a significant increase in investment complaints. In the fall of 2013, OBSI's board committed to eliminating the remaining backlog of investment files in 18 months, by May 1, 2015. The board also committed not to raise participating firm fees in order to achieve this, instead using a combination of process changes aimed at making OBSI more efficient, cost savings from within the existing budget and drawing on part of OBSI's accumulated reserve fund. The backlog was eliminated on schedule in April, 2015. In order to prepare for future contingencies, the board has authorized the reserve fund be replenished by a minimum of \$300,000 annually until the fund is approximately equal to six months of expenses.

The 2015 budget included a \$700,000 contribution to the operating reserve.

OBSI's actual expenses in 2015 were lower than budgeted due to staff reductions following the backlog clearance, temporary staff vacancies, delay in the development of our new case management system, and various cost containment strategies. As a result, we were able to contribute \$1,754,434 to our reserve fund, putting us ahead of schedule in the replenishment of our reserve, a goal we now hope to achieve in 2016.

Case Statistics

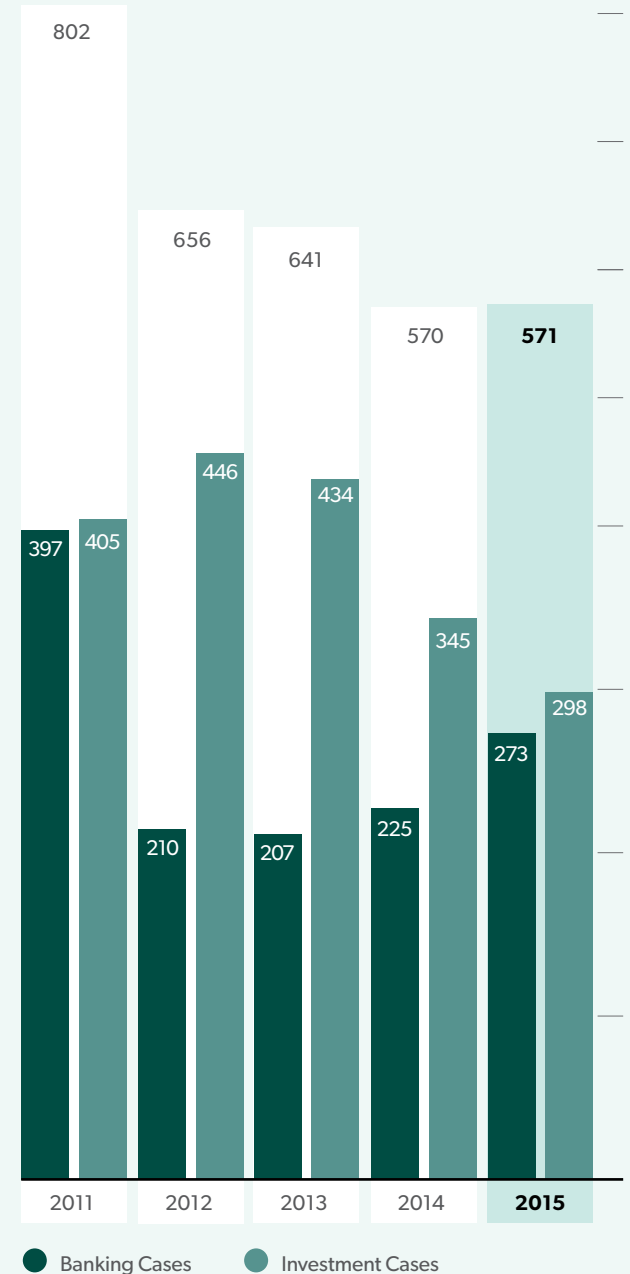
\$4,264,201

compensation to the consumer in 2014

\$4,659,194

compensation to the consumer in 2015

Opened Case Files



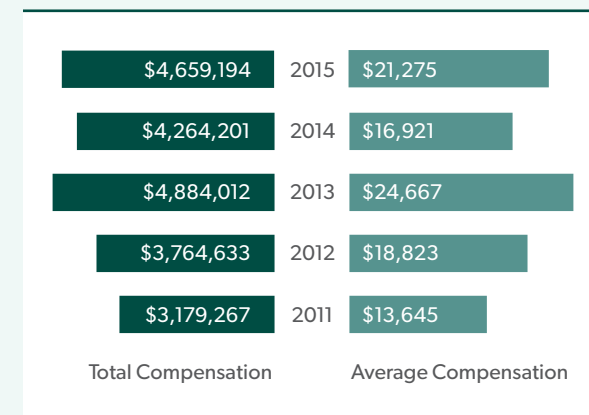
Compensation and Inquiries

Compensation

	Total	Average	Median	Lowest	Highest	# of Case Files
Banking	\$ 300,447	\$ 5,669	\$ 1,000	\$ 45	\$ 86,173	53
Investments	\$ 4,358,747	\$ 26,258	\$ 11,836	\$ 20	\$ 425,629	166
ALL	\$ 4,659,194	\$ 21,275	\$ 7,236	\$ 20	\$ 425,629	219

In 2015, 219 cases ended with a monetary compensation to the consumer, worth a total of \$4,659,194. This represents 35% of all closed case files. Twenty-two percent of banking complaints (53 of 245) and 43% of investment complaints (166 of 384) ended with monetary compensation. In addition, two banking complaints ended in some form of non-monetary restitution. Six case files ended with firms refusing to compensate their clients, representing 0.95% of all closed files in the year.

