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

2014 Annual Report

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communication
of complex
information



Rendering
data accessible,
understandable,
and usable



Making
art out of
science



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Message from the Chair

This was OBSI's nineteenth year in operation and it has been a pivotal one. We have evolved steadily since our start as an industry-created body two decades ago, and this year we took a significant step forward. By amending National Instrument 31-103, the Canadian Securities Administrators formalized and greatly expanded OBSI's mandate as Canada's alternative dispute-resolution solution for investment complaints. As a result of this change, almost 1,000 new participating firms have joined OBSI from the exempt market dealer, portfolio management and scholarship plan dealer communities. We appreciate this vote of confidence in OBSI's Board of Directors and management.

Throughout the year, while preparing for this expansion in our role, OBSI focused on returning to being a timely and efficient operation after several years of struggle against staggering investor complaint volumes.

In 2014 OBSI also completed its application to the Minister of Finance for approval as an External Complaint Body under *Bank Act* regulations. We look forward to receiving approval from the Minister in due course, which will formalize OBSI's mandate for dispute-resolution for those banks that have continued each year as participating firms.

A priority for OBSI remains undertaking regular outreach to ensure that the needs of OBSI's diverse stakeholder groups are effectively and appropriately balanced by the Board and management. The Board meets regularly with industry representatives, OBSI's Consumer and Investor Advisory Council and financial regulators, including the new Joint Regulators Committee (JRC). Established this past year, the JRC provides oversight of OBSI on behalf of the Canadian Securities Administrators, and offers a forum for OBSI to raise important complaint-handling issues. The JRC and the Board have held their inaugural annual meeting, and OBSI management meets

regularly with both the JRC and other staff from the participating regulatory organizations.

Discussions with all stakeholders will undoubtedly continue as we collectively address some of the key issues currently impacting investment sector dispute resolution. The announcements of compensation refusals, required under our Terms of Reference established by industry and regulators years ago, have clearly demonstrated the rigour of OBSI's assessments and have also shone a light upon the types of complaints and fact situations staff encounter. While the overwhelming majority of complaints continue to be successfully resolved, the compensation refusals have also highlighted a weakness in the dispute-resolution system, as investors have been left without the compensation that was warranted given the particular facts and circumstances.

While the refusals are what OBSI is mandated to make public, we also note that the settlement of investor complaints for amounts well below OBSI's recommendations has been raising concerns as well. Consumers and investors should not feel coerced to accept reduced offers rather than face the possibility of a firm refusal of OBSI's recommendation, resulting in no compensation at all. Addressing both refusals of recommendations and "low-ball" settlements will be key priorities for the Board in 2015.

Throughout this Annual Report you will read about the many important initiatives and developments that took place during the year, and I hope you find it an interesting read. On behalf of the Board of Directors, I wish to thank all of our stakeholders for their continued support of OBSI as an effective alternative means of resolving financial sector disputes. To our management and staff, our thanks for a great year that truly demonstrated that OBSI is able to provide timely, well-reasoned and fair recommendations to resolve complaints. The hard work that you do day in and day out makes a real difference. Know that your efforts in often challenging circumstances are recognized and appreciated.

It has been a long and difficult journey for OBSI in the wake of the massive wave of complaints that arose out of the global financial crisis. OBSI is stronger for having gone through it successfully, and is clearly ready to tackle the challenges that will come from this continued evolution and expansion of our mandate.



Fernand Bélisle

Chair, Board of Directors



Message from the Ombudsman

When you're focused on tackling the day-to-day volume of work that flows across your desk and through an organization, it can be difficult to find time to reflect on the bigger picture. Sometimes it's useful to step back and take stock of where you are, and where you've come from. This coming year will allow all of us at OBSI to do just that. There is a pride that comes from knowing we have passed through a difficult period and emerged stronger and better equipped to effectively perform a public-interest mandate that we all view as needed and impactful. Our results of this past year were remarkable and the entire team at OBSI should be justly proud of what has been achieved.

After years of struggle against case volumes that exceeded our capacity and challenges in reaching resolution with a small number of industry firms that disagreed with our conclusions, we have finally broken through and have returned to a sustainable operating position. Where we came from was not an easy place. In 2008-2009 the global economic and market downturn resulted in an explosion in financial consumer complaint volumes.

Even after the tsunami of complaints stemming from the financial crisis passed, complaint volumes

remained above historic norms for some time afterward, and the resulting backlog of case files awaiting review has been a longstanding challenge to resolve. The growth in complaint volumes and the magnitude of losses claimed by some investors also hardened firms' positions, made resolution of disputes more difficult and prompted some firms to seek alternatives to OBSI. This combination resulted in several years of challenging operating conditions for our organization and made it difficult to maintain the timeliness standards that complainants and firms deserved. No longer. This year our timeliness

performance for new case files met or exceeded all targets and the backlog of older investment complaints is virtually eliminated.

So what has changed? No single factor can be readily identified as the key to restoring stability to our mandate. A few key contributors do warrant mention, however.

The announcements of refused recommendations that began in late 2012 was a major contributor. It had the effect of demonstrating to participating firms that we were prepared to go public with compensation refusals, as required by our mandate. It also freed up OBSI staff from the unproductive iterative process of seeking resolution with firms that were not willing to compensate their customers where the facts of the case warranted it. Staff can now focus on their task of conducting thorough investigations of complaints and reaching reasoned conclusions that are fair to the parties. It is now purely up to the firm to decide whether they will follow the recommendation. Most have embraced this clarity and more than 99% of OBSI cases continue to be successfully resolved.

OBSI's focus on continuous process improvement discussed in this report has helped us hone in on the key process steps and streamline them. This increases consistency across the hundreds of case files we handle each year, and helps us allocate our limited resources more effectively. Our staff embraced new ways of doing their jobs to increase our capacity while maintaining the quality of our work.

The strong and visible support of the regulators and their engagement in complaint handling has made it clear that they expect the industry and OBSI to make dispute-resolution work for the benefit of financial consumers. Our working relationship with the vast majority of participating firms reflects this collaborative spirit.

Finally, a period of stable markets brought complaint levels back to historic norms.

All of these factors contributed to the improved position we are in today and position us very well for the future.

The recent expansion of our mandate and tremendous increase in the number of participating firms during 2014 is indicative of the continuing

growth and maturity of OBSI. The number of OBSI participating firms nearly tripled in 2014, and we extend a warm welcome to all of the nearly 1,000 firms that have joined OBSI this year.

It's not just the investment side of the mandate that has evolved. OBSI's bank membership has gone up by more than 22% in the last two years, evidence that the overwhelming majority of Canada's banks continues to see OBSI as a trusted, impartial, efficient and knowledgeable provider of dispute resolution for them and their customers.

We are proud to perform our important mandate and we will continue to innovate and serve the dispute-resolution needs of consumers and financial services firms effectively and efficiently in a complex and fluid environment. We look forward with confidence to meeting the inevitable challenges that regulatory change and market turns will bring.

Looking at the big picture, lately it seems that there is a reawakening among certain industry stakeholders as to the value OBSI provides as a trusted alternative dispute-resolution service, beyond the resolution of individual complaints.

For the many new firms that joined OBSI this year, allow me to offer a brief review.

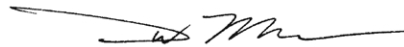
We are a customer-service offering, for firms benefit when their clients have trust and faith that any unresolved issue will get a fair hearing. Bank customers and retail investors are well known as among the most "sticky" of clients: once they are with a firm, they tend to remain there for a long time, and concentrate much of their financial activity with that firm. It makes much more sense for firms to offer a trusted dispute-resolution service such as OBSI that can either resolve an issue or provide a "no" that customers can accept, rather than lose that customer because of perceived poor treatment or the lack of an impartial third-party review.

We are also an alternative to resolving matters in court, an expensive proposition for all parties and one that is simply not affordable for many Canadians. There is also an advantage in having a specialized body with expert knowledge on the subject matter involved in a dispute's resolution. OBSI's talented and skilled staff bring many years of industry experience and financial sector dispute resolution to the table.

We are a rich source of information on all sorts of financial issues, and strive to make this data accessible and understandable. This allows regulators, the financial industry and others to identify important trends and themes, thus contributing to important public-policy debates. Seniors issues, and elder financial abuse issues in particular, have been one area where government and regulatory officials have looked to OBSI to provide expert opinion because of the unique insights we can provide.

OBSI's work is never dull and always rewarding. Sunrise to sunset, every day brings new challenges and new opportunities. I wish to thank OBSI's Board of Directors for their leadership and steadfast support in providing the direction and resources necessary to overcome the complaint volume challenges faced in recent years. To our industry partners—where most financial consumer complaints are successfully resolved—we would like to convey our appreciation for working with us to obtain fair outcomes for your clients. To those who bring the consumer and investor perspective to the discussion, including OBSI's Consumer and Investor Advisory Council, we thank you for your

engagement and for making us better. Finally, to our OBSI team, I wish to recognize your tremendous performance this year and thank you for enduring and overcoming the challenges of recent years. Thank you for your efforts to place yourselves in the middle of often challenging disputes and bring your judgment and integrity to your daily role of determining what would be fair and reasonable in each case. A difficult task, done with distinction and compassion. Congratulations.



Douglas Melville

Ombudsman and Chief Executive Officer

Dispute Resolution



Who We Are

The Ombudsman for Banking Services and Investments, or OBSI, is Canada's national independent dispute resolution service for consumers and small businesses with a complaint they can't resolve with their financial services firm.

Established in 1996 as an alternative to the legal system, we work 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 complainants.

Our funding is provided from a levy collected from all participating firms. If we find an error, misleading advice or other maladministration that has caused a loss to a client, we may recommend compensation up to a maximum of \$350,000.

Our independence is assured by a board of directors with a majority of community directors and strong safeguards for our autonomy and impartiality.

How We Work

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

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

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

passed since they first complained to their firm and the complaint remains unresolved. The individual must raise the complaint with their firm within six years of when they knew or should have known of the problem.

During an investigation, we gather information from the parties and review the facts of the case.

We make decisions based on what's fair to both the complainant and the firm, taking into account general principles of good financial services and business practices, the law, regulatory policies and guidance, and any applicable professional body's standards, codes of practice, or codes of conduct.

If we believe that the facts of the case do not warrant further review, we will let the complainant know quickly. We always make sure that we explain our reasons, just as we do when we are recommending compensation.

If we believe compensation is owed to the complainant, we try to resolve the dispute by facilitating a settlement between the complainant and the firm that aims to address.

If we can't facilitate a settlement but we continue to believe the complainant should be compensated, we will complete our investigation and prepare an investigation report. We will send a draft investigation report to the firm and to the complainant for a brief comment period. Following the comment period, we will send both parties a final report that sets out our recommendation.

Neither a court nor a regulator, OBSI does not fine or discipline firms or individuals. Our recommendations are not binding on either party, but we have an excellent record of acceptance of our recommended settlements from both firms and clients: over 99% of the thousands of complaints brought to OBSI since our organization's inception have been successfully resolved.

While we do not normally handle matters that have already been through a court or an arbitration, if a client is not satisfied with our conclusions they are

free to pursue their case through other processes including the legal system, subject to statutory limitation periods.

Our Commitment to You

OBSI is committed to excellence in our dispute resolution service. Our standards are designed to ensure a high-quality, independent and fair dispute resolution process for consumers and providers of financial services in Canada.

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

OBSI must submit itself to rigorous, independent third-party evaluations on a regular basis. Our most recent review was conducted in 2011 and found that OBSI was a world-class service in many respects. The next review is scheduled to begin in late 2015 or early 2016.

Participating Firms

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

Current participating firms include:

- Domestic and foreign-owned banks
- Credit unions
- 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
- Federal trust and loan companies and other deposit-taking organizations

Our People

OBSI's experienced and professional staff are drawn from a variety of fields and disciplines such as law, accounting, banking, investments and regulatory compliance. Our staff are committed to

conscientious, fair and timely dispute resolution, which is evident in their dealings with all parties. All have extensive training and experience in financial sector dispute resolution.

Our team of consumer assistance officers responds to the thousands of inquiries and complaints that are received each year online and by phone, email, letter and fax. We have two teams of investigators responsible for reviewing and investigating files in depth—one for banking services and the other for investments. Our investment analysis group consists of Chartered Financial Analysts (CFAs) who evaluate securities and calculate investment losses. The operations team is responsible for ensuring OBSI's productivity and efficiency. We also have a team of people dedicated to membership services, communications and outreach.

Language Services

OBSI functions in both of Canada's official languages, English and French. OBSI's complaint intake centre is also equipped to receive inquiries in over 170 languages. We use an international telephone-based service that allows us to connect a phone call we've received from someone who doesn't speak French or English to an interpreter, literally in seconds. The interpreter helps us

understand the nature of the inquiry or complaint and makes sure the complainant can comprehend our instructions as well.

Our language service has been accessed by callers speaking Mandarin, Hebrew, Cantonese, Punjabi, Arabic, Russian, Tamil, Tagalog, and Italian, among

others. While we can't offer to do a full case review or investigation in languages other than French or English, the interpreters help us explain to complainants how OBSI works and point them to community resources where they can receive language assistance.



Your Senior Management Team



Douglas Melville
Ombudsman and CEO

Mr. Melville was appointed Ombudsman and Chief Executive Officer (CEO) in August of 2009. He joined OBSI in 2006 as head of the Banking Services Team. Prior to this he held increasingly senior positions in the financial industry and was engaged in public and government sector projects in Canada and overseas as a policy analyst and consultant. He is member of the Ontario Bar, and holds a BA from Carleton University, a law degree and an MBA from the University of Western Ontario, and a Master of Laws from Osgoode Hall Law School at York University. He has served on the boards of numerous financial industry bodies and not-for-profit organizations in the fields of health care, the environment, anti-poverty policy and financial literacy, international development and the performing arts.

Sasha Angus
Senior Deputy Ombudsman and COO

Mr. Angus became Senior Deputy Ombudsman (SDO) and Chief Operating Officer (COO) of OBSI in 2012. He is responsible for the last step in a complaint's review before it is escalated to the Ombudsman (if necessary), the annual staff planning exercises, process improvements to increase OBSI's efficiency, and he leads the budget-setting process with the Board's Finance and Audit Committee. He is a member of the Ontario Bar and holds a BA from Queen's University and a law degree and MBA from the University of British Columbia (Oxford). Prior to OBSI he held senior positions at both the British Columbia and Ontario Securities Commissions, including the role of Special Advisor to the Chair and Executive Director of the Ontario Securities Commission.



Brigitte Boutin
Deputy Ombudsman,
Banking Services

Mme Boutin is the head of the Banking Services Team at OBSI, which is responsible for investigating complaints about banks, credit unions and other deposit-taking institutions. She obtained a law degree from the Université de Sherbrooke and is a member of the Québec Bar. Mme Boutin first practiced law at a legal firm specializing in commercial litigation and banking law. She worked for six years at a large credit union before joining OBSI as one of its first investigators. She also served as Manager, Investigations before becoming Deputy Ombudsman, Banking Services.

Robert Paddick

Deputy Ombudsman, Investments

Mr. Paddick is the head of the Investment Team at OBSI, which is responsible for investigating complaints about mutual funds, stocks and other securities. He is a member of the Ontario bar, and holds a BSc from Western University and a law degree from the University of Ottawa. Mr. Paddick joined OBSI as a Senior Investigator in 2003 and was promoted to Deputy Ombudsman in 2006. Prior to joining OBSI, Mr. Paddick was Director, Mutual Fund Compliance and in-house counsel at a large national mutual fund dealer. Before entering the financial services industry he practised law in Ottawa.



Tyler Fleming

Director, Strategy and Stakeholder Relations

Mr. Fleming joined OBSI in 2010. His responsibilities include strategic planning, enterprise risk management, stakeholder relations, communications and policy development. He also acts as Chief Compliance Officer and Chief Privacy Officer. Prior to joining OBSI, Mr. Fleming was a Senior Consultant at a prominent strategic communications and public affairs consulting firm, and served in a variety of senior political roles at the provincial and federal level. He holds a B.A. (Hons) from the University of Toronto. Mr. Fleming has also served on a number of boards, including most recently as Chair of an internationally-recognized City of Toronto agency with over 300,000 user visits in 2014. During Mr. Fleming's tenure as Chair the agency successfully launched a \$100 million capital project and, as Treasurer and Chair, more than doubled its annual revenue.

Marjolaine Mandeville

Manager, Administration

Mme Mandeville joined OBSI in 2006 as the Manager of Administration. She is responsible for the administration of the office including tracking OBSI's adherence to budget targets, the maintenance and renewal of OBSI's Information Technology infrastructure, and allocating, invoicing and collecting participating firm fees. Originally from Québec, Mme Mandeville has over fifteen years of experience in similar positions at SNC-Lavalin Nexacor, Realty Management Inc. and PC DOCS Group International.



Complainant Guide to How OBSI Works





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

Participating Firm Guide to How OBSI Works





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



New in 2014

In some instances, events described in this section took place right at the beginning of our 2015 fiscal year. We report on them now in the interests of timeliness and relevance.

OBSI Mandate Expansion

Amendments by the Canadian Securities Administrators (CSA) to National Instrument (NI) 31-103 took effect on May 1, 2014. The amendments require that all registered dealers and advisers outside of Québec (whose clients include individuals) use OBSI as their provider of dispute-resolution services.

