

NOVEMBER 15, 2012 ISSUE

OBSI UPDATE – NOVEMBER 15, 2012

This note is one in a series of newsletters updating you on what's happening at the Ombudsman for Banking Services and Investments (OBSI).

In this issue:

1. CSA Proposes Expanded Mandate for OBSI
 2. More Reaction to Octagon's Refusal to Compensate
 3. Holiday Reception
-

CSA Proposes Expanded Mandate for OBSI

The Canadian Securities Administrators (CSA) today published for a 90-day comment period [proposed amendments](#) to National Instrument 31-103 and to Companion Policy 31-103CP. The proposed amendments would 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 the self-regulatory organizations' rules. In addition, many investment firms participate in OBSI on a voluntary basis, including all members of the RESP Dealers Association of Canada (RESPDAC). The CSA proposal would expand OBSI's membership to include all portfolio managers, exempt market dealers and scholarship plan dealers.

Over 600 firms already participate in OBSI. If adopted, the CSA's proposal would almost double the number of firms participating in OBSI to well over 1000.

In their notice, the CSA explains the rationale for the proposed amendments. The CSA's goal in making this proposal is to ensure the independence of dispute resolution services and consistency in expectations and outcomes. The listed reasons for mandating OBSI as the common dispute resolution service include:

- No perception that competition for business from registered firms might influence the recommendations of for-profit dispute resolution service providers
- Complaints handled to a uniform standard
- Reduced investor confusion

Consistent with OBSI's existing policy, complaints will be limited to those that are raised with the firm within six years of the date when the client knew or reasonably ought to have known there was a problem. The maximum compensation that OBSI would be able to recommend under NI 31-103 remains \$350,000.

We are gratified by the confidence in OBSI demonstrated by the CSA in proposing these amendments. As always, we will work closely with all of our stakeholders and regulatory partners to ensure OBSI continues to meet the high standards set for us.

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. Over 99.8% of the thousands of complaints brought to OBSI since the organization's inception in 1996 have been successfully resolved.

OBSI looks into complaints about most banking and investment matters including: debit and credit cards; mortgages; stocks, mutual funds, income trusts, bonds and GICs; loans and credit; fraud; investment advice; unauthorized trading; fees and rates; transaction errors; misrepresentation; and accounts sent to collections. Where a complaint has merit, OBSI may recommend compensation up to a maximum of \$350,000.

More Reaction to Octagon's Refusal to Compensate

Last Friday, OBSI [announced](#) the refusal of Octagon Capital Corporation ('Octagon') to compensate one of its customers in the amount of \$181,339 as recommended by OBSI. This was only the second refusal to compensate ever received by OBSI from an investment firm.

We have [already reported](#) on some of the significant negative media coverage received by Octagon following the announcement. Since then, *The Globe and Mail* ran a powerful [column](#) that takes another look at the issue. FAIR Canada [called](#) on financial stakeholders (including consumers) to "cold shoulder" firms that are named and shamed, including Octagon, meaning that they decline to do business with them. The *Financial Post* [picked up](#) on FAIR's statement, [as did](#) *Investment Executive*.

Holiday Reception

We are pleased to invite all stakeholders, partners and participating firms to a reception with OBSI's Board of Directors and staff in Toronto on Tuesday, December 4th. Please contact Christina Vivani at cvivani@obsi.ca or 416-287-2877 ext. 2276 to RSVP.



OMBUDSMAN

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

Fernand Bélisle & **Douglas Melville**
Chair of the Board of Directors **Ombudsman and CEO**

are pleased to invite you to a stakeholder reception following the
December meeting of the Board of Directors of OBSI

Date: Tuesday, December 4th, 2012

Time: 5pm-7pm

Location: Fasken Martineau
333 Bay Street, 24th Floor
Toronto

Please RSVP to Christina Vivani at cvivani@obsi.ca or 416-287-2877 ext. 2276