Total and Average Compensation by Year (all cases)



Top 10 Inquiries (Banking and Investments)

Financial Group	# of Inquiries	% of Total
Scotia	706	14%
TD*	692	13%
RBC*	671	13%
BMO	458	9%
Capital One Bank	446	8%
CIBC	438	8%
National	357	7%
Amex Bank of Canada	124	2%
Laurentian	124	2%
JP Morgan Chase	123	2%

*In 2015, 370 out of 671 RBC inquiries (55%) and 204 out of 692 TD inquiries (29%) were about banking services. OBSI does not handle RBC and TD banking-related complaints – these consumers were directed to other avenues.

Channel for Contact

Channel	# of Inquiries	% of Inquiries
Email	1,643	31%
Fax	226	4%
Mail/Courier	310	6%
On-line	252	5%
Phone	2,853	54%
Walk-in	4	0%
Total	5,288	100%

Where Our Complaints Come From

All Complaints			Banking Complaints		Investment Complaints	
Jurisdiction	#	%	#	%	#	%
Ontario (ON)	281	49%	127	47%	154	52%
British Columbia (BC)	95	17%	34	12%	61	20%
Quebec (QC)	85	15%	63	23%	22	7%
Alberta (AB)	48	8%	25	9%	23	8%
Manitoba (MB)	16	3%	5	2%	11	4%
Nova Scotia (NS)	13	2%	6	2%	7	2%
Saskatchewan (SK)	9	2%	2	1%	7	2%
New Brunswick (NB)	8	1%	4	1%	4	1%
Newfoundland and Labrador (NL)	5	1%	1	0%	4	1%
Prince Edward Island (PE)	4	1%	1	0%	3	1%
Nunavut (NU)	0	0%	0	0%	0	0%
Northwest Territories (NT)	0	0%	0	0%	0	0%
Yukon Territory (YK)	0	0%	0	0%	0	0%
International	7	1%	5	2%	2	1%
Total	571	100%	273	100%	298	100%



YK

Banking 0
Investments 0

BC

Banking 34
Investments 61

NT

Banking 0
Investments 0

AB

Banking 25
Investments 23

NU

Banking 0
Investments 0

SK

Banking 2
Investments 7

MB

Banking 5
Investments 11

ON

Banking 127
Investments 154

QC

Banking 63
Investments 22

NB

Banking 4
Investments 4

PE

Banking 1
Investments 3

NS

Banking 6
Investments 7

NL

Banking 1
Investments 4

Time Frames

Banking

OBSI follows the federal government’s standards for the reporting of complaint resolution timeliness by External Complaint Bodies. These standards provide OBSI with 120 days to make a final written recommendation to the parties to a complaint after receiving the information that we require to investigate.