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

All such investment firms were required by the CSA to become participating firms of OBSI by August 1, 2014 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. To be considered a member in good standing by OBSI, firms must also fully pay the required OBSI membership fees.

As of December 31, 2014, 895 firms joined OBSI as a result of the amendments to NI 31-103 (eleven are no longer participating firms because they voluntarily surrendered their securities commission registrations and were thus no longer required to be members of OBSI). OBSI's membership now stands at around 1,500 financial services firms.

At the CSA's request, OBSI shares information with securities regulators as to which firms are members of OBSI and, of those, which firms have paid their membership fees. If you work at an investment firm that has not yet become a member in good standing of OBSI but is required to do so, please contact us at membership@obsi.ca as soon as possible. We are committed to working with your firm to ensure your firm quickly becomes compliant with the regulatory and membership requirements.

Joint Regulators Committee

In conjunction with the amendments to NI 31-103, OBSI signed a Memorandum of Understanding (MOU) with the CSA that provides for securities

regulator oversight of OBSI as well as a framework for cooperation and communication.

A Joint Regulators Committee (JRC) was established that includes representatives of the CSA's designates (the Alberta, British Columbia, and Ontario Securities Commissions), IIROC and the MFDA. OBSI meets 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.

OBSI participated in five meetings with the JRC in 2014. Four of the meetings were attended by members of the senior management team only, while the fifth meeting was the inaugural annual meeting of OBSI's Board of Directors and the JRC. Among the items discussed throughout the year were: the impacts of OBSI's process changes; implications of compensation refusals; matters arising from the expansion of OBSI's mandate to include portfolio managers, exempt market dealers and scholarship plan dealers; and issues that OBSI brought forward that arose out of specific complaints but had broader complaint-handling system implications.

Bank membership
up more than

22%

IN TWO YEARS

2013: 15% 2014: 7%

External Complaint Body Approval (Banking)

In October, OBSI received confirmation from the Financial Consumer Agency of Canada (FCAC) that our application for approval as a banking External Complaint Body (ECB) had been certified as complete. ECBs that receive such certification must then submit a letter to the Minister of Finance requesting approval, which OBSI has done. The timeline for OBSI receiving that approval is unknown as of the date of this publication.

OBSI has been the leader in moving through the application process. Our stakeholders will know that the FCAC is tasked with overseeing the application process for ECBs such as OBSI, and making recommendations for approval to the Minister of Finance. Following the September 2013 submission of our original application — three large binders of documentation outlining such things as our policies, processes, competencies and safeguards for independence — several steps were added to this process.

First, the FCAC held a public consultation on applicants' reputation and character in late 2013 and early 2014. To facilitate this, OBSI was required to publish a notice in the *Canada Gazette* for four

straight weeks, along with notices in at least one national English and French newspaper for the same length of time. OBSI published notices in *The Globe and Mail*, *National Post* and *La Presse*.

Throughout the spring and summer, OBSI and the FCAC were in regular contact as our application was reviewed. A few additional items were requested of OBSI, including technical amendments to our Terms of Reference. The FCAC also visited OBSI's office in Toronto, where meetings were held with OBSI management and staff.

In the spring of 2014, the FCAC announced that it would review all draft applications for completeness after September 30. OBSI's certification occurred shortly after that date. Following certification, any applicant has thirty days to submit a formal letter requesting ministerial approval, which OBSI did on schedule.

In receiving our certification a few new obligations were placed on OBSI. These included a requirement that OBSI notify and provide the FCAC for its review, early enough in the conceptual and/or developmental stage (but not fewer than ninety days in advance), if we intend to materially deviate from or change the Terms of Reference, materially

deviate from or change our policies and procedures, materially change our corporate structure, change any senior management or significant risk management control functions, or make material changes to our bylaws or articles of incorporation. The FCAC requires this so that its staff will have sufficient time to assess the impact of any of the above changes on OBSI's supervisory and regulatory risk profile.

While OBSI does not foresee any difficulty meeting these expectations, we anticipate that it will have the effect of lengthening our consultation and policy development processes for the above areas.

We will keep stakeholders apprised of any new developments as they occur.

New Member Banks

OBSI's banking services membership continues to grow every year, as the overwhelming majority of Canada's banks continue to make OBSI the first choice in dispute-resolution. Banks that joined OBSI in 2014 include:

- JP Morgan Chase Bank Canada
- M&T Bank
- Fifth Third Bank
- Continental Bank of Canada

OBSI's bank membership increased by another 7% in 2014, following an increase of more than 15% the year before.

Faster Dispute Resolution

As reported last year, in an effort to reduce the average time it takes to resolve complaints, OBSI began experimenting with certain changes to our internal processes. These changes included writing shorter investigation reports and sometimes using case summaries as an alternative, quicker movement to announcing refusals to compensate or cooperate, tighter management of complainant and firm deliverables, and the introduction of a blanket tolling agreement.

These process experiments, among other changes implemented by management and the Board, have borne fruit. The average number of days it took to close an investment case fell 17% in 2014. Because the year included the closure of many older cases from the investment backlog, the overall timeliness numbers do not yet fully reflect the impact of the changes. New investment complaints that are being escalated to OBSI are now assigned to an investigator very quickly, with the result being that OBSI is now surpassing the Board's target of resolving 80% of new investment complaints within 180 days.



We have been gratified to see that these improvements have translated into higher complainant satisfaction with our service.

On the question of whether the investigation was completed in a reasonable length of time, complainants who came to OBSI after the process changes were implemented gave us much higher ratings than those who came before. For investment complaints specifically, our average score on this question rose from 7.18 to 8.84 from complainants who received compensation, and from 3.82 to 5.17 from those who did not. (Scores on all questions are always lower from complainants who do not receive compensation). More complainant satisfaction data can be found on pages 52-53.

Investment Complaint Backlog Elimination

Followers of OBSI will know that after the economic and market meltdown of 2008-09, OBSI investment complaint volumes tripled in a very short period of time. Because of funding constraints, not all of these complaints could be investigated as soon as they



Investment complaint backlog on track to be eliminated by May 2015

came in the door, at least not without compromising the integrity and fairness of OBSI's process. A backlog of investment cases developed, which has been gradually whittled down in recent years.

Cases that sit in the backlog are, for the purposes of measuring timeliness, classified as what we call "Phase 1" cases: those that have been received by OBSI but not yet assigned to an investigator. Over the last few years, the time spent in the backlog has represented a significant portion of the overall time it took to resolve investment case files.

In the fall of 2013, OBSI's Board committed to eliminating the remaining backlog of investment files in eighteen 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.

We are pleased to report that OBSI is on track to eliminate the backlog as scheduled. At the end of 2014 there were 56 cases remaining in the backlog, out of an original 389 at the start of the year. All of

these complaints are expected to be resolved on schedule by May 1, 2015.

Blanket Tolling Agreement

The time permitted to commence legal action after the date an alleged grievance occurred is known as a limitation period. In Canada, these time limits vary among the provinces and territories. A tolling agreement is the name for an agreement that stops the clock on the limitations period.

Last year, we announced that OBSI would be developing a blanket tolling agreement covering all complaints that OBSI investigates, to the extent permitted by law. In 2014, we moved forward with its implementation.

Firms and complainants have long been required to sign a tolling agreement when participating in OBSI's process, but a new one was entered into by firms for each and every complaint. Developed in consultation with the financial industry, OBSI's blanket tolling agreement has improved the efficiency of OBSI's process while providing greater certainty to the parties as to when the clocks stops and restarts on any applicable limitation period.

Historically, OBSI staff have spent significant time discussing the standalone tolling agreement with firms, pushing back attempts to unilaterally change the text of the agreement, and finally obtaining the signatures of the relevant parties at the firm. Inefficient and unnecessary processes such as this result in delays in reviewing complaints and higher costs being passed on to member firms, an outcome that we strive to avoid.

After an extensive public consultation, OBSI's Terms of Reference were changed in 2013 to require, among other things, that all participating firms enter into a blanket tolling agreement covering all complaints that OBSI investigates, to the extent permitted by law. In announcing the blanket tolling agreement requirement, OBSI committed to consult with industry on the language, using the industry associations representing our then-membership as the points of contact.

Implementing a blanket tolling agreement was not a material change to the rights or obligations of participating firms, as they were already required to sign an individual tolling agreement for every complaint OBSI investigates, to the extent it was

permitted by law. Many banks had in fact already signed a blanket tolling agreement. The adoption of a blanket tolling agreement was an efficiency and cost-saving measure only. We did not hear any objections to this approach during the consultation on our Terms of Reference, nor any objections since then.

The goal of the consultation exercise was to obtain industry agreement on wording that was not offside with regulatory intent, was in relatively plain language and did not unfairly restrict a complainant's ability to access our service. We believe the implemented agreement met these objectives.

The consultation with the industry associations took place in the spring of 2014, and OBSI's Board and management would like to thank them for their contributions to this process. The text of the agreement was improved as a result, providing greater certainty and protections for both firms and complainants.

Complaint files opened before the new blanket tolling agreement was announced will continue to be subject to the tolling provisions agreed to by the

parties at the time. The new blanket tolling agreement applies only to new complaints received by OBSI after the new agreement was announced.

The blanket tolling agreement is contained in OBSI's Terms of Reference and the consent letter that complainants sign at the opening of their file with OBSI. Copies of each can be found on our website.

New Consumer Brochure

OBSI recently developed a new brochure for consumers and investors that explains who we are and what we do. Participating firms, community organizations, elected officials and others often distribute our brochure to their clients and/or constituents. Please email us at membership@obsi.ca if you wish to receive print copies of the brochure. We provide them free of charge.



A brochure for banking and investment firms that explains OBSI's process is also available.

Consumer and Investor Advisory Council

OBSI's Consumer and Investor Advisory Council was created to provide the input of consumers and investors into OBSI's governance and operations, to complement the input OBSI regularly receives from industry stakeholders, and regulatory and government officials.

Throughout 2014, the Council was active and engaged in fulfilling its mandate. Its activities included: meeting with and making submissions to OBSI's Board of Directors; providing input directly to OBSI management; and liaising with other consumer and investor representatives.

In 2014 one new member joined the Council: Guy Lemoine of Québec. OBSI welcomes M. Lemoine to the Council and looks forward to his contributions.

The Council's principal activity for the year was undertaking a project assigned to it by OBSI's Board of Directors that involved examining OBSI's processes and communication materials using a consumer/investor lens and making recommendations for improvement. The Board received the Council's fifty-page report at its February 2015 meeting.

As part of the Council's research, brainstorming sessions were conducted with the senior management team and all other staff. Among the questions considered as part of the Council's project were:

1. Which complainants are considered to be vulnerable?
2. What complainant behaviours could be considered 'difficult' or challenging?
3. Which complainants are believed to be missing from OBSI's service cohort?
4. What barriers might prevent complainants from accessing OBSI services?

The Council also developed original case studies and discussion questions for use with the management team and staff.

The Council's final report made a series of recommendations, including that OBSI staff training on complainant accessibility issues be maintained as a priority and even increased, that a more robust set of communication materials for consumers and investors be developed and that it be available on

OBSI's website, and that OBSI increase its outreach activities with groups identified as being either missing or underrepresented in OBSI's complainant population.

OBSI's Board and staff would like to thank the Council for its efforts on this project. Its recommendations will be reviewed for inclusion in the organization's 2015 and 2016 workplans.

2014 Council Membership:

Julia Dublin, Chair

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

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. Former board member of the North American Securities Administrators Association and was founding President of the Bureau de décision et de révision en valeurs mobilières du Québec.

Ermanno Pascutto

Founder and former Executive Director of the Canadian Foundation for the Advancement of Investor Rights (FAIR Canada). Executive Director and head of staff of the Ontario Securities Commission 1984-89. Vice-Chair of the Hong Kong Securities and Futures Commission 1989-94. Independent director of Market Regulation Services 2004-2008. Over thirty years' experience as a senior regulator and practicing Canadian and Hong Kong securities lawyer.

James R. Savary

Associate Professor of Economics Emeritus at York University in Toronto, specializing in financial institutions and markets and in monetary theory and policy. Former member of the Board of Directors of the Travel Industry Council of Ontario, and past Chair of the Board of Directors of the Canadian Automobile Arbitration Plan.

Eric Spink, QC

Lawyer specializing in securities law, policy and adjudication. Former Director of Enforcement and Vice-Chair of the Alberta Securities Commission, and Executive Director of Capital Markets Policy at Alberta Finance. Served for fifteen years as Director/Chair of the Alberta Capital Market Foundation, a not-for-profit corporation established to fund specific projects to educate the public and entrepreneurs about investing and capital formation.

Richard Swift, QC

Senior partner of a ten-lawyer firm in Courtenay on Vancouver Island, B.C., whose practice relates primarily to advising land developers and small business owners. 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. Chair of the Patient Care Quality Review Board for the Vancouver Island Health Authority.

Laura Tamblyn Watts

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. Past Chair of the Canadian Bar

Association National Elder Law Section. Senior Fellow of the Canadian Centre for Elder Law and immediate past National Director and staff lawyer at the BC Law Institute from 2004-2011. Adjunct and sessional professor at a number of universities including the University of Toronto and the University of Victoria. Awarded the Stetson University Distinguished Fellowship in Elder Law 2012.

Nidhi Tandon

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. Course instructor at Seneca College, possessing non-profit leadership and management graduate certificate. Past President of Ontario Nature and currently Vice-Chair of Oxfam Canada.

* Joined the Council in 2014.

Members of the Council participate in their individual capacities and do not represent organizations with which they may be affiliated.



Insurance Investment Products

The OmbudService for Life & Health Insurance (OLHI), the ombudsman for life and health insurers, manufacturers of segregated funds, is responsible for the investigation and analysis of segregated fund complaints (an insurance investment product). Because OBSI occasionally receives complaints concerning portfolios that contain, among other things, insurance investment products, in 2014 we published a protocol outlining how we will handle such complaints.

Among other things, the protocol sets out how OBSI will refer insurance investment product complaints to OLHI, the manner in which a complainant will be informed of OLHI's role, and how OBSI will report on the number of complaints referred by it to OLHI. For complaints involving both securities and insurance investment products, OBSI will proceed with its review of the investor's complaint with respect to the securities only.

Compensation Refusals

Since OBSI's inception, the overwhelming majority of complaints brought to our organization have been successfully resolved. Those complaints that end in refusals by firms to compensate their customers have historically been very rare: over

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

In other cases, however, firms simply did not agree to compensate their customers when it was warranted. Having exhausted all avenues to settle these complaints, OBSI was then required under our Terms of Reference to publicize the refusals.

The following firms refused OBSI compensation recommendations in 2014:

Equity Associates

Equity Associates refused to compensate a retired couple in the amount of \$83,386.

Equity Associates is a mutual fund dealer based in Markham, Ontario. The complainants, Mr. and Mrs. H, are a retired couple with limited investment knowledge. They had sold their home and wanted their advisor to place the proceeds into low-risk investments while their new home, which was to be ready within a year, was under construction.

Over the course of several months the advisor invested the couple's house proceeds in various long-term medium and high-risk mutual funds which were unsuitable given their investment

objectives and risk tolerance. As their new home neared completion, Mr. and Mrs. H repeatedly sought assurances that their money was safe and would be available for withdrawal. The advisor was evasive and attempted to persuade the couple to withdraw a lesser amount instead. Eventually, the advisor explained that their investments had significantly declined in value. Without sufficient funds to pay for their new home, Mr. and Mrs. H had little choice but to use their line of credit to make up for the shortfall.

OBSI found that Equity Associates is responsible for the losses incurred by Mr. and Mrs. H as a result of the unsuitable medium and high-risk investments. Equity Associates allowed the advisor to open new accounts for the couple without collecting Know Your Client (KYC) information, as required by securities rules. As a result, Equity Associates could not assess the suitability of the investments as it was required to do. OBSI also found evidence that strongly suggests Mr. and Mrs. H did not sign the mutual fund purchase documents. It appeared that these documents were altered by photocopying signatures from other sources.

Richardson GMP

Richardson GMP refused to compensate several investors in the amounts of \$232,500 and \$66,366.

Richardson GMP is a Toronto-based investment dealer with offices across much of the country. In two separate cases investigated by OBSI, the complainants (who are all related) were approaching retirement and had accumulated significant assets that they had invested with Richardson GMP. Their advisor, Mr. S, placed part of their portfolios in investments that were unsuitable given the complainants' investment objectives and risk tolerance.

Richardson GMP is responsible for the financial harm incurred by the complainants as a result of the unsuitable investments recommended by the advisor. It has chosen not to fulfill its responsibilities to them by providing the compensation they are owed based on the facts of the case.

OBSI had previously announced that we are experimenting with several changes to our process in order to speed up the average time it takes to resolve complaints. One of those experimental changes involves situations where a firm informs us it will not compensate its customer in the context of the specific complaint no matter what OBSI's final conclusions are. In most such instances, OBSI will complete our investigation but announce our recommendation through a short summary that outlines the facts of the case, our conclusions, and

a range of compensation that we determined to be fair and reasonable (if an exact determination is not possible). We will not expend further time and resources to draft an exhaustive investigation report if a refusal to compensate is certain. These two Richardson GMP cases were the first ones where we published investigation summaries under this process instead of full reports.

