

DECEMBER 19, 2013 ISSUE

OBSI BOARD APPROVES NEW TERMS OF REFERENCE

OBSI's Board of Directors has approved changes to OBSI's Terms of Reference following an extensive [public consultation](#).

OBSI's Terms of Reference embody the dispute-resolution mandate that our organization performs for the banking and investment industries. They expand on the mandate contained in our Bylaw and Articles by describing the principal powers and duties of OBSI, the duties of participating firms, the scope of the mandate, and the process of OBSI for receiving, investigating and seeking resolution of financial services customer complaints.

On June 12, 2013 OBSI issued a proposal for a revised set of Terms of Reference for a 60-day public consultation. The consultation was another step in our governance reform process, initiated in 2011, that saw, among other things, a new corporate Bylaw adopted and significant renewal of the Board of Directors, including the appointment of a new Chair.

During the consultation period we received 28 submissions from stakeholders. OBSI's Board would like to thank all stakeholders who took the time and effort to provide feedback on the Terms of Reference proposals.

The Board's response to stakeholder feedback and copies of the Terms of Reference are linked to on this page below.

DOCUMENTS

- [Approved Amendments to OBSI's Terms of Reference and Board Response to Stakeholder Comments](#)
- [New Terms of Reference](#)
- [Blacklined copy of OBSI's new Terms of Reference comparing them to the previous version of the Terms of Reference](#)
- [Blacklined copy of OBSI's new Terms of Reference comparing them to the consultation version of the Terms of Reference](#)

CSA ANNOUNCES EXPANDED MANDATE FOR OBSI

The Canadian Securities Administrators (CSA) today published [amendments](#) to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103) and Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations that will require all registered dealers and advisers outside of Quebec to use OBSI as their provider of dispute-resolution services.

Currently, all members of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) are required to participate in OBSI through their self-regulatory organization's (SRO's) rules. In addition, many investment firms have participated in OBSI on a voluntary basis, including all members of the RESP Dealers Association of Canada (RESPDAC). With the amendments to NI 31-103 the CSA is expanding OBSI's membership to include all portfolio managers, exempt market dealers and scholarship plan dealers outside of Quebec whose clients are individuals.

All registered dealers will be required by the CSA to become participating firms of OBSI and to participate in our dispute-resolution process in a manner consistent with firms' obligations to deal fairly, honestly and in good faith with their clients. All registered dealers must also be members of OBSI in good standing by August 1, 2014, including having fully paid the required OBSI membership fees. OBSI is committed to working closely and collaboratively with all incoming participating firms, and their industry associations, to ensure the transition to mandatory membership in OBSI goes smoothly.

Under NI 31-103, OBSI's membership will more than double to almost 1600 firms in the financial industry, including:

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

Memorandum of Understanding with the CSA

In conjunction with the amendments to NI 31-103, OBSI has signed a [Memorandum of Understanding \(MOU\)](#) with the CSA that provides for securities regulatory oversight of OBSI as well as a framework for cooperation and communication. The oversight framework provides standards for OBSI to meet with respect to:

- governance
- independence and standard of fairness
- processes to perform functions on a timely and fair basis
- fees and costs
- resources
- accessibility
- systems and controls
- core methodologies for dispute resolution
- transparency in respect of material changes to OBSI's operations or services, including material changes to its terms of reference or by-laws
- information sharing with the CSA, including regarding issues that appear to affect multiple clients of one or more firms

A Joint Regulators Committee (JRC) is being established, which will include representatives of the CSA's designates (the Alberta, British Columbia, and Ontario Securities Commissions), IIROC and the MFDA. OBSI will meet with the JRC 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.

Fees

OBSI is committed to a fair, transparent and appropriate process for setting fees and allocating costs across our membership.

In determining membership fees, we build on the principle that no sector or registrant category should subsidize another. Each member only pays for the costs associated with resolving their membership category's complaints, along with their category's share of administration and overhead costs.

In consultation with the CSA, OBSI has established a fee model of \$165 per registered dealing or advising representative for a new membership category consisting of firms captured by the NI 31-103 amendments. The existing fee models for SRO members will remain in place.

Transition

The NI 31-103 amendments provide for a transition period of three months after the amendments come into effect. If they come into effect as anticipated on May 1, 2014 the transition period will end on August 1, 2014. All registered dealers must be members of OBSI in good standing by August 1, 2014, including having fully paid the required OBSI membership fees.

Membership Kit

OBSI has developed a membership kit for new participating firms that includes:

- An [overview](#) of OBSI
- Our Terms of Reference and [Corporate Bylaw](#)
- A [guide](#) to establishing and communicating a complaints-handling process
- [Frequently Asked Questions](#)

Firms are also required to complete the [company information form](#) and return it to OBSI.

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OBSI is Canada's national independent dispute resolution service for consumers and small businesses with a complaint they can't resolve with their banking services or investment firm. As a free alternative to the legal system, we work informally and confidentially to find fair outcomes to disputes about banking and investment products and services.

OBSI looks into complaints about most banking and investment matters including: mutual funds; bonds and GICs; stocks, exchange traded funds, income trusts and other securities; investment advice; unauthorized trading; fraud; debit and credit cards; mortgages; loans and credit; 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.

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