All Banking Cases

	Average number of days to close case file
Straightforward investigations	28.9
All investigations	53.2

All Banking Cases

Benchmark	Number of Banking Case Files	Percentage of Total
≤ 120 Days	245	100.0%
> 120 Days	0	0.0%

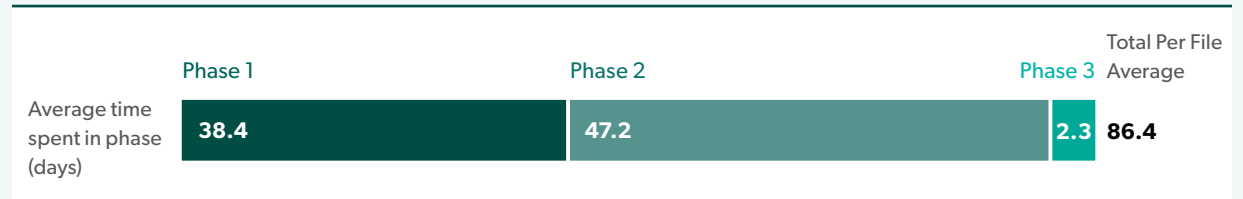
Investments

OBSI’s benchmarks for investment complaint timeliness are different than those required by the federal government for banking complaints.

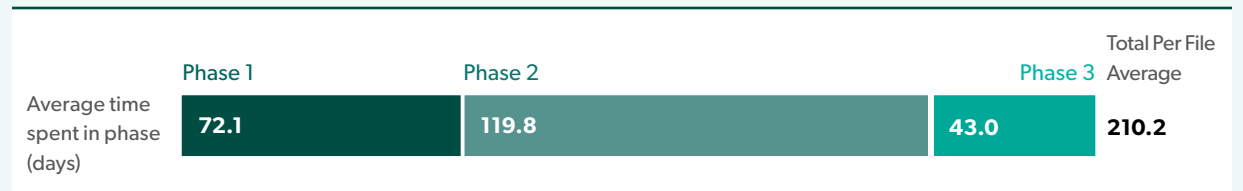
Compared to banking complaints, investment complaints are often more complex and time-consuming to investigate. Because of this, different standards are set for each sector.

Our standard for investments complaints is 80% in 180 days. In 2015, 84.6% of cases were closed in fewer than 180 days. Fifty-nine cases were over 180 days and 58 of these were related to the backlog of cases.

Straightforward Investigations



All Investigations (including Backlog Cases)



PHASE 1: INTAKE AND ASSESSMENT

- Time period measured from the opening of a complaint file through to assignment to an investigator.
- Begins with receipt of consent letter from the client. Includes the time spent waiting to receive the client file from the firm and the initial assessment of the file.