Armstrong & Quaille

Armstrong & Quaille refused to compensate a retired couple in excess of \$34,000.

Armstrong & Quaille is a mutual fund dealer based in Manotick and Waterloo, Ontario, with over 200 licensed sales associates in branch offices across Canada. The complainants, Mr. and Mrs. H, were retired and living on Canada Pension Plan (CPP) and Old Age Security (OAS) payments. Their advisor at Armstrong & Quaille, Mr. O, recommended a strategy of borrowing money to invest (also known as leveraging) that was unsuitable given the complainants' personal financial situation and risk tolerance. Mr. and Mrs. H suffered compensable losses in excess of \$34,000 as a result of the unsuitable leverage strategy when the value of their investments fell

and they sold them to cover as much of their investment loan as was possible.

Armstrong & Quaille is responsible for the financial harm incurred by the complainants as a result of the unsuitable leverage strategy recommended by the advisor. It has chosen not to fulfill its responsibilities to them by providing the compensation they are owed based on the facts of the case. Like with Richardson GMP, Armstrong & Quaille indicated early on that they would not compensate the client in this particular case no matter what OBSI's final conclusions were.

Monarch Wealth Corporation

Monarch Wealth Corporation refused to compensate a young couple new to Canada in the amount of \$30,628.

Monarch is a mutual fund dealer based in Toronto. The complainants, Mr. H and Ms W, came to Canada from China in 2001 and had no family or friends here at the time. They met their advisor, who is of the same cultural background, through the church they all attended.

Their advisor, Mr. Z, recommended a strategy of borrowing money to invest (leveraging) that was

unsuitable given the complainants' personal financial situation and risk tolerance. The complainants had very limited investment knowledge and minimal investment experience, and did not understand the risks of leveraged investing. The leveraging strategy was not even reviewed by Mr. Z after significant changes in the complainants' financial circumstances (they purchased a house and Ms W went on maternity leave). The couple was assured by Mr. Z that they would not incur any losses.

OBSI found evidence of irregularities with the signatures of Mr. H and Ms W on several documents. Although Monarch received complaints from other clients of Mr. Z about unauthorized transactions, including leveraged investment transactions, falsified signatures and inaccurate documents, Monarch did not contact Mr. H and Ms W about their accounts.

Mr. H and Ms W suffered losses of over \$61,000 as a result of the unsuitable leverage strategy. Because the leverage strategy was first implemented when the complainants were clients of Mr. Z at a different firm (Firm A), we apportioned only 50% of the losses to Monarch. The complainants and Firm A

agreed on a settlement in this matter, while Monarch refused to compensate the couple.

Byron Capital

Byron Capital refused to compensate a small business owner in the amount of \$41,149.

Byron Capital is an investment dealer based in Toronto that recently ceased most operations and whose application to resign from the Investment Industry Regulatory Organization of Canada (IIROC) is pending approval. The complainant, Mr. B, was a low- to medium-risk investor who owned a general business consulting firm and who was approaching retirement. His primary concern was the stability and continuity of income from his investments.

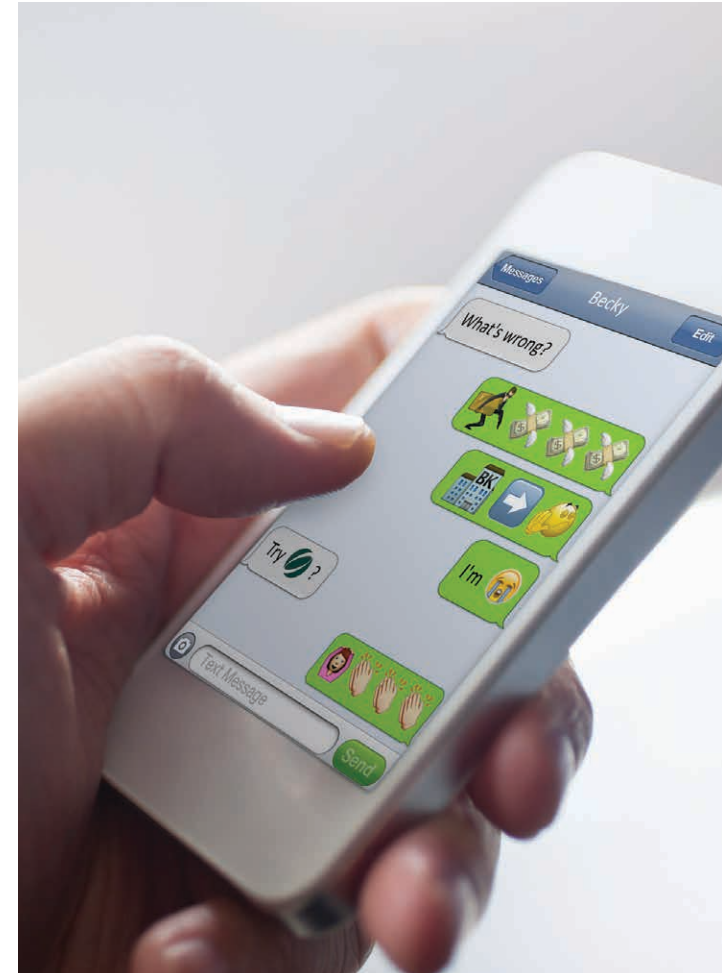
Mr. B's advisor at Byron Capital, Mr. W, recommended that he purchase high-risk, complex leveraged structured products in his small business account that were unsuitable given his risk tolerance and investment objectives. Although he had good investment knowledge, Mr. B reasonably relied on his advisor's characterization that these were medium-risk investments and was not aware that they were in fact higher-risk. Byron Capital is

responsible for the financial harm incurred by Mr. B as a result of the unsuitable investments. It has chosen not to fulfill its responsibilities to Mr. B by providing the compensation he is owed based on the facts of the case.

OBSI's recommended compensation amount was arrived at by first calculating the difference between the amount Mr. B's investments would have been worth had he been suitably invested and the actual value as of the date he closed his corporate account with Byron Capital. Interest was then added to compensate Mr. B for the loss of use of his money, calculated from the date he first complained to the firm.

Observations from 'Name and Shame'

It has now been just over two years since OBSI started to make public a series of refusals by investment firms to compensate their clients where the facts warranted it. While there has been great interest in the details of the cases, we have also been frequently asked for our observations on the process of announcing the refusals (so-called "name and shame") and what has led to some of these refusals in the first place.



Additional compensation refusals that took place during our 2014 fiscal year were reported on in last year's Annual Report in the interest of timeliness.

We shared some of our observations, which we repeat in this annual report, in the hope of increasing understanding of OBSI's role and some of the dynamics at play in the resolution of complaints that we see.

Not a Campaign

OBSI's announcements of compensation refusals have occasionally been perceived as a "campaign" against individual firms or even the financial industry in general. Such beliefs are mistaken. It bears repeating that publicizing refusals to compensate represents an obligation placed on OBSI at the time of our office's creation: under Section 27 of our Terms of Reference, we must publicize that refusal and the details of the complaint. It was the power that the financial industry and regulators gave us to incent cooperation, though most expected that it would never need to be used.

We have heard frustration from industry regarding this approach, and frustration from investors and investor advocates about OBSI's inability to impose our conclusions. OBSI and the financial regulators who oversee us will continue to evaluate the impact of the compensation refusal announcements, both on firms and the complainants who come to OBSI.



But for the foreseeable future, OBSI's principal tool to incent cooperation will continue to be so-called "name and shame."

Insufficient Errors and Omissions (E&O) Insurance

Firms often have some form of professional liability insurance—commonly known as errors and omissions (E&O) insurance—for claims made against them. OBSI's experience is that there is a wide variety of policies held by our participating firms, and that the nature of the policies often drives the behavior of firms when engaging with us.

Specifically, some E&O policies do not contemplate the type of voluntary settlements achieved by OBSI's process, instead covering only decisions that are binding on the parties, such as decisions by the courts. It has been our experience that cases involving firms that lack E&O insurance covering OBSI settlements, or where there is some doubt as to whether they would be covered, tend to be more drawn out and appear more likely to end in a compensation refusal.

OBSI encourages all participating firms to review their E&O policies to make sure that voluntary payment of compensation recommended by OBSI

is covered. Some have proposed an industry-wide approach to addressing this issue, which OBSI would be happy to participate in. We are also willing to speak with firms' insurance providers directly to help them understand our role and process if that would be helpful, something we have done for some firms already.

Many Older Cases

Many of OBSI's refusal announcements concerned complaints made several years ago, thereby giving some an incorrect impression as to the "normal" rate of refusals.

Before OBSI began regularly announcing compensation refusals in late 2012, we undertook a series of extraordinary measures in an effort to resolve cases that were at an impasse. These included a wide-ranging consultation on our investment suitability and loss calculation methodology, undergoing a rigorous independent evaluation of our operations (which later found OBSI to be world-class in many respects), and establishing a limited external review process for the cases that were "stuck." OBSI's Board wanted the organization to first take these steps to see if refusals could be avoided.

While these extraordinary efforts did help resolve many cases, there were others where they did not and we still had to announce compensation refusals in the end. The older complaints are among the refusals that the public has heard about, but it remains to be seen what the ongoing normal rate of refusals will be over a longer period of time.

Early Involvement by Firm Senior Management Resolves Cases

In cases that are headed towards publicly-announced refusals to compensate, OBSI instituted a process whereby the Ombudsman writes directly to the top executive of the firm. In this letter, the Ombudsman informs the executive that OBSI's recommendation has been refused, which means we must soon announce this publicly. The firm is given a set period of time to reconsider its position before OBSI announces the refusal publicly.

OBSI has found that senior management at firms has sometimes not been involved, either deeply or at all, in complaints up to this point. Writing to firms' top executives at this stage provides the opportunity for reconsideration by persons not closely connected to the complaint. We recommend as a best practice that complaint-handling staff at firms make their senior

management aware of the details of a refused OBSI recommendation and the implications of this refusal at the earliest opportunity.

Smaller Firms Dominate Refusals

It is no secret that recent years have been difficult for many of Canada's small- and mid-sized investment dealers. Followers of OBSI will also have noticed that many of the compensation refusals we have announced involved smaller investment firms.

While not all of the refusals can be linked to financial difficulties at the firms in question, we note that several of the firms involved were either in the process of deregistering or winding down operations, were suspended from their self-regulatory organization, or otherwise existed as a going entity in name only. OBSI's Board of Directors and the financial regulators who oversee us will continue to monitor the implications of these circumstances for the effective functioning of OBSI's mandate.

Debate Over Long Investigation Reports vs. Short Investigation Summaries

As previously announced, OBSI is experimenting with several changes to our process in order to speed up the average time it takes to resolve complaints. One of those experimental changes involves situations where a firm informs us it will not compensate its customer in the context of the specific complaint no matter what OBSI's final conclusions are. In most such instances, OBSI will complete our investigation but announce our recommendation through a short summary that outlines the facts of the case, our conclusions and a range of compensation that we determined was fair and reasonable (if an exact determination is not possible). We will not expend further time and resources to draft an exhaustive investigation report if a refusal to compensate is certain.

So far, we have announced refusals by two firms that met the criteria above. Interestingly, despite our having adopted this experimental change in the

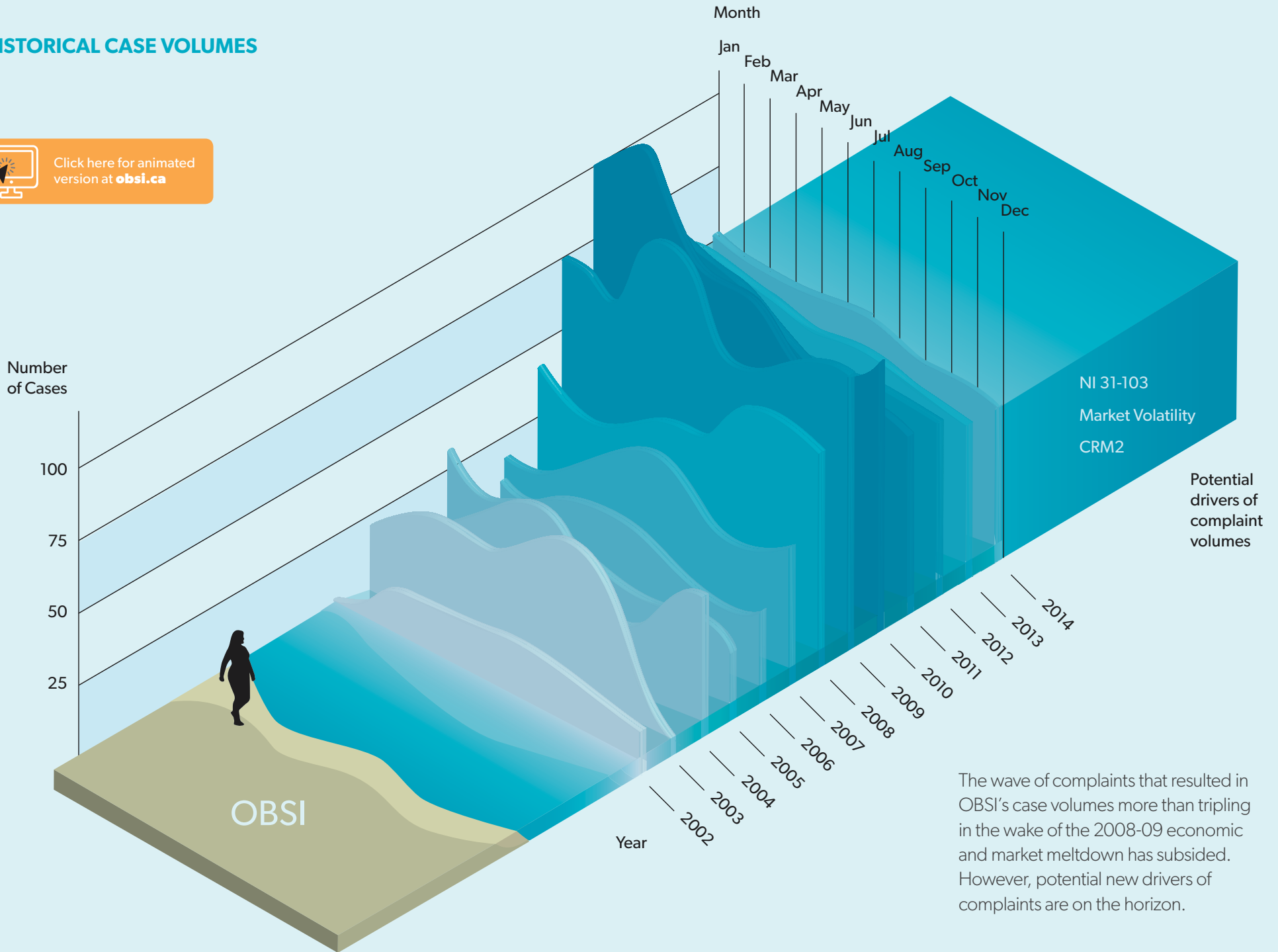
interests of timeliness and efficiency, we have since heard from several investment firms that we should continue to publish long-form reports in all instances, even with the associated resourcing implications.

We have no doubt that there are other firms that would object to such a move, but we do wish to note that there are various views amongst industry stakeholders as to what the best approach would be.

