

Response to External Review Recommendations

Approved by the OBSI Board of Directors
December 6, 2016

In accordance with the Memorandum of Understanding concerning oversight of the Ombudsman for Banking Services and Investments (MOU) between the Canadian Securities Administrators (CSA) and the Ombudsman for Banking Services and Investments (OBSI), OBSI is required to submit itself to an independent evaluation of its operations and practices for investment-related complaints every five years.

Deborah Battell, formerly the New Zealand Banking Ombudsman, the Director of Fair Trading and Competition Enforcement at the New Zealand Commerce Commission, and a Senior Consultant at KPMG, was appointed by the OBSI board to conduct the 2016 independent evaluation. The evaluation took place in early 2016 and was published on the OBSI website and through a press release on June 6th.

The purpose of the evaluation was to determine whether OBSI is fulfilling its obligations as outlined in the MOU and whether any operational, budget and/or procedural changes in OBSI would be desirable in order to improve OBSI's effectiveness in fulfilling its MOU obligations.

The report set out 19 recommendations for OBSI, many with sub-recommendations, in 5 general categories. Below, we set out OBSI's position in respect of the major recommendations in each category.

Strategic Recommendations

One of the fundamental recommendations of the external reviewer was that OBSI should adopt a strategic approach to ombudsmanship, and OBSI agrees with this recommendation. We believe that the public purpose of our organization as well as our value to all our stakeholders will be enhanced through increased knowledge sharing, and we have received strong support from stakeholders for such initiatives. This strategic approach is reflected in the initiatives set out in OBSI's 2017-2021 strategic plan.

Another fundamental recommendation of the external reviewer was that OBSI be enabled to secure redress for customers, preferably by empowering OBSI to make awards that are binding on the firm. OBSI supports this recommendation, which is consistent with the recommendations of previous external reviews and with our organization's public position for many years. However, OBSI does not have the power to unilaterally determine its powers.



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Determining an appropriate mechanism by which OBSI's ability to secure redress for consumers could be increased is a matter we intend to discuss with securities regulators and stakeholders in the months to come, with a view to finding a solution that meets the needs of consumers, regulators and participating firms.

We also agree with a number of the review's recommendations regarding increasing our organizational transparency through increased publication of policy documents, guides, and case studies.

Governance Recommendations

The external reviewer has recommended that one of the director positions on OBSI's board be reserved for a consumer/investor advocate. We disagree with this recommendation. OBSI's board currently consists of 6 community directors, 3 industry directors, and an independent chair. This governance structure was established following an extensive public consultation and governance review in 2012. In our view, the interests of consumers and the Canadian public in general are well represented by our community directors and independent chair. We also note that two of our current community directors have extensive and specific consumer advocacy experience and have previously served on our Consumer Investor Advisory Council.

The external review also recommended that our board pursue a more formal engagement with our Consumer Investor Advisory Council, and we agree with this recommendation. In the coming months we will be reviewing and implementing new terms of reference for the CIAC and seeking greater opportunities for engagement with this important OBSI resource.

Compensation Limits

The external reviewer recommended that we review our current compensation limit of \$350,000 per complaint with a view to increasing it. We disagree with this recommendation. It is our view that our current compensation limit is appropriate for our current mandate, and allows us to assist the overwhelming majority of consumers who approach us for assistance.

Operational Recommendations

We generally agree with the reviewer's recommendations regarding enhanced transparency regarding our experience, our methodologies and our progress towards our strategic planning. We look forward to implementing these greater transparency measures in the months and years to come.

The reviewer has also recommended that we begin gathering information that will be relevant to understanding the impact of any potential change to our limitation period before any change



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to that period is contemplated. We intend to begin gathering this information with a view to potentially revisiting our limitation period in the future.

We also agree with a number of the reviewer's recommendations regarding improvements to our operational and case management practices. We will be implementing programs and pilot projects in the coming months intended to streamline case handling, particularly for low-complexity matters, and to decrease our delay experience.

The reviewer also recommended that OBSI should implement an early advice service for participating firms and we agree with this recommendation. We plan to implement a pilot project to test such an initiative in 2017.

Value-added and Awareness Recommendations

The reviewer made a number of suggestions relating to measures OBSI should take to increase the transfer of information among staff and between OSBI staff and participating firms. We generally agree with these recommendations and many of them are reflected in our 2017-2021 strategic plan. We will also be acting on recommendations from the external review regarding improvements to our demographics data collection and our firm and consumer satisfaction surveys.