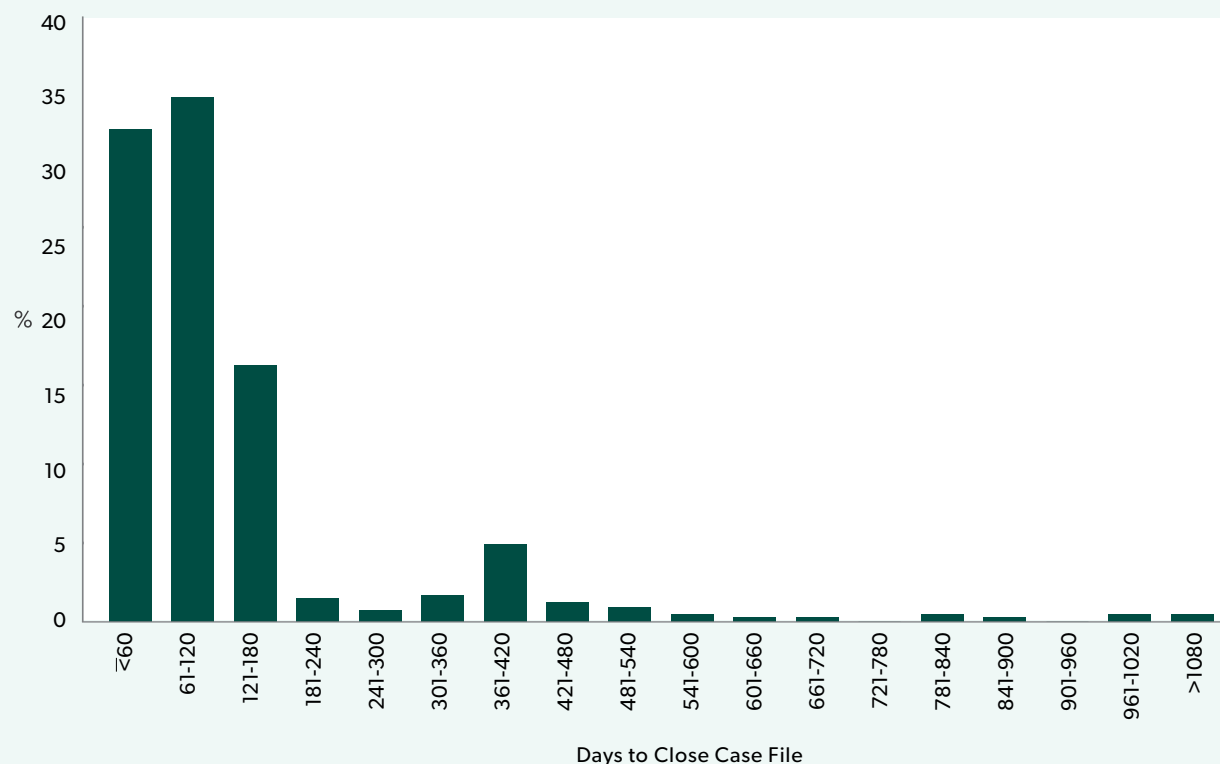
PHASE 2: OBSI INVESTIGATION

- Time period measured from the file being assigned to an investigator through to OBSI forming a view of the complaint’s merits, and either communicating our initial compensation recommendation to the firm or closing the file if no compensation is warranted.
- Includes both OBSI’s investigative process as well as factors outside of OBSI’s control, such as insufficient firm or client cooperation, failure to receive requested documents or information, and delays in clients or firm representatives making themselves available for interviews.

PHASE 3: FIRM/CLIENT DECISION-MAKING

- Covers only those complaint files where OBSI believes compensation is warranted. The majority of cases spend zero days in the phase and are not counted in time frame calculations.
- Time period measured from communication of our initial compensation recommendation to the firm through to closure of a case file, either with the firm compensating the client or officially refusing OBSI’s recommendation.
- Includes the firm’s decision-making process when deciding what action to take with regard to the complaint following OBSI’s conclusion that compensation is warranted. After the firm has agreed to compensation, in most cases the client accepts the settlement the same day, though OBSI’s process allows clients up to 30 days to decide.

Investment Cases¹ (including Backlog Cases)



All Investment Cases¹

Benchmark	Number of Investment Case Files	Percentage of Total
≤ 180 Days	325	84.6%
> 180 days	59	15.4%
Total	384	100%