HISTORICAL CASE VOLUMES



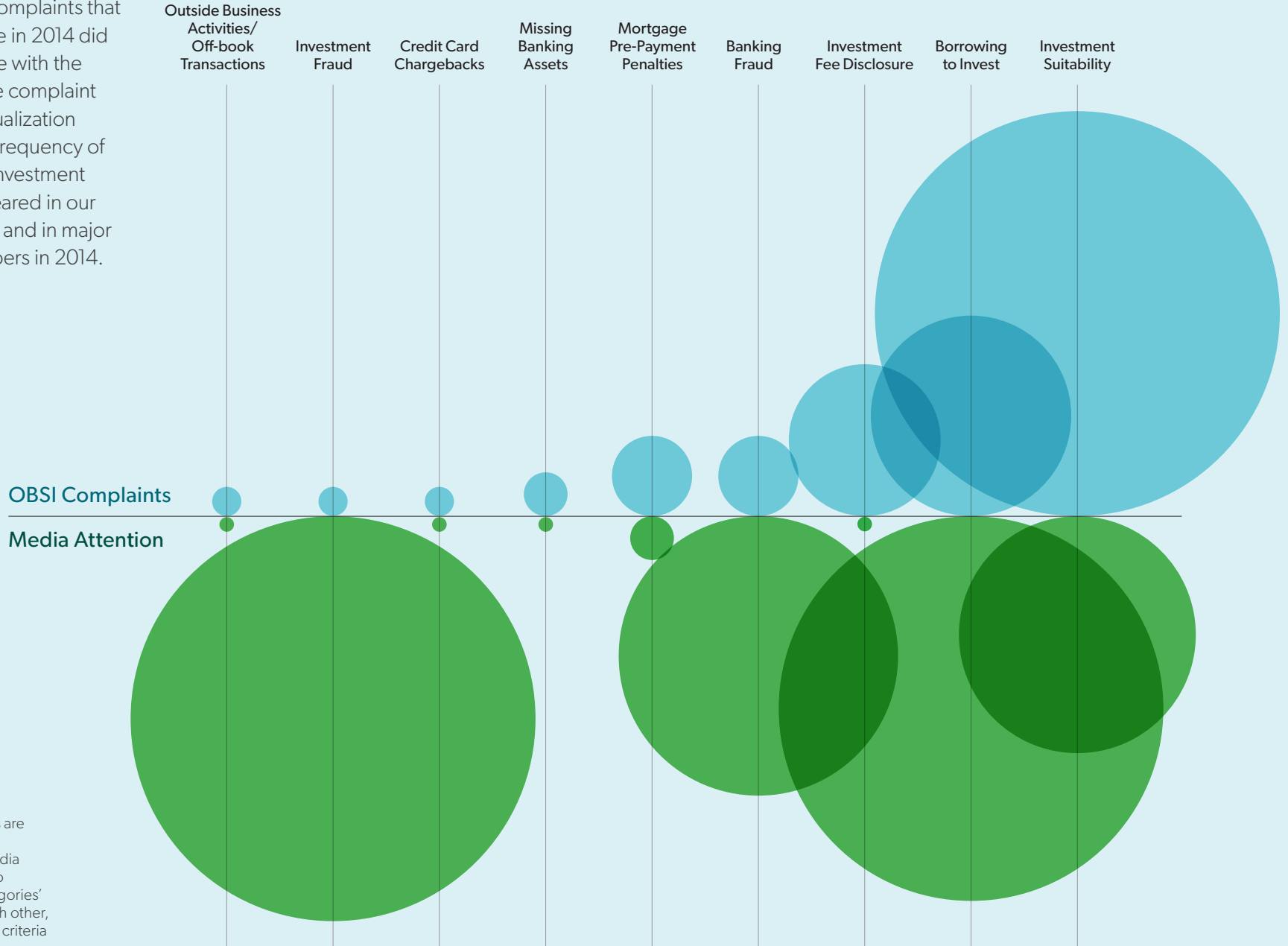
Click here for animated version at obsi.ca



The wave of complaints that resulted in OBSI’s case volumes more than tripling in the wake of the 2008-09 economic and market meltdown has subsided. However, potential new drivers of complaints are on the horizon.

MEDIA COVERAGE

As in other years, the nature and frequency of complaints that came into our office in 2014 did not always correlate with the media attention the complaint issues got. This visualization shows the relative frequency of select banking or investment issues as they appeared in our complaint volumes and in major Canadian newspapers in 2014.



Approximate proportions are employed for illustration purposes. A variety of media search terms were used to capture the different categories' relative proportion to each other, and modifying the search criteria might alter the proportions.



Year in Review



Banking Services

OBSI is Canada’s trusted independent dispute-resolution service for banking services firms and their customers. Almost all Canadian banks participate in OBSI, including Canadian divisions of foreign banks, as do trust companies, credit unions, and payments companies. All deposit-taking institutions, lenders, payments companies and other firms that provide banking services in Canada are eligible to participate in OBSI.

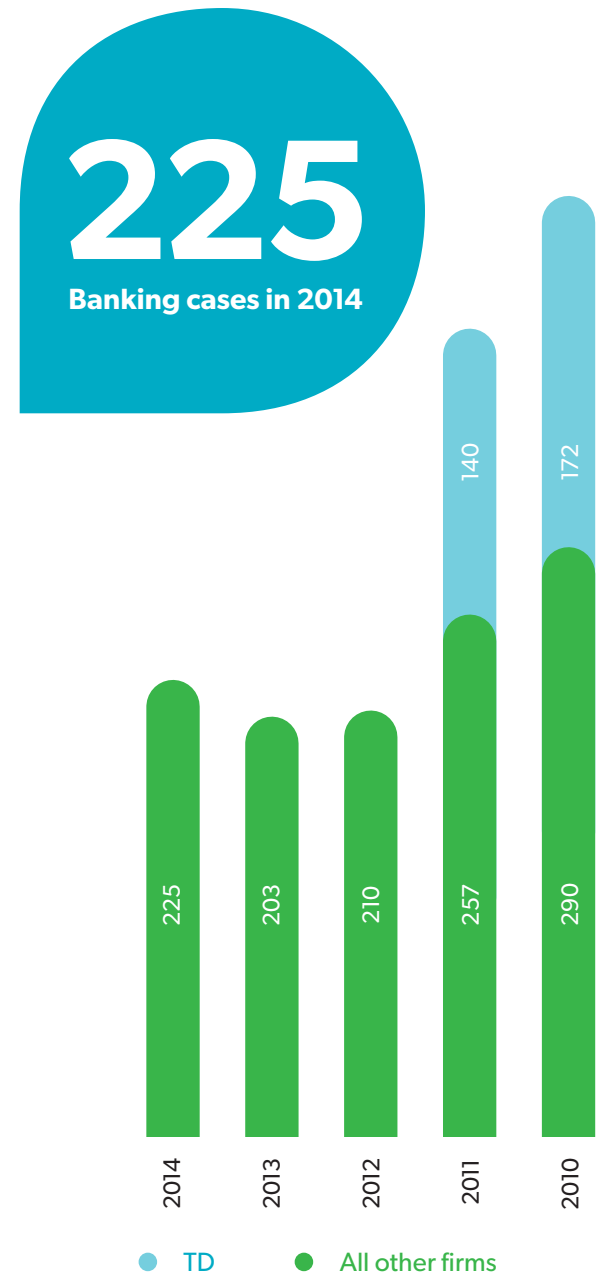
Brigitte Boutin, Deputy Ombudsman, Banking Services:

This year was another busy one for OBSI’s Banking Services Team as we dedicated ourselves to meeting the new federal regulatory timelines for investigating complaints while also seeing the first increase in complaints in several years. At the same time, OBSI continued to be the leader in moving through the federal approval process for External Complaint Bodies, becoming the first organization to have its application certified as complete by the Financial Consumer Agency of Canada (FCAC).

Following TD’s withdrawal from OBSI a few years ago, the number of banking services complaints to OBSI went down significantly. We adjusted our budget and staff complement accordingly, a difficult but necessary process. After remaining relatively flat last year, the number of complaints

coming to OBSI in 2014 once again ticked upwards, increasing by 9%. OBSI was able to not only handle these new complaints with our existing Banking Services Team staff complement, but also meet the new federal regulatory requirement of conducting 100% of our investigations within 120 days—a significant achievement. Though this period was not without its challenges, the Banking Services Team, our participating firms and complainants to our office rose to the challenge of meeting the new standards set for us, and for that I would like to extend my thanks.

While we are not yet subject to federal regulation, as reported last year we have chosen to operate as though we are and meet the timelines set out in the *Bank Act* regulations. We undertook a thorough review of our policies and processes in order to be in a position to meet the new requirements.



Process review exercises are often focussed on three characteristics: quality, time and cost. I am proud that together we were able to improve the speed and efficiency of our process while not compromising the quality and integrity of our work. The trust and confidence that OBSI has earned from Canadians and their banking services firms over almost two decades of operation is a key part of our value proposition, and also something that each and every member of the OBSI team takes to heart.

While it is always possible to issue a final recommendation in writing within the required timeframe, this does not necessarily translate into a resolution of the dispute. Nevertheless, I note that our goal has always been, and still remains, to achieve a fair resolution to the dispute between the parties.

At OBSI, each complaint that falls within our mandate is closely looked at. We always communicate with the complainant and make sure we identify and address all the issues raised. The number of complaints received this year that were within our mandate increased by 9% to 225. We also closed 14% more cases than last year for a total of 223. The average number of days we took to close straightforward investigations was 38.6 days while the average for all investigations remained

fairly constant at 69.4 days. We also received 50 complaints that we determined did not fall within our mandate and complainants were informed of this in an average of 13.5 days.

Most of the complaints we saw were about products and issues similar to years past: mortgage loans (prepayment penalties), credit and debit cards (chargebacks and fraud), and other loans (accounts sent to collection and credit scores). While we don't consider it to be a trend, we also saw an interesting number of old missing Guaranteed Investment Certificate (GIC) cases.

Tackling elder financial abuse is something that OBSI sees as a priority. Throughout the year OBSI representatives participated in numerous forums aimed at addressing the issue and raising awareness of its impact on seniors' lives. A large proportion of the complaints we receive continues to come from elderly people or their representatives, and we see a disheartening number of cases where vulnerable senior people are being financially abused or badly informed. Some senior citizens trust or rely too much on some of their family members, neighbours or caregivers by giving them their credit or debit cards along with their Personal Identification Number (PIN). Others

did not understand the consequences of assigning a Power of Attorney (POA) or making their account joint with another person. Most importantly, some people do not seem to appreciate the impact of signing certain forms on their estate planning.

It would be wise not only for a client but also for their firm to verify ahead of time if signing a firm's standardized POA impacts a general continuing POA or any other document signed before a lawyer or a notary. A POA given solely on a bank account can become an issue if the account is later made joint with the attorney for convenience. If there is a right of survivorship attached to the account, the account balance as well as the investments relating to the account could end up in the hands of the attorney and not the heir designated in the client's will. This can occur not only upon the death of the client but during their lifetime as well.

Additional observations can be made from the complaints we receive this year.

Under some major credit card companies' rules, clients are entitled to have a credit card transaction reversed for specific reasons. Some evidence needs to be provided in a specific timeframe in order to obtain this reversal. However, we see that

clients are not always aware of the chargeback process and timelines, and complain to OBSI when the firm does not reverse the transaction as expected. Everyone should take care to understand the terms and conditions of their account agreements. Banks should also take care to properly explain the chargeback process to their customers when receiving inquiries about it.

We live in a globally-connected world, and many people now have financial dealings in multiple countries. Often, they have US dollar accounts or send money transfers in non-Canadian currencies. Errors in properly recording account numbers or money transfer amounts can result in transactions being reversed or even misdirected, causing significant problems and delays for both the sender and intended recipient. In some cases, complainants lose a significant amount of money when these delays take place as currency exchange rates are fluctuating, with the transactions finally being processed at less favourable rates.

As always, people should closely monitor their banking affairs and assets. Each year, we receive a number of complaints relating to old GICs having gone missing. When people hold GICs, they should verify their statements regularly, and make



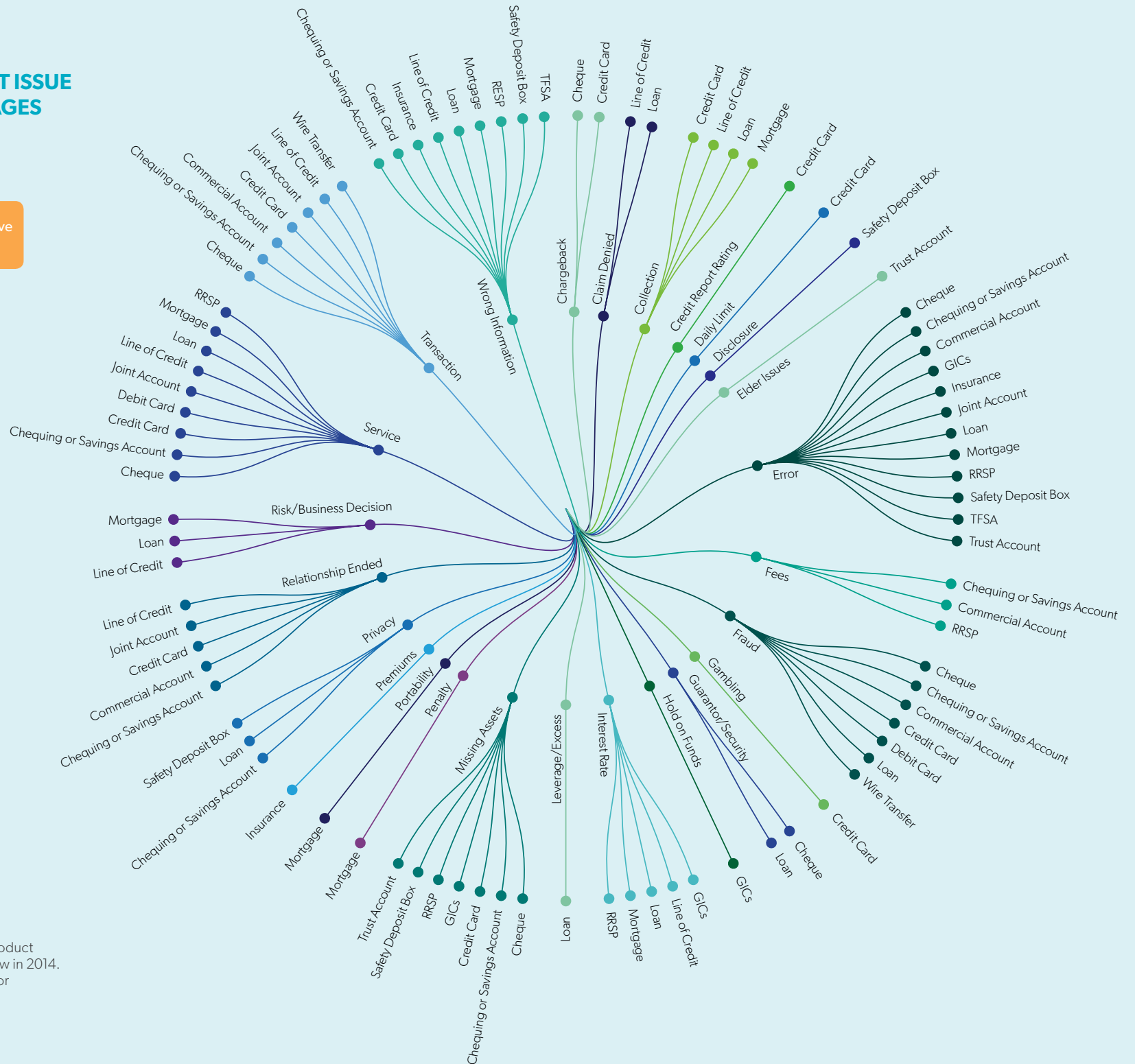
sure they keep the supporting documents relating to them. However, we caution that old records should not be kept indefinitely after a GIC is cashed. We regularly receive complaints from individuals or estate executors who find old GIC receipts and then claim that they were never cashed. Often, these receipts are from as long as twenty or thirty years ago. It is challenging for OBSI, or anyone for that matter, to find out what really happened after so many years have passed. Firms in general are not obliged to keep their records for more than six years, and so in many of these cases there was unfortunately no resolution to be had. If the money was not recorded with the Bank of Canada, where all unclaimed balances are supposed to be transferred after ten years, our investigations regrettably arrive at a dead-end.

In closing, I note with appreciation that OBSI's banking services membership has gone up by over 22% in the past couple of years. We are grateful for the trust these new participating firms have placed in us, and are committed to providing them and their customers with the high-quality dispute-resolution services that Canadians have come to expect. We are also hopeful that the coming year will see OBSI's banking services membership continue to grow, and we will work hard to earn that result. We are also committed to remaining the leader in moving through the federal approval process for External Complaint Bodies as we head toward anticipated approval by the Minister of Finance.

BANKING COMPLAINT ISSUE AND PRODUCT LINKAGES



Click here for interactive version at obsi.ca



Each line represents an issue and product complaint combination that OBSI saw in 2014. The connections are not weighted for frequency of complaint.



Investments

Most Canadian investment firms participate in OBSI’s dispute-resolution service. Clients of investment dealers regulated by the Investment Industry Regulatory Organization of Canada (IIROC) and mutual fund dealers regulated by the Mutual Fund Dealers Association of Canada (MFDA) have been able to escalate complaints for investigation since our organization evolved to become OBSI in 2002. In 2014, OBSI’s mandate expanded to include all scholarship plan dealers, portfolio managers and exempt market dealers outside of Québec whose clients include individuals.

Robert Paddick, Deputy Ombudsman for Investments:

This has been a very successful year for the Investment Team. With the Board’s direction and support, the team made tremendous progress speeding up the investigation process and tackling the backlog of old cases that built up after the economic and market meltdown of 2008-09. Investors who bring complaints to OBSI no longer experience significant delays before an investigation can begin, and we are able to resolve almost all of their complaints within the target of 180 days. This has been a long-standing goal for the organization and we are proud to be able to meet it.

Throughout the year OBSI implemented a number of process changes aimed at speeding up the time it takes to conduct investigations. These changes included writing shorter investigation reports and sometimes using case summaries as an alternative, quicker movement to announcing refusals to compensate, tighter management of complainant and firm deliverables, and the introduction of a blanket tolling agreement. OBSI’s Board also gave us the resources needed to address the accumulated backlog of investment complaints, without increasing participating firms fees, and the Investment Team delivered.



There was definitely a period of transition as firms became accustomed to the process changes and the increased expectations of them in terms of providing OBSI with the materials and responses we needed in a timely way. Firms also had to adjust to the fact that we were now beginning an investigation almost immediately after receiving the complaint.

After some initial transition pains, I'm pleased that OBSI and our participating investment firms were able to significantly improve complaint timeliness. Complainants are often in a state of distress when they make a complaint and it is being investigated, as are advisors who are the subject of a complaint, and both groups now learn the outcome of the complaint much more quickly. This gives investors faster access to their compensation where it is warranted or, in cases where OBSI does not recommend compensation, closure of the issue. Where compensation recommendations are refused by firms, complainants can now also pursue other options such as the courts more quickly.