¹ excludes delays

Products and Issues

Banking Products

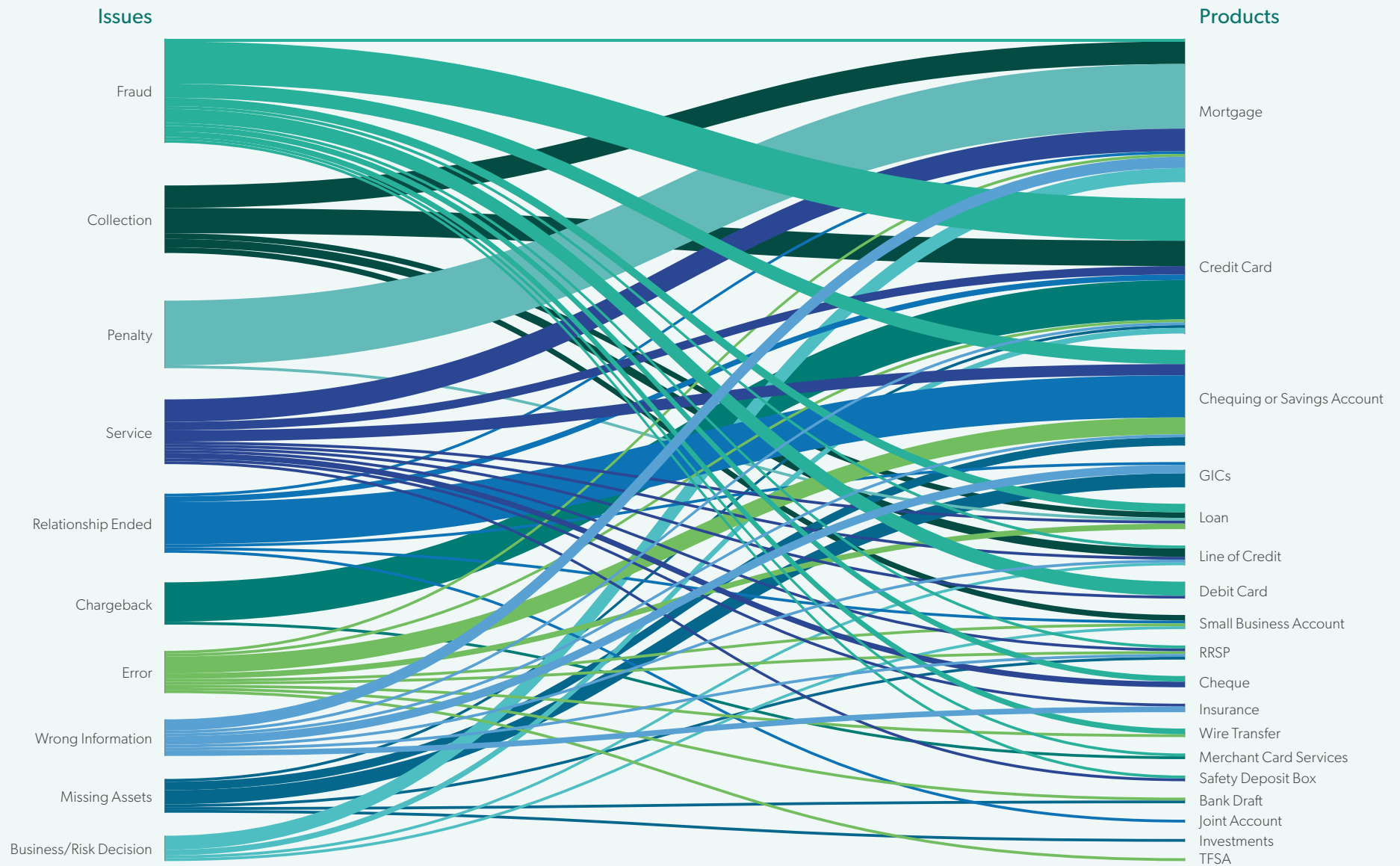
Product Type	Main Product	Secondary Product	Product Type	Main Product	Secondary Product
Credit Card	59	5	Merchant Card Services	2	0
Loan – Mortgage	59	1	Other	2	0
Transaction Account – Personal	42	3	Insurance – Credit Protection	1	0
Loan – Line of Credit	11	7	Insurance – Disability	1	0
Investment – GIC/Term Deposit	10	1	Investment – Brokerage Services	1	0
Transaction Account – Commercial	10	0	Investment – GIC: Index Linked	1	0
Debit Card	7	1	Investment – Tax-Free Saving Account (TFSA/CELI)	1	1
Loan – Car	6	0	Loan – Commercial	1	1
Cheque	5	2	Loan – Consolidation	1	0
Investment – RRSP	5	0	Loan – Home Equity Loan	1	1
Safety Deposit Box	4	0	Loan – Other	1	1
Transaction Account – Joint	4	0	Loan – Personal	1	1
Transfer – Wire/SWIFT	3	0	Loan – RRSP	1	0
Cheque – Bank Draft	2	0	Transaction Account – In Trust	1	0
Insurance – Life	2	0			