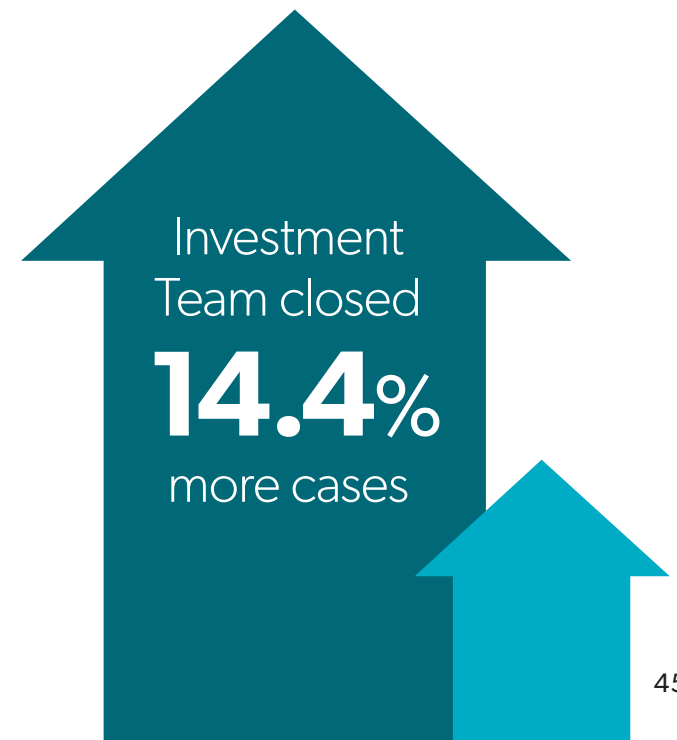
Because of our work tackling the case backlog in addition to new complaints coming in the door, the number of cases closed by the Investment

Team was significantly higher in 2014 than the year before. In 2014 we closed 539 cases, an increase of 14.4% over 2013.

As all this was happening, the Investment Team was preparing for the expansion of OBSI's mandate by the Canadian Securities Administrators to include all portfolio managers, exempt market dealers and scholarship plan dealers outside of Québec that dealt with individuals. Most scholarship plan dealers were already members of OBSI voluntarily, and OBSI had plenty of experience investigating exempt product complaints involving IIROC and MFDA members. But we recognize that every sector has unique aspects so we undertook several initiatives to ensure we had the right people and skills in place. These initiatives are discussed in more detail elsewhere in this report.

Regarding trends and themes in the complaints we investigated in 2014, the story is much the same as in years past. Investment suitability continued to be far and away the biggest issue we saw, with the use of leverage and off-book transactions also being well-represented in complaints to our office.

Of note is that structured products are becoming more prevalent in the cases we see, complicated products that are difficult for many investors to fully understand. Advisors need to ensure they know their products and explain them well to their clients so that investors can make informed investment decisions. Of course, advisors also need to ensure the products match their clients' investment objectives and risk tolerances. As always, investors should ask questions if there is information they don't understand.



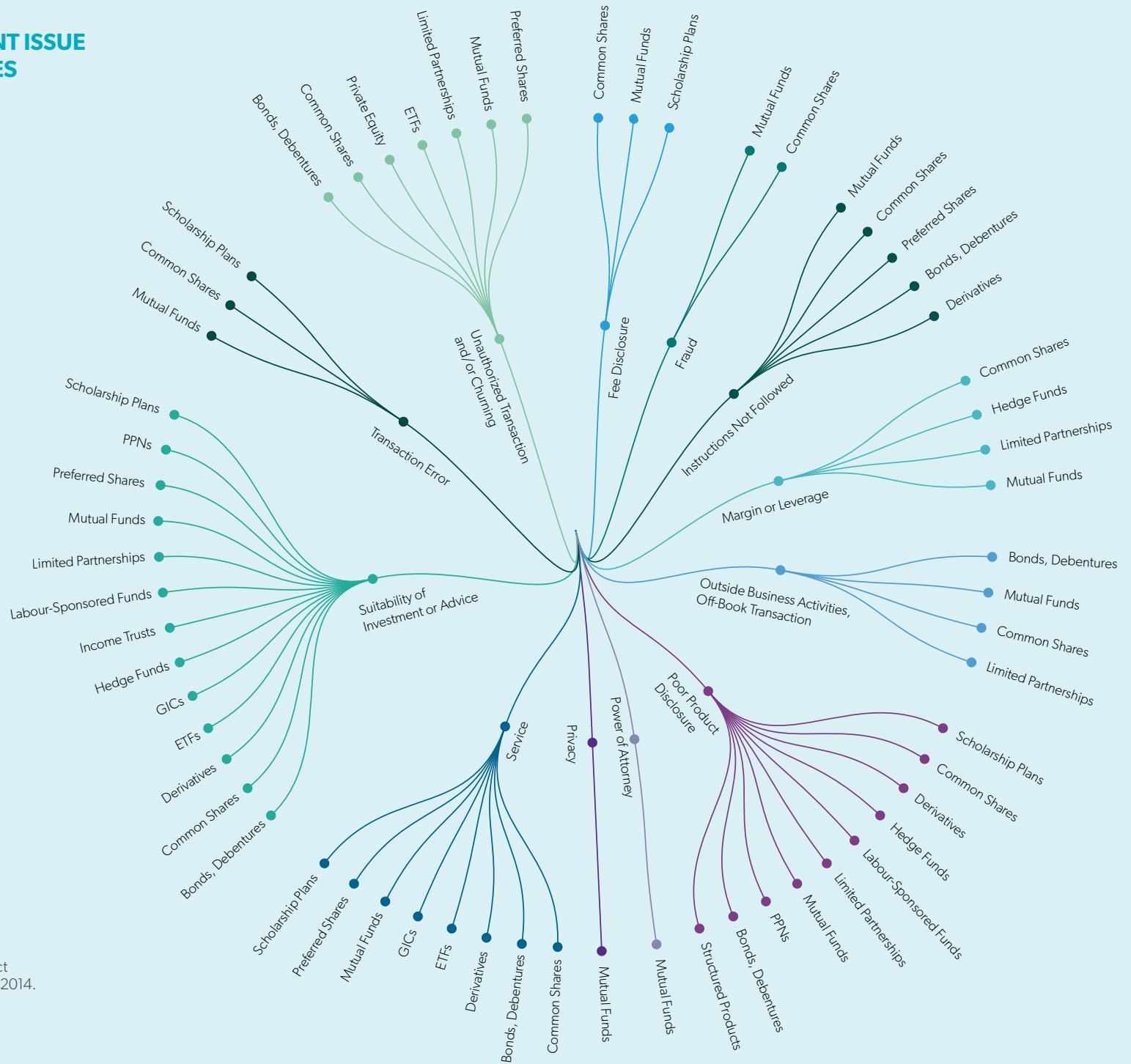


Looking forward, there are some uncertainties on the horizon for complaint volumes, particularly around how many complaints will come from our new participating firms, ongoing market volatility and, further along, the impact of the increased disclosure requirements of the Phase 2 of the Client Relationship Model (CRM2) initiatives of securities regulators. We will monitor the impact of these developments and keep stakeholders apprised early of any significant changes in the number of complaints being brought to OBSI.

INVESTMENT COMPLAINT ISSUE AND PRODUCT LINKAGES



Click here for interactive version at obsi.ca



Each line represents an issue and product complaint combination that OBSI saw in 2014. The connections are not weighted for frequency of complaint.

Operations

OBSI is committed to being an efficient and cost-effective Ombudservice for the Canadian financial industry. As part of this commitment, OBSI engages in continuous process improvement and prudent expenditure management.

Sasha Angus, Senior Deputy Ombudsman and Chief Operating Officer:

For the past couple of years OBSI has been spending a significant amount of energy laying the groundwork for and making operational changes aimed at streamlining our processes, improving the timeliness of our service and becoming more efficient and cost-effective in general. This past year saw many of these efforts bear fruit, with further improvements still to come.

Experimental process changes we adopted in 2013 have brought about strong results. As noted elsewhere in this annual report, OBSI is on track to eliminate the backlog of investment complaints by May 1, 2015. In addition, we are meeting the Board's renewed commitment of completing 80% of new investment complaint investigations within 180 days. On the banking side, all investigations are being completed in 120 days, as required by federal *Bank Act* regulations. These are all

tremendous accomplishments about which we should all be proud. It took the combined efforts of our staff, participating firms and complainants to achieve this, and for that we are grateful.

In the spring OBSI received the results of an end-to-end process review conducted by external efficiency consultants. The report provided recommendations on how OBSI should conduct and then report on our investigations. The report's recommendations have informed our continued efforts to be efficient and cost-effective and provided several tangible ideas that have already been implemented. Among them was the development of certain specific guidelines and checklists to help investigators conduct complex investigations more quickly. We also developed an investigation timeline to help in better tracking cases conducted by investigators, as well as firm and complainant deliverables.



In anticipation of our expanded mandate under National Instrument 31-103, all of our Investment Team investigators were required to take an Exempt Market Products course. We also hired some new investigators with an exempt market background to supplement those already on staff with exempt market experience. Members of our senior management team took the CCO Education Series offered by the Exempt Market Dealers Association (now the Private Capital Markets Association). Finally, OBSI engaged in regular dialogue with the exempt market industry and securities regulators in order to identify the relevant issues that will impact complaint-handling.

Unfortunately, the year also saw OBSI announce eight refusals by participating investment firms to compensate investors as recommended by OBSI, some reported on in last year's Annual Report. The investors in these cases suffered real financial harm because of their firms' actions (or inaction), and we are strongly of the view that the facts of the cases warranted that they be compensated by their firms. Notwithstanding these unfortunate instances, we are pleased that the number of refused recommendations continues to be very low relative to the overall number of complaints to our office that get successfully resolved.

The biggest project the Operations Team will be working on in 2015 is finding a replacement for OBSI's case management system (CMS) and successfully migrating to the new platform. During the annual planning interviews held with staff each year, a common theme heard was that OBSI's existing CMS was falling behind OBSI's workflow and statistical reporting requirements, including those necessitated by new banking regulations and securities rules affecting OBSI. The Operations Team has been busy for the past year working with external technology consultants to determine our requirements for the new CMS and select an appropriate supplier. We expect to select the new CMS by spring 2015 and have the new system in place by the fall.

The CMS replacement project will see OBSI's internal investigation resources centralized into one system, where currently multiple resources are used in addition to the CMS. It will provide an end-to-end electronic investigation documentation, guidance and output platform. The new CMS will be one place to capture relevant information, analyze it, access investigation guidance when needed, review investigation materials and progress, produce reports, eliminate duplication and centralize investigation materials.

It is our expectation that for all these reasons the CMS replacement project will drive further efficiencies in our investigative process. But, as with all large technology initiatives, there will be a period of adjustment for our staff as they get used to the new system. The Operations Team's commitment to staff is to provide the supports necessary to migrate to the new system, while our commitment to participating firms is that the transition will be managed to ensure there are no impacts on them or any of their clients who have case files with OBSI.



80%
of new investment complaint
investigations completed
within 180 days.

Complainant Feedback



As a neutral third-party that stands between individual aggrieved complainants and their financial services firms, it has been OBSI's experience that satisfaction with our service is fairly predictable. If our investigation finds that the firm acted reasonably and that the complainant is not owed compensation, the firm is happy with us and the complainant is not. Similarly, if we recommend in favour of compensation, the complainant is happy with us and the firm is not.

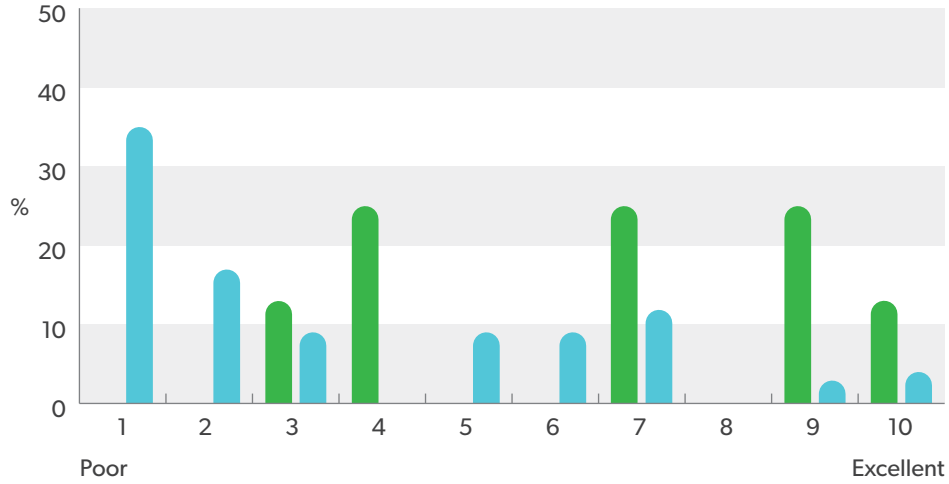
As we have previously observed, the data shows a strong correlation between the outcome of clients' complaints and their level of satisfaction with OBSI's service. What is heartening to us is that many people who did not receive compensation in the end still expressed positive opinions about our service.

While it's impossible for us to please everyone all of the time, obtaining data on service perceptions helps us identify areas for improvement or special attention.

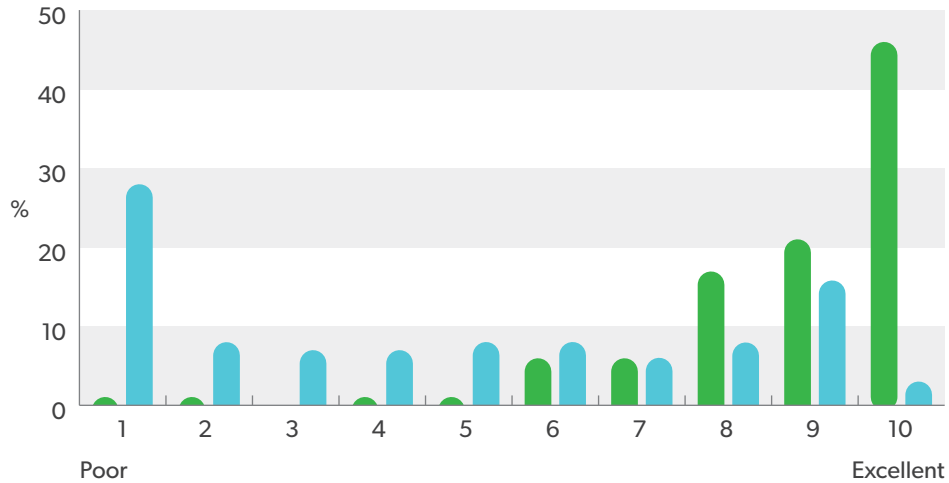
● Compensation ● No Compensation

QUALITY OF SERVICE

Banking Complaints

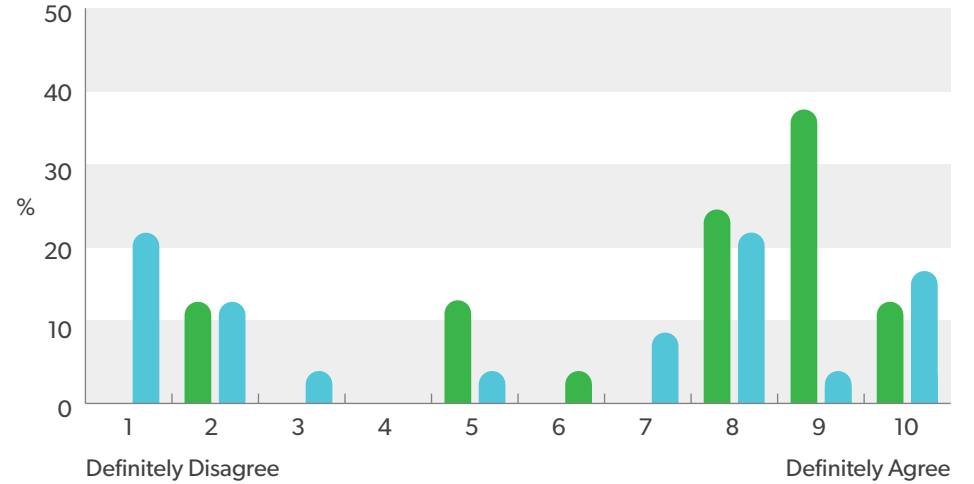


Investment Complaints

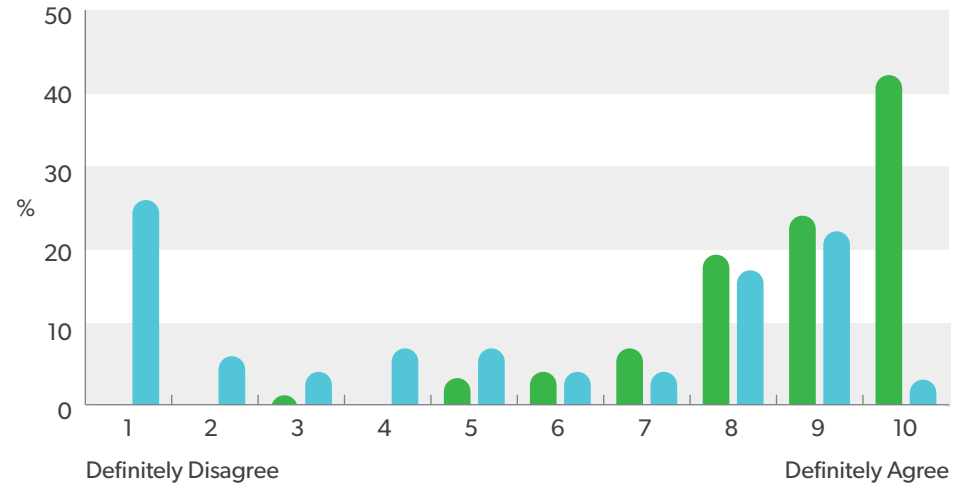


PROCESS WAS EASY TO UNDERSTAND AND FOLLOW

Banking Complaints



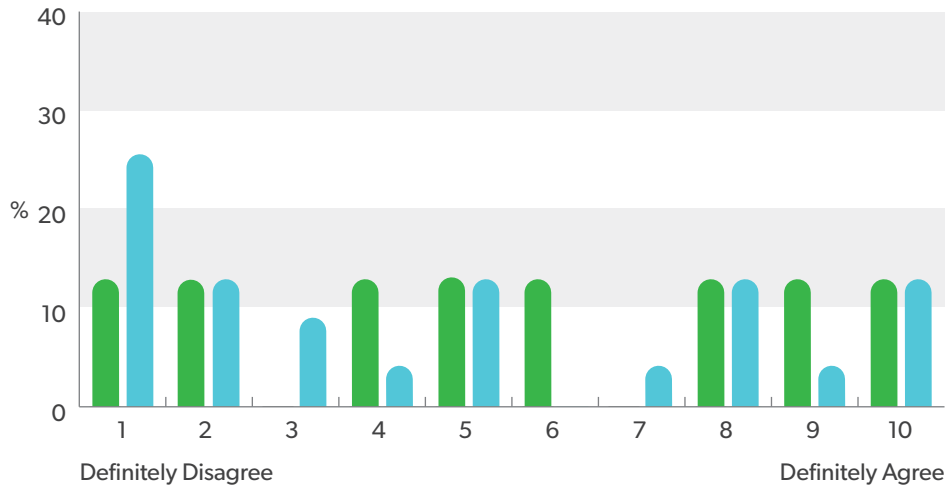
Investment Complaints



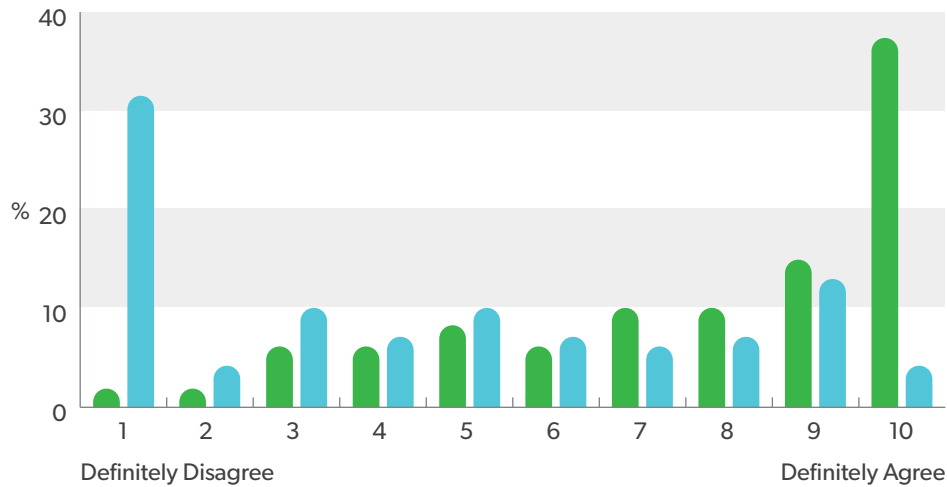
● Compensation ● No Compensation

INVESTIGATION OCCURRED WITHIN A REASONABLE LENGTH OF TIME

Banking Complaints

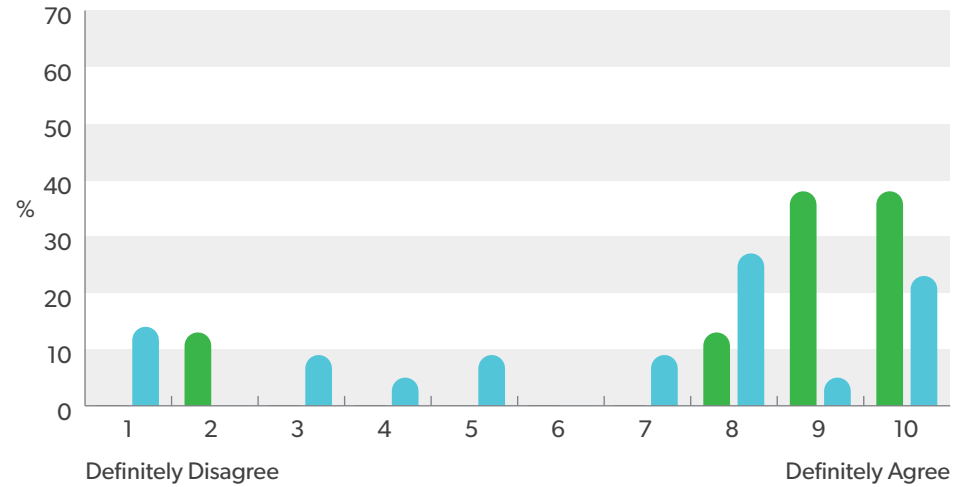


Investment Complaints

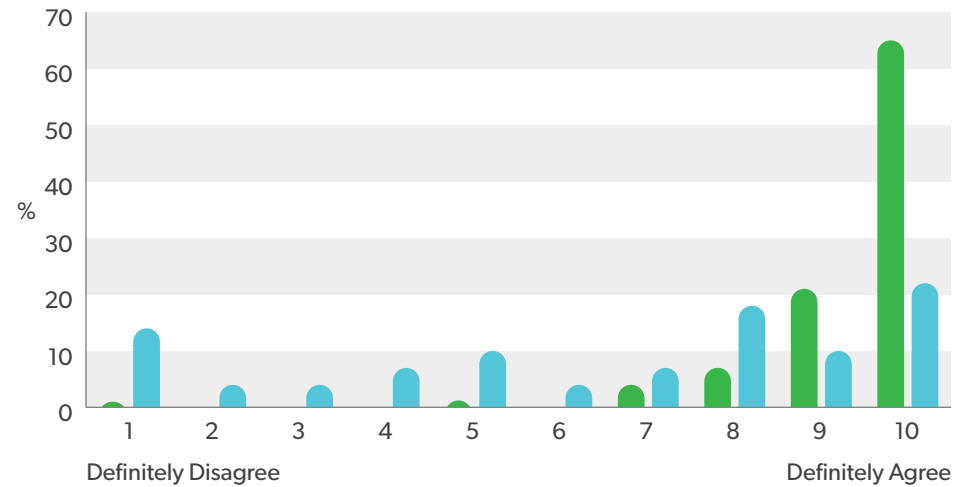


INVESTIGATOR WAS COURTEOUS AND PROFESSIONAL

Banking Complaints



Investment Complaints



An aerial photograph of a paved plaza. The plaza is made of grey rectangular tiles. Several people are walking across the plaza. In the upper left, two people are walking towards the right. In the upper center, a person in a dark jacket is walking towards the left. In the upper right, a person in a light-colored coat is walking towards the left. In the center, two people are standing and talking. In the lower center, a person in a dark jacket is walking towards the left. In the lower left, a person with a backpack is walking towards the left. On the right side of the plaza, there is a young tree with green leaves. Underneath the tree, there is a circular table and several chairs, suggesting an outdoor seating area. The shadows of the people and the tree are cast on the plaza, indicating it is daytime.

Case Studies

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

Banking Case Study #1

Authorized Credit Card User

Mrs. K added her husband as an authorized user of her credit card. He immediately began using her credit card to purchase separate prepaid credit cards, explaining that they were for his work to give out to clients and that his employer would reimburse the costs. Over a three-year period the value of the card purchases kept increasing, eventually reaching almost \$50,000 per month.

Mrs. K began to grow suspicious of these transactions. Although regular payments were made, she confronted her husband as to whether they were in fact receiving reimbursements from his employer. Mrs. K's husband admitted that all prepaid credit card purchases were used to fund a gambling addiction and that there was never an arrangement with his employer. Mrs. K called the bank to remove her husband from the account and the couple divorced soon after. At the time Mrs. K called her bank, her card had an outstanding balance of \$45,000, which she paid off using her personal funds and a secured line of credit.

Mrs. K had been sick for many months before this and had not carefully reviewed her credit card statements. Mrs. K complained to her bank that it should have more carefully monitored her credit card account and stopped some of her husband's transactions. She believed that the bank had a responsibility to inform her of abnormal activity on her account, and

that the exorbitant prepaid credit card purchases met this criterion. She asked the bank for \$15,000 in compensation to cover some of her losses.

While sympathetic to Mrs. K's situation, the bank declined to compensate her. The bank cited the credit card account agreement that held a primary cardholder liable for the balance, including any purchases made by authorized users. The bank did not detect suspicious activity, as the prepaid credit card purchases increased gradually, the correct PIN was used for each transaction, and regular payments were made. Furthermore, it noted that Mrs. K made several calls to the bank during the period she claimed she was too sick to monitor her finances. She made inquiries about the account balance and even once requested a credit limit increase, worrying that the balance was approaching the card's limit.

Unsatisfied with the bank's response, Mrs. K brought her complaint to OBSI.

Complaint Not Upheld

In investigating Mrs. K's complaint, OBSI reviewed the cardholder agreement, applicable regulations, laws and industry practices. We also interviewed both the bank and Mrs. K. While we sympathized with Mrs. K's unfortunate situation, we could not find the bank at fault.

Mrs. K authorized her husband to access her credit card and use it. The bank acted properly, allowing Mr. K to make purchases that were consistent with authorized user rights as detailed in the account agreement. It appears Mrs. K was aware of the account activity, as not only did she question her husband, she also made inquiries to the bank. While her husband may have lied about the purpose of the purchases, we cannot find the bank liable for his deception. Mrs. K also had the option to restrict or revoke Mr. K's authorization at any time during the three-year period. We did not recommend the bank compensate Mrs. K.

Banking Case Study #2

Power of Attorney

Mr. T had recently converted his personal chequing account to a joint account with his girlfriend, subject to a right of survivorship. At the time, the account had a \$15,000 balance. A few months later, Mr. T also signed a general power of attorney (POA) to his son and daughter authorizing them to act on his behalf.

As Mr. T's health was deteriorating, he asked his children to withdraw funds from the now joint account in order to pay some of his debts. Once the POA was in force at the bank, the children requested that the funds, now totaling \$21,000, all coming from Mr. T's own money, be transferred to new bank account. However, because the branch could not open a new account at the time because the person in charge was not available, a draft for the amount was issued in Mr. T's children's names. The next day, a bank account was opened under their names and the \$21,000 bank draft was deposited.

Mr. T passed away shortly after. His children used \$2,500 from their new account to pay for funeral expenses.

Sometime later, thinking that the funds were not used for the benefit of Mr. T, the bank transferred the remaining funds back to the original joint account and froze it. The children were subsequently informed the co-account holder (Mr. T's girlfriend) was claiming ownership of half of the account balance. Faced with a family dispute, the bank refused to take any further action until it was instructed by a court justice as to how the funds were to be allocated. Mr. T's estate, represented by his children, brought their complaint to OBSI.

Complaint Upheld

OBSI investigated the circumstances surrounding the events. In our opinion, Mr. T's children had the right, with the POA, to withdraw the funds. However, the funds should have remained in an account on Mr. T's behalf. The bank's concern was that the funds were not used for Mr. T's benefit. In this case, many conflicting interests were being disputed.

We discussed the matter at length with the bank and the estate representatives to assess each party's interests. Because everyone involved agreed to make compromises, we were therefore able to reach a settlement. The bank agreed to unfreeze the funds. A portion of the amount was used as full and final payment of Mr. T's debts held at the bank, with the bank agreeing to erase part of the debt. The balance in the account remained in the co-account holder's name. This settlement prevented legal claims among all parties involved.



Banking Case Study #3

Registered Education Savings Plan (RESP)

Mrs. P believed in the importance of education and so she contributed at her bank to a family Registered Education Savings Plan (RESP) for her four grandchildren, to encourage them to pursue higher education. The Government of Canada adds Canada Education Savings Grant (CESG) monies to RESPs. Each eligible student may receive a lifetime maximum of \$7,200 in CESGs.

Three of her four grandchildren entered university in the same year. Mrs. P instructed her bank to pay each grandchild \$5,000 from the family plan RESP during their first year at university and another \$2,500 during their second year. The payments consisted of CESGs and interest earned on the RESP. The bank followed Mrs. P's instructions.

A year later, Canada Revenue Agency (CRA) notified the three grandchildren that their CESG receipts had exceeded the \$7,200 lifetime maximum and they were required to return the overpayments to CRA.

Upon learning this news, Mrs. P complained to her bank. Although her grandchildren had received payment documentation in the mail, according to Mrs. P they had little knowledge of the program and did not know they should review the documentation closely. Since neither the bank nor CRA notified Mrs. P of the split between grant and interest in the payments she had authorized, she did not know that the CESG limits had been exceeded. She believed that, had she been notified, she could have avoided any overpayment issues. She asked that the bank reimburse the repayments made to CRA and that any excess CESG withdrawals be restored to the RESP.

The bank declined Mrs. P's requests, explaining that it had followed the procedures established by the government when it followed her instructions for payments from the RESP.

Unsatisfied, Mrs. P brought her complaint to OBSI.

Complaint Not Upheld

During our investigation, we learned that Mrs. P had also contributed to RESP accounts for her grandchildren at a second, different bank. While the payments from the bank Mrs. P complained to did not exceed the CESG lifetime limit, when combined with those from the RESP at the second bank the limit was exceeded. As banks are not privy to information at other financial institutions, and neither Mrs. P nor her grandchildren informed the bank of the existence of another RESP, it could not have known that the CESG limit was exceeded. Mrs. P argued that her bank should have inquired about the existence of RESPs at other financial institutions. We could not agree with her assertion, as the responsibility for monitoring CESG receipts falls to each recipient.

Payment confirmations are sent to beneficiaries, Mrs. P's grandchildren in this case, per government guidelines. The bank's confirmations advised that, like other recipients, the grandchildren are responsible for keeping track of their total CESG receipts from all RESPs. It was their responsibility to notify Mrs. P of potential CESG limit breaches so she could adjust payments accordingly. We found the bank had no reason to alert Mrs. P to her grandchildren's CESG levels, given the information that it had and the government's requirement that recipients ensure the CESG limit is not exceeded. As a result, we did not recommend the bank reimburse Mrs. P's grandchildren or that the excess CESG withdrawals be reinstated to the RESP.

Investment Case Study #1

Borrowing to Invest

Mr. B earned a modest income, lived paycheck-to-paycheck and had no savings. An investment advisor friend of Mr. B's recommended he borrow money to purchase some investments (known as a leveraged investment strategy). Mr. B has a developmental disability with limited financial knowledge but trusted his friend, and so he followed his advice to borrow to invest.

Mr. B's investments declined in value shortly after they were purchased, but because he was receiving regular distributions deposited to his chequing account, Mr. B assumed his investments were performing well. Mr. B spent all the distributions on daily living expenses such as groceries and transportation, as well as interest on the loan, rather than paying down the loan itself.

Mr. B began experiencing financial hardship as his interest payments increased. As his situation worsened, he asked a relative to take a look at his financial affairs. After discovering the loan, Mr. B

and his relative complained to his investment firm about the leverage strategy, saying it was inappropriate for Mr. B given his financial situation and low investment knowledge. The firm agreed that the investment strategy was unsuitable and offered to compensate Mr. B \$14,000; about \$1,000 more than the losses Mr. B had actually experienced. However, Mr. B would still have an outstanding loan of approximately \$5,000, due to his use of the distributions for his day-to-day living expenses. Unsatisfied with the settlement offer, Mr. B came to OBSI.

Complaint Upheld

Disclosing the risks and characteristics of a recommended investment or strategy is a key element of an investment advisor's and firm's responsibilities. However, disclosing information or providing investment literature does not override the advisor's obligation to recommend investments that are suitable for the investor. In other words, disclosure does not make an investment or strategy suitable if it's otherwise mismatched with the investor's objectives and risk tolerance. Investors should be able to rely on their advisor and firm to make suitable investment recommendations without having to verify their suitability. However, we will consider an investor's level of investment knowledge and sophistication and their ability to make an informed assessment about their advisor's recommendations.

During our investigation, Mr. B produced a physician's letter stating that he possessed a cognitive disability and that while Mr. B was able to complete simple activities independently, he required help for more complex activities and relied heavily on others. The evidence also suggested to us that Mr. B was not fully informed by his advisor of the risks of borrowing money to invest. His understanding of financial matters was low, and he did not understand the concept of interest, how it affected his investment loan, or the general concept of debt.

After reviewing the facts of the case, we discussed our findings with the firm and it agreed to compensate Mr. B almost \$19,000, representing the decline in value of the investments and the

amount outstanding on the loan. This amount represented almost \$6,000 more than Mr. B's actual losses on the leverage investment strategy. The firm agreed that this was reasonable, given Mr. B's limited ability to understand the leverage strategy.