Banking Issues

Issue Type	Main Issue	Secondary Issue	Issue Type	Main Issue	Secondary Issue
Fraud	34	3	Product Modification	3	0
Collection	24	2	Daily Limit	2	0
Penalty	24	7	Forged Signature	2	0
Service	23	17	Transaction – Foreign Exchange	2	0
Relationship Ended	21	4	Transaction – Unauthorized	2	2
Chargeback	15	1	Bankruptcy	1	0
Information – Incomplete/Wrong/Misrepresentation	14	11	Cheque – Endorsement	1	0
Missing or Lost Funds/Assets	13	3	Claim Denied	1	1
Risk/Business Decision	9	7	Dementia/Mental Incapacity	1	0
Credit Report Rating	8	5	Interest Rate	1	4
Error – Bank	8	10	Overpayment Scheme	1	0
Fees	7	2	Power of Attorney	1	1
Portability	5	4	Rewards	1	1
Error – Client	4	0	Right of Survivorship	1	0
Hold on Funds	4	0	Statement/Passbook	1	0
Disclosure	3	8	Transaction – ABM	1	0
Error – Third Party	3	1	Transaction – Direct Deposit	1	0
Privacy	3	3			

Banking Complaint and Issue Product Linkages

Top 10 Issues



The thicker the line, the greater the number of complaints

Products and Issues

Investment Products

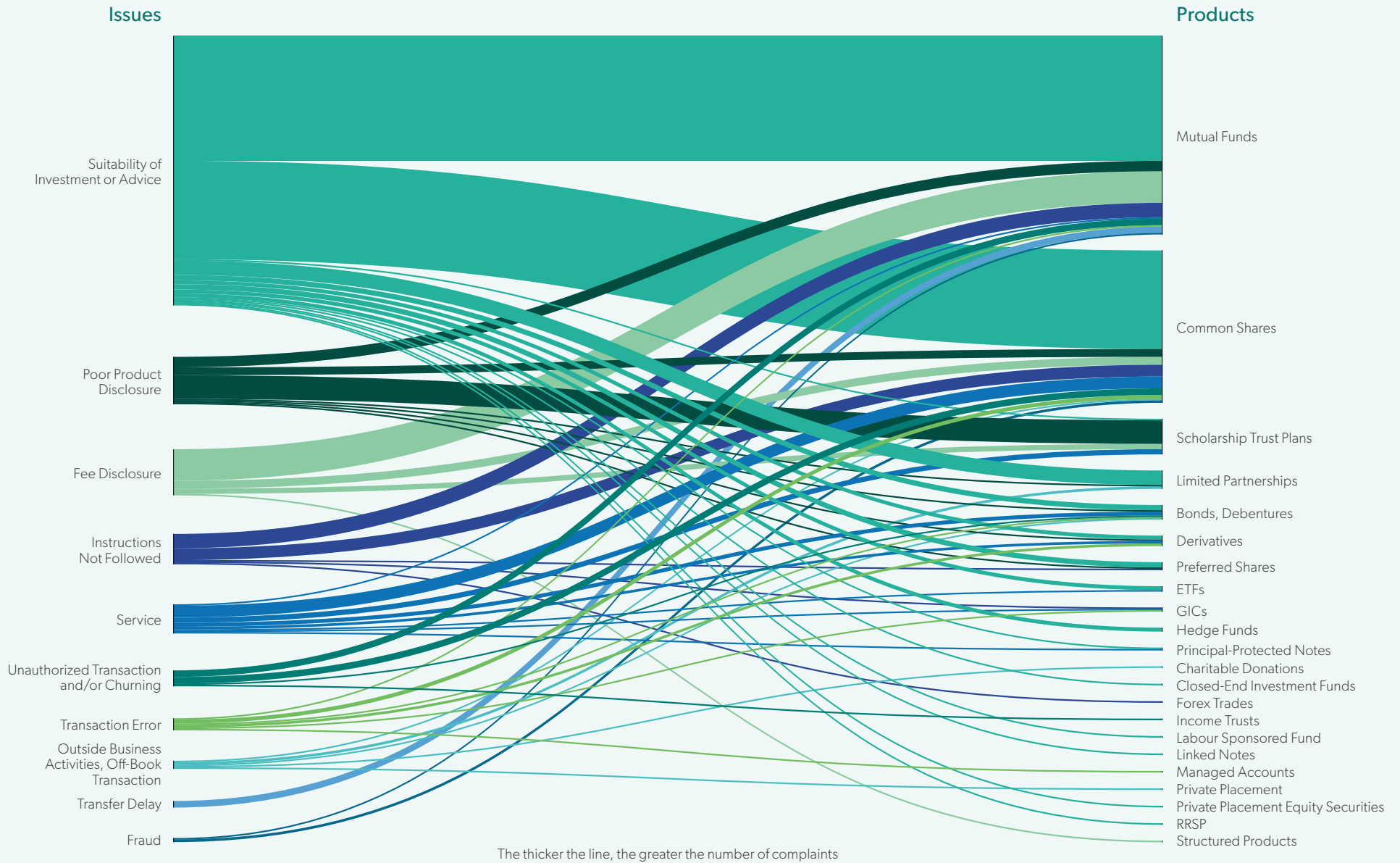
Product Type	Main Product	Secondary Product
Mutual Funds	152	18
Common Shares	117	17
Scholarship Trust Plans	29	0
Other	26	1
Limited Partnerships (Flow-Throughs)	14	5
Bonds, Debentures	11	9
Derivatives: Options, Futures, Warrants	9	2
Preferred Shares	6	3
Exchange-Traded Fund (ETF)	4	3
Guaranteed Investment Certificates (GICs)	3	2
Hedge Funds	3	2
Labour Sponsored Fund	3	4
Principal-Protected Notes (PPNs)	2	1
Closed-End Investment Funds	1	0
Income Trusts	1	4
Linked Notes	1	0
Private Placement Equity Securities	1	0
Return of Capital Structured Products	1	1

Investment Issues

Issue Type	Main Issue	Secondary Issue
Suitability	125	23
Suitability of Margin or Leverage	69	4
Fee Disclosure (DSC, LL, Management, Admin Fee)	37	32
Incomplete or Inaccurate Disclosure About a Product	36	10
Instructions Not Followed	23	7
Service Issue	22	7
Outside Business Activities, Off-Book Transaction	16	3
Unauthorized Transaction and/or Churning	12	23
Transaction Errors	9	1
Inappropriate Advice (eg. RRSP Contribution)	7	6
Other	7	1
Performance	6	8
Transfer Delay	5	3
Fraud (Theft/Forgery)	3	16
Margin Issues	3	2
Inappropriate Investment Strategy	2	6
Power of Attorney	2	0

Investment Complaint and Issue Product Linkages

Top 10 Issues



Opened Cases by Firm

Banking Services	Cases
Affinity Credit Union	1
Amex Bank of Canada	6
B2B Bank	2
Bank of Montreal	30
Bank of Nova Scotia (The)	98
Canadian Imperial Bank of Commerce	38
Canadian Tire Bank	3
Canadian Western Bank	2
Capital One Bank (Canada Branch)	10
Computershare Trust Company of Canada	1
Home Trust Company	1
HomEquity Bank	1
HSBC Bank Canada	20
JPMorgan Chase Bank, National Association	2
Laurentian Bank of Canada	8
Manulife Bank of Canada	2
National Bank of Canada	33
Peoples Trust Company	1
President's Choice Bank	1
Servus Credit Union Ltd.	2
Tangerine Bank	8
U.S. Bank National Association	2
Walmart Canada Bank	1
TOTAL	273