Investment Case Study #2

Investment Suitability

Mr. and Mrs. F opened RRSP accounts with their investment firm in 2000. Over the next twelve years the couple made contributions totalling approximately \$300,000. Upon reviewing their account statements, Mr. F was dismayed to learn of the performance of certain investments during that time. One hedge fund investment in particular caused the couple around \$100,000 in losses after it initiated a mandatory redemption.

The couple complained to their investment firm that their advisor provided bad advice and failed to prevent investment losses. They questioned the wisdom of investing in hedge funds given that they were in their sixties and had begun their retirement. They asked to be compensated for the losses they experienced with the hedge fund investment.

The firm declined compensation. It explained that while the couple's portfolio included high-risk securities, this was generally consistent with their investment objectives and risk tolerance. The firm also noted that while specific securities declined in value, the overall portfolio performed well and there was a net gain. Unsatisfied with the firm's response, the couple came to OBSI.

Complaint Not Upheld

When assessing suitability, we determine the risks and characteristics of the investor's investments and strategies at the time they were recommended and at appropriate intervals, and compare them to the investor's investment objectives, risk tolerance, and financial circumstances. Investments and strategies are suitable when they are consistent with this information.

Investment performance is not relevant to a suitability assessment. The fact that an investment has declined in value does not necessarily mean it's unsuitable. Similarly, an investment that has performed well is not necessarily suitable.

During our investigation we confirmed that Mr. and Mrs. F's financial position, investment objective, and risk tolerance had been accurately documented by the firm and that they had sophisticated investment knowledge. The couple

had also accepted medium and high-risk investments and understood the implications associated with these.

We then reviewed whether the investments were suitable and found some areas of concern. For example, for prolonged periods the couple's portfolio contained 90% high-risk investments, which was well beyond their target 50% high-risk allocation. Furthermore, the hedge fund that resulted in significant losses was only allowed by securities regulators to be sold to "accredited investors," a category of individuals who possess a certain minimum income or assets but for which Mr. and Mrs. F did not qualify.

An analysis was undertaken to determine what financial harm, if any, had occurred. We compared the performance of the couple's excess high-risk investments to the performance of a composite

benchmark of select indexes chosen to represent suitable investments. We concluded that although a portion of the couple's portfolio was unsuitably invested, their unsuitable investments actually gained more than suitable investments would have and, as a result, there was no financial loss. We did not recommend the firm compensate Mr. and Mrs. F.

Investment Case Study #3

Advisor Notes

Mr. A sold his house for \$800,000 and placed the funds in a non-registered account at his investment firm. For a year he invested mostly in money-market mutual funds.

Mr. A then asked his advisor for advice on retirement planning. Explaining that he was many years away from retirement, Mr. A indicated that he wanted reasonable growth in his investments. After discussions the advisor sold Mr. A's money-market mutual funds and placed him in growth-oriented mutual funds.

More than a year later, Mr. A complained to his firm that he did not authorize the transactions and that deferred sales charges (DSCs) associated with the mutual funds had not been disclosed. Mr. A demanded a reversal of the investments at no cost.

The firm declined Mr. A's request. It explained that Mr. A did in fact authorize the investments and that the deferred sales charges were fully disclosed at the time of purchase. Since purchasing the funds, their value had also increased by \$25,000. After receiving the firm's response, Mr. A brought his complaint to OBSI.

Complaint Not Upheld

In our investigation we found that the advisor's extensive notes detailed several conversations with Mr. A about the growth-oriented mutual fund investments. The firm's procedures required the advisor to obtain client approval, written or verbal, before undertaking any transactions and the advisor's notes showed that Mr. A agreed to the mutual fund investments and confirmed that he did not need access to the funds in the short-term as retirement was many years away. Furthermore, the firm sent transaction confirmations in addition to monthly statements to the client. We found that there were many opportunities for Mr. A to question the transactions had he believed them to be unauthorized.

We also reviewed several email exchanges between Mr. A and the advisor where he asked several questions about the DSCs and how they were calculated. A reply from the advisor before the growth-oriented mutual funds were purchased explained how DSCs worked and outlined the calculation that would be used to determine the DSCs upon redemption of the mutual funds.

Given the extensive documentation and correspondences provided by the firm, we could not agree with Mr. A's assertion that he did not authorize the purchases or know of the DSCs. We did not recommend any compensation.



A blurred photograph of three business professionals in a modern office building. They are walking on a staircase with a glass railing. The background features large windows with a grid pattern, and the overall color palette is dominated by blues and greys, creating a professional and dynamic atmosphere.

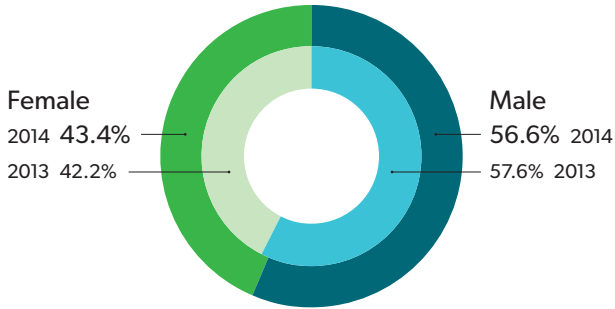
Complainant Profiles

At OBSI we believe in the importance of knowing more about the financial consumers and investors who bring their complaints to us. This helps us ensure that we provide a service that properly meets their needs and expectations, and is in the public interest.

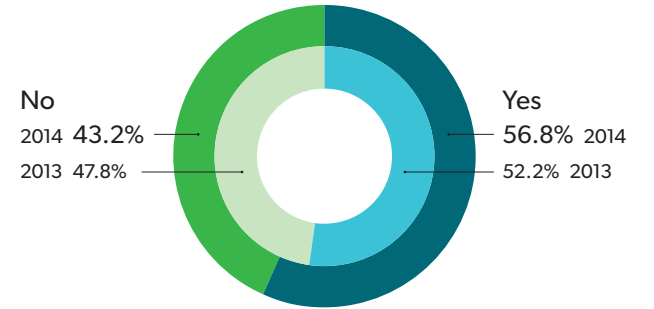
Throughout our 2014 fiscal year, we conducted detailed research into the profile of individuals who come to our office. With the support of a professional research firm, we asked about such things as age, ethnicity, education, occupation and income.

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

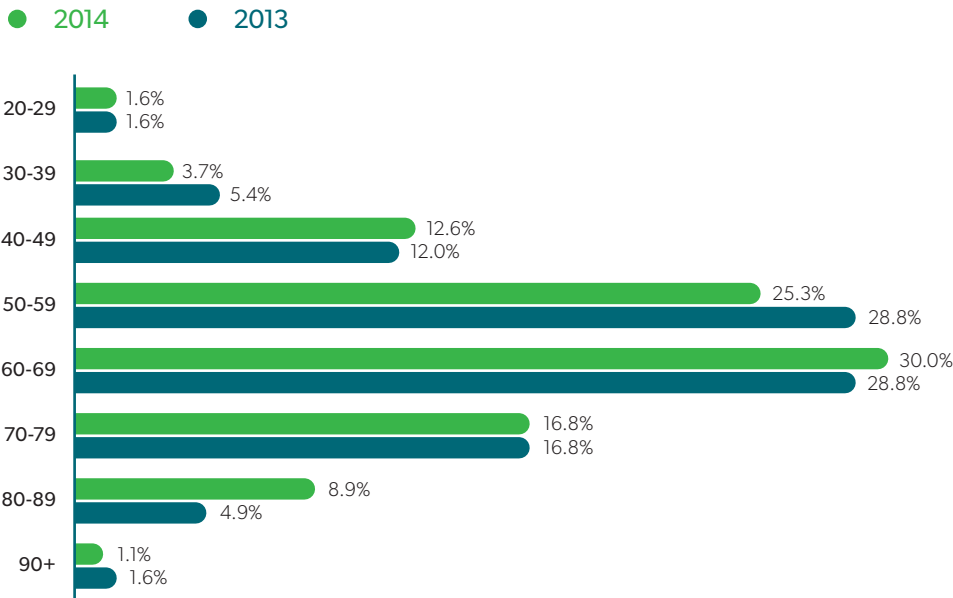
GENDER



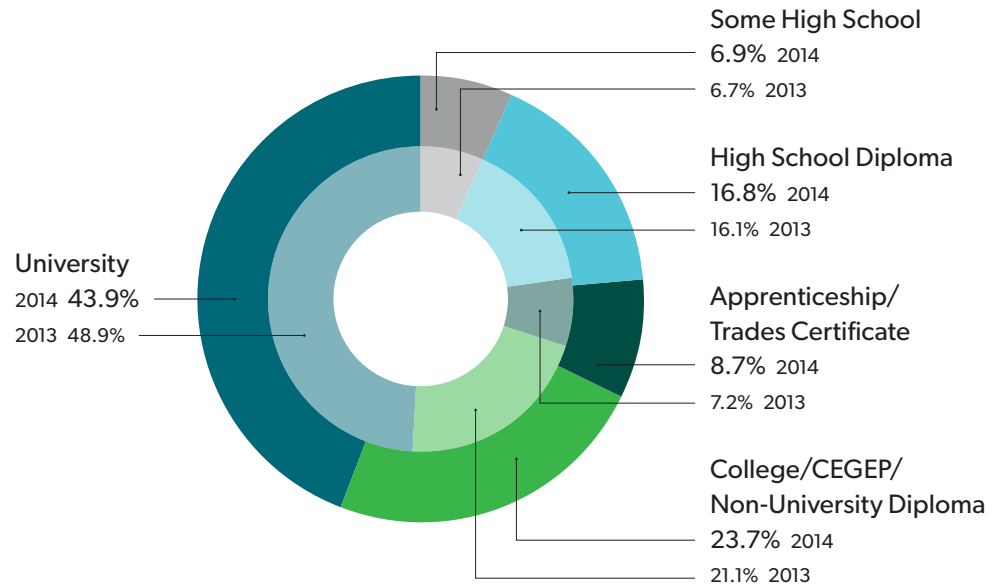
SENIOR



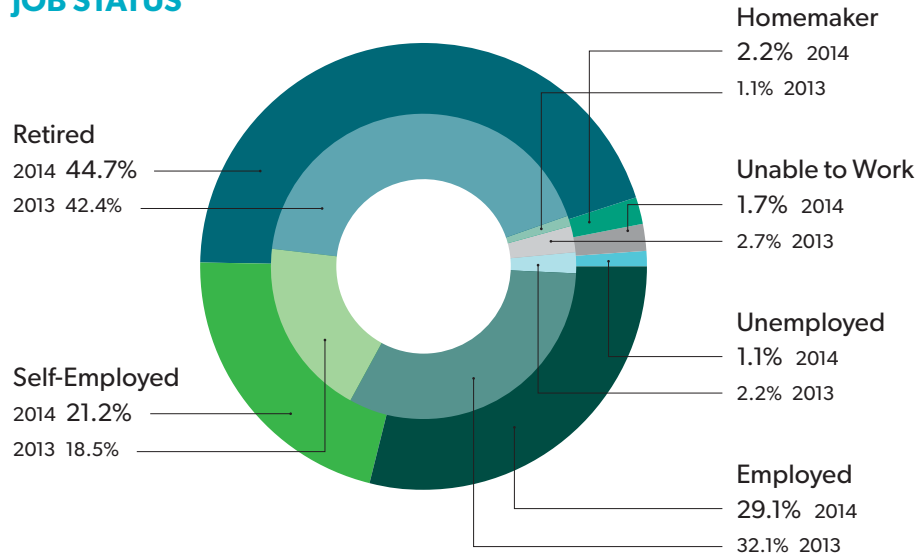
AGE



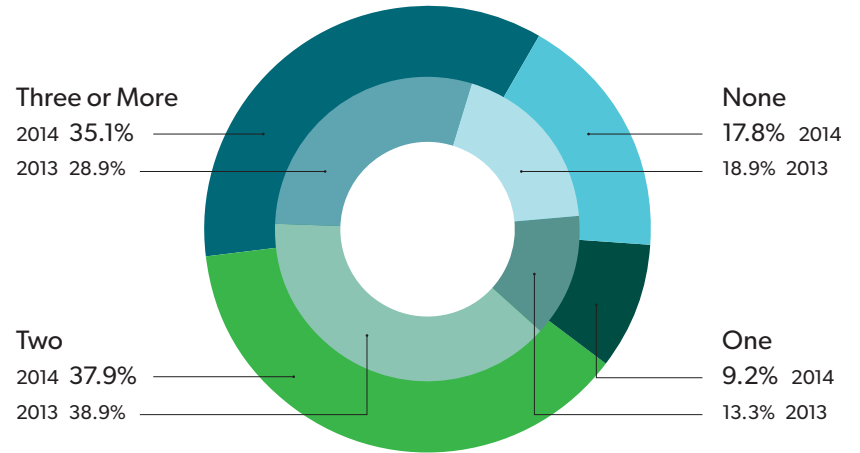
EDUCATION



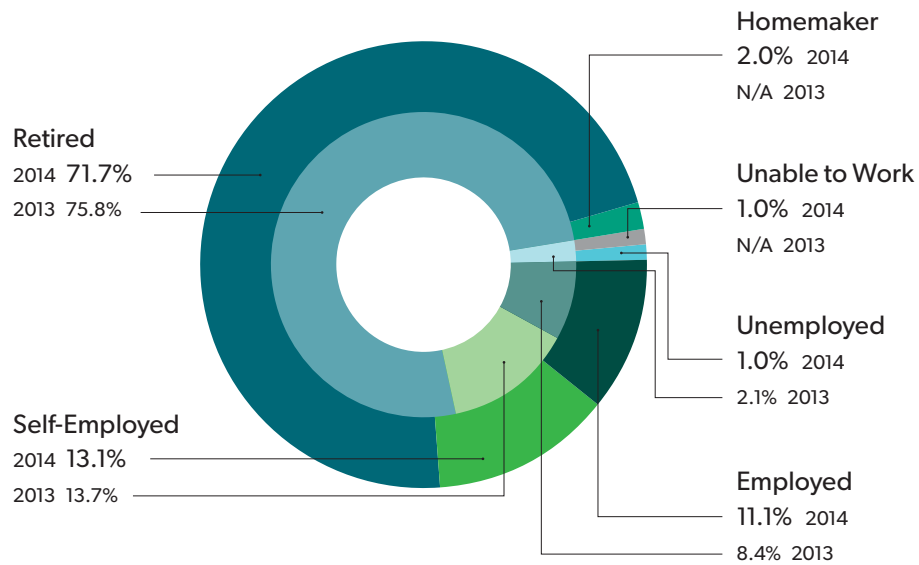
JOB STATUS



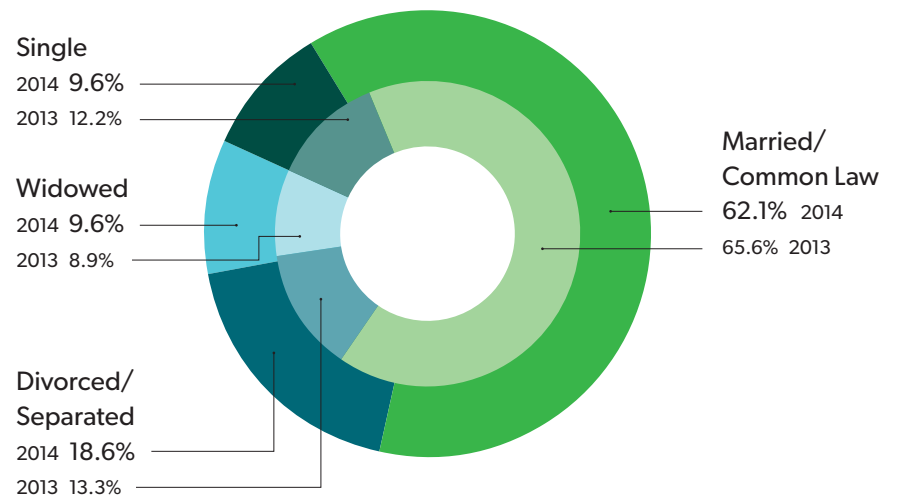
NUMBER OF CHILDREN



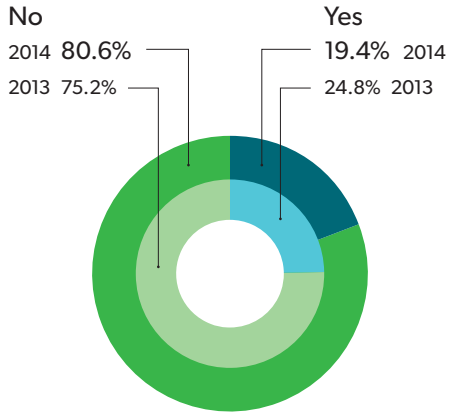
JOB STATUS (SENIORS ONLY)