Investments–IIROC-Regulated	Cases	Cases	
BBS Securities Inc.	1	Interactive Brokers Canada Inc.	2
BMO Nesbitt Burns Inc.	11	Leede Financial Markets Inc.	3
BMO InvestorLine Inc.	4	Mackie Research Capital Corporation	9
Burgeonvest Bick Securities Limited	2	Manulife Securities Incorporated	3
Caldwell Securities Ltd.	1	MD Management Limited	1
Canaccord Genuity Corp.	6	National Bank Direct Brokerage Inc.	2
Chippingham Financial Group	1	National Bank Financial Inc.	5
CIBC World Markets Inc.	18	PI Financial Corp	3
CIBC Investor Services Inc.	1	Questrade, Inc.	3
Credential Securities Inc.	2	Raymond James Ltd.	8
Desjardins Securities Inc.	3	RBC Direct Investing	6
Edward Jones	6	RBC Dominion Securities Inc.	8
Friedberg Mercantile Group Ltd.	1	Richardson GMP Limited	7
Global Securities Corporation	1	Scotia Capital	23
Hampton Securities Limited	1	TD Securities Inc.	2
HSBC Securities (Canada) Inc.	1	TD Waterhouse Canada Inc.	8
Industrial Alliance Securities Inc.	1	TOTAL	154

A word of caution about comparing opened case numbers of various firms. Relatively high numbers are not always indicative of complaints with merit; sometimes, they are a result of positive actions by firms. Clear and frequent disclosure of OBSI's services is one example, as is encouragement for clients to come to us so that they have the benefit of an independent third-party confirming the firm treated them fairly.

Opened Cases by Firm Continued

Investments–MFDA-Regulated	Cases		Cases
Armstrong & Quaille Associates Inc.	1	LBC Financial Services	1
Assante Financial Management Ltd.	1	Manulife Securities Investment Services Inc.	3
BMO Investments Inc.	9	Monarch Wealth Corporation	2
Canfin Magellan Investments Inc.	1	PFSL Investments Canada Ltd.	5
Credential Asset Management Inc.	1	Portfolio Strategies Corporation	5
Equity Associates Inc.	1	Quadrus Investment Services Ltd.	1
Evangeline Securities Limited	1	Royal Mutual Funds Inc.	6
FundEX Investments Inc.	5	Scotia Securities Inc.	5
Global Maxfin Investments Inc.	2	Sentinel Financial Management Corp.	1
GP Wealth Management Corporation	1	Sterling Mutuals Inc.	1
HollisWealth Advisory Services Inc.	4	Sun Life Financial Investment Services (Canada) Inc.	3
HSBC Investment Funds (Canada) Inc.	1	TD Investment Services Inc.	1
Investia Financial Services Incorporated	10	Transamerica Securities Inc.	4
Investors Group Financial Services Inc.	14	WFG Securities Inc.	8
IPC Investment Corporation	3	Worldsource Financial Management Inc.	5
Keybase Financial Group Inc.	3	TOTAL	109

Investments–Portfolio Managers	Cases
Gold Investment Management Ltd.	1
GrowthWorks Capital Ltd.	1
Mackenzie Financial Corporation	1
MD Financial Management Inc.	1
Sterling Bridge Mortgage Corp.	1
Trapeze Asset Management Inc.	3
TOTAL	8

Investments–Exempt Market Dealers	Cases
Becksley Capital Inc.	1
TOTAL	1

Investments–Scholarship Plan Dealers	Cases
Children's Education Funds Inc.	9
C.S.T. Consultants Inc.	2
Global RESP Corporation	7
Heritage Education Funds Inc.	5
Knowledge First Financial Inc.	3
TOTAL	26

Notes

Ombudsman for Banking Services and Investments

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P.O. Box 5
Toronto, ON
M5H 2Y4

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Toll-free TTY: 1-855-TTY-OBSI (1-855-889-6274)
 Toll-free fax: 1-888-422-2865
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 www.obsi.ca



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