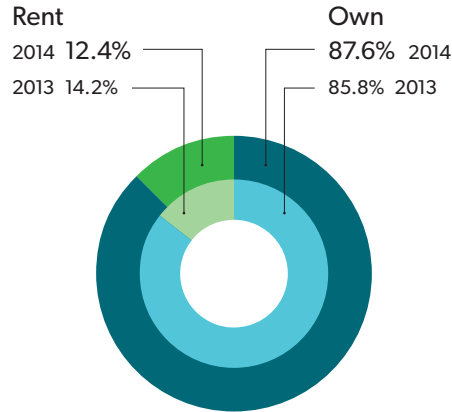
MARITAL STATUS



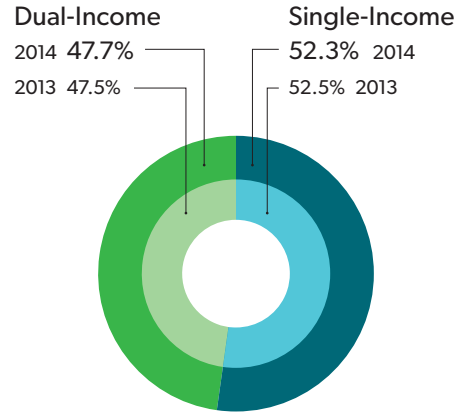
CHILDREN UNDER 18



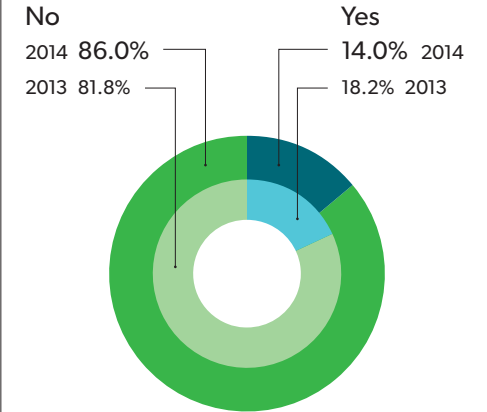
HOME OWNERSHIP



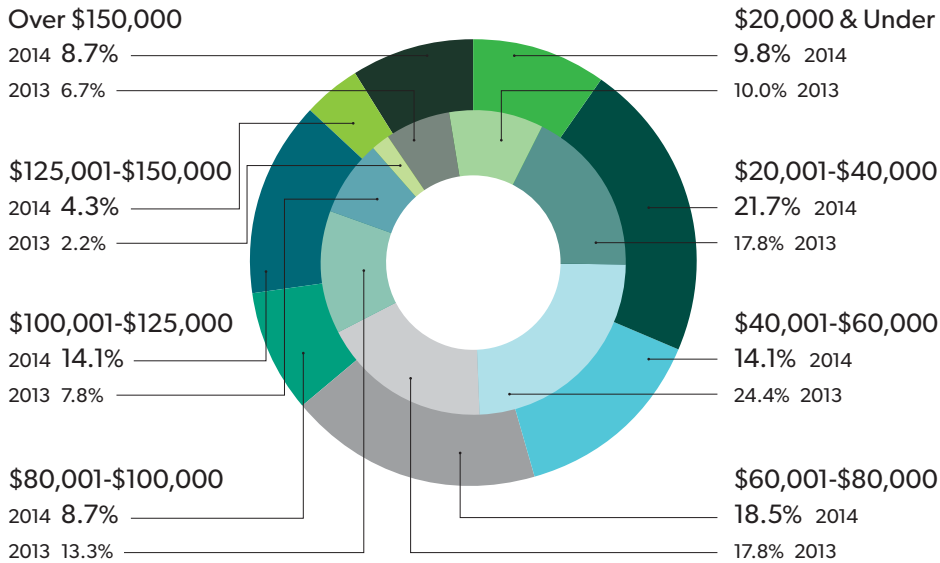
FAMILY INCOME — TYPE



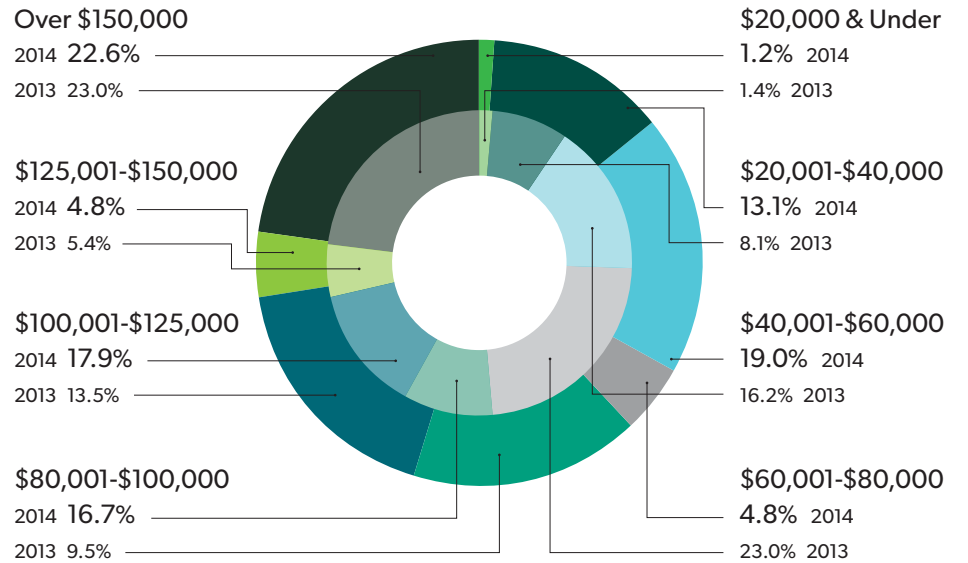
VISIBLE MINORITY



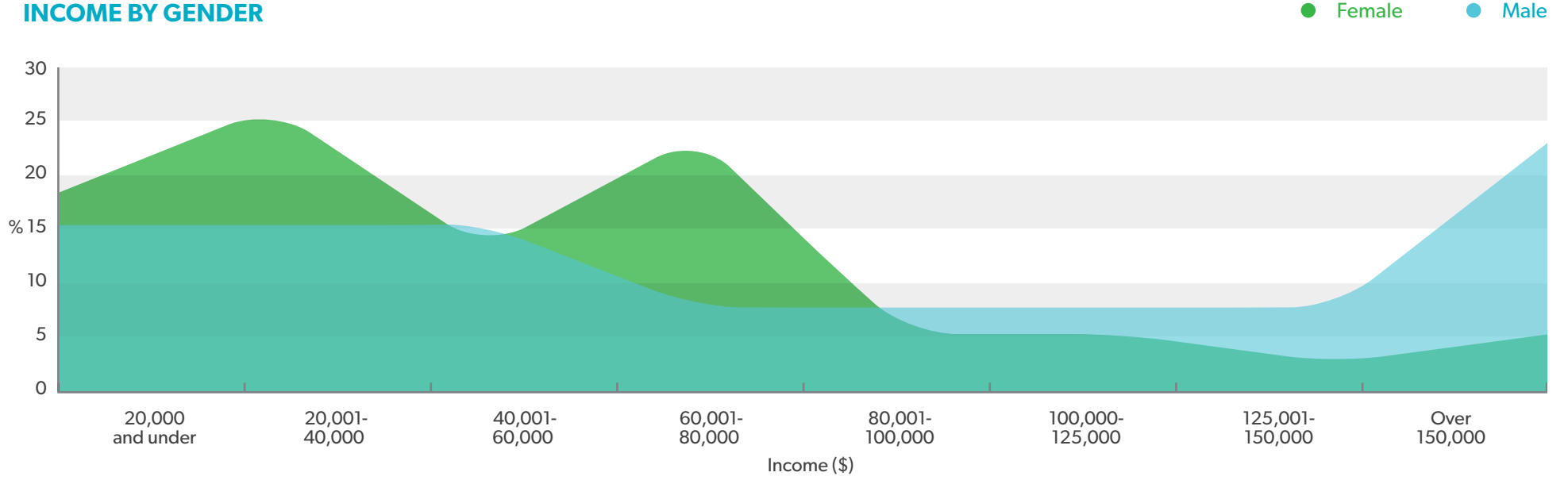
FAMILY INCOME (SINGLE-EARNER HOUSEHOLD)



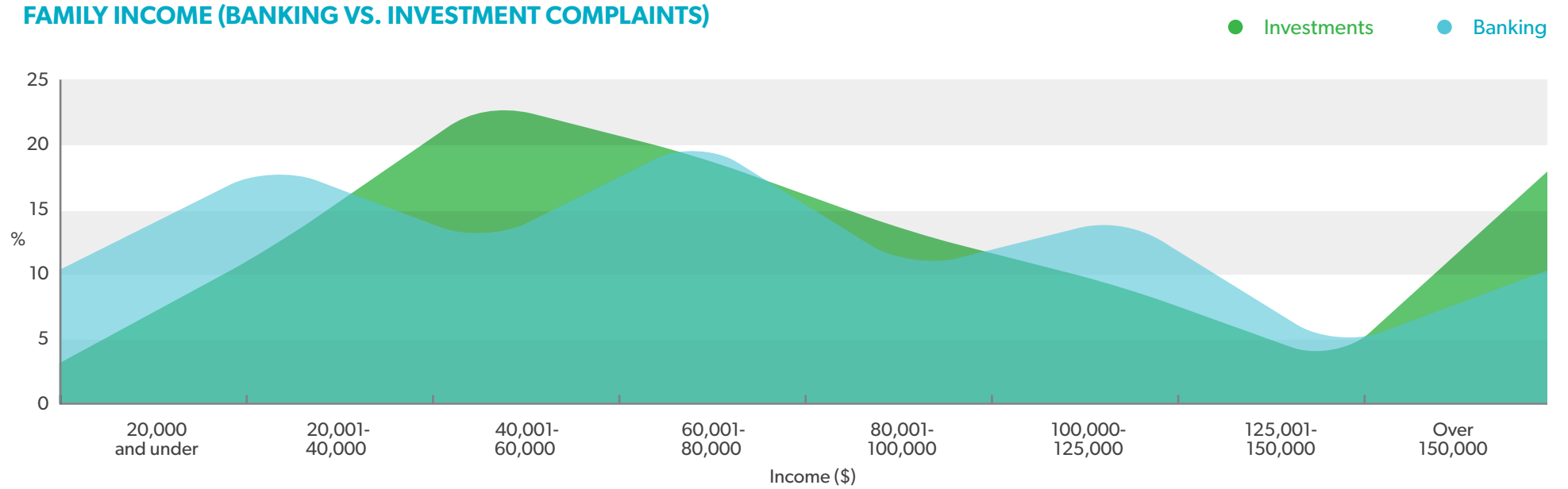
FAMILY INCOME (DUAL-EARNER HOUSEHOLD)



INCOME BY GENDER



FAMILY INCOME (BANKING VS. INVESTMENT COMPLAINTS)







Corporate Governance

Our governance structure ensures the Ombudsman and OBSI's staff are independent and impartial, and have the necessary resources to carry out their mandate.

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

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.

The search for 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. The next performance review will take place in 2015.

Strict rules prohibit the Board or 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 \$2,000. Directors also receive \$1,800 for every day of meeting they attend (\$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. The Chair of the Board of Directors also acted as Chair of the Governance and Human Resources Committee in 2014, but declined to accept the additional Committee Chair compensation for his work in that capacity.

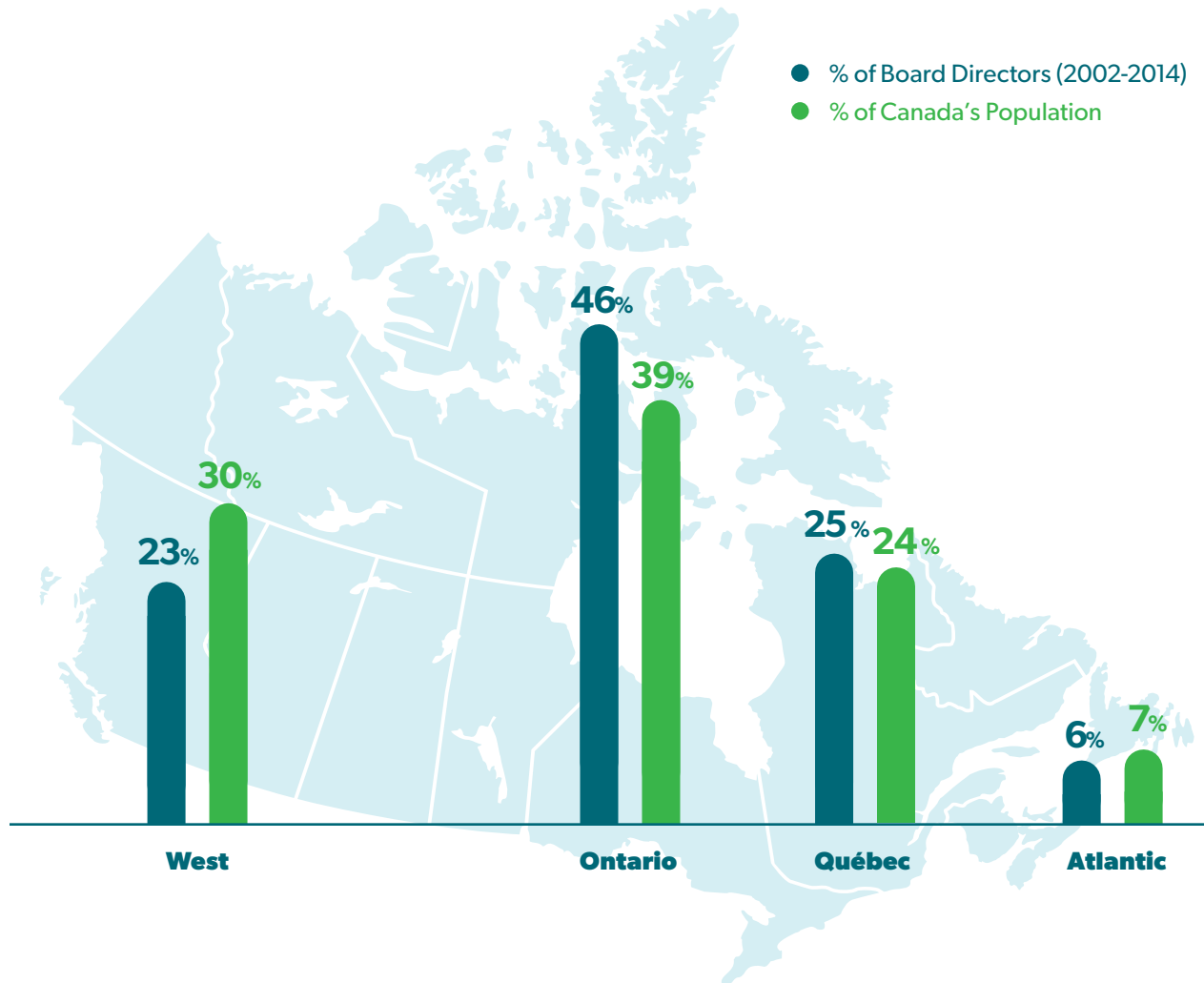
Stakeholder Engagement

Recognizing the importance of stakeholder engagement, the Board conducted several working dinners with key stakeholder groups this past year. In 2014 the Board met with representatives of the Portfolio Management Association of Canada (PMAC), the Private Capital Markets Association (PCMA), and the National Exempt Market Association (NEMA). The Board maintains an open invitation to other stakeholder groups that wish to participate in a similar working dinner, schedule permitting.

In addition to these working dinners, the Board held its annual meetings with OBSI's Consumer and Investor Advisory Council and the Joint Regulators Committee (JRC) established under the Memorandum of Understanding (MOU) with the Canadian Securities Administrators (CSA).



BOARD GEOGRAPHY



Did You Know?

In 2014, the securities regulatory authorities in Ontario, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Northwest Territories and Nunavut proposed amendments to securities rules intended to increase transparency for investors and other stakeholders regarding the representation of women on boards and in senior management of all TSX-listed issuers and other non-venture issuers.

OBSI has long recognized the value of diversity, including gender diversity, at the board level. Since 2009, at least 50% of board members have been women at any given time, even as the board saw significant turnover among directors.

OBSI's board believes that its directors should reflect the geographic diversity of Canada as much as possible. This visualization shows the percentage of directors coming from each region of Canada since OBSI's creation in 2002 as compared to those regions' current share of population.

Your Board of Directors



Fernand Bélisle
Chair

Mr. Bélisle brings to OBSI a wealth of experience navigating 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

Since 2007 Mr. Emmerton has been the Executive Director of the British Columbia Law Institute (BCLI) and Canadian Centre for Elder Law. He has served in various legal and senior executive capacities with John Labatt and Methanex Corporation and possesses a broad spectrum of knowledge in the fields of law, finance and corporate development. Mr. Emmerton was formerly a member of OBSI's Consumer and Investor Advisory Council. In 2011, he was the winner of the Western Canada ZSA/National Post Lifetime General Counsel award.



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 thirty 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.



Craig Hayman

IIROC nominee

Mr. Hayman, CFA, is a partner at Edward Jones and is responsible for Financial Advisor Talent Acquisition, Branch Team Training and Coaching, and Leading the Branch Teams. He has been with the company for 15 years in a number of senior roles, and was appointed to his current role in 2012.

Lynne Kilpatrick

CBA nominee

Ms Kilpatrick joined CIBC in 2013 as Senior Vice President Channel Strategy and Integration. Prior to that, she spent sixteen years at BMO Financial Group with six years as Senior Vice President Personal Banking in Canada with accountability for segment and customer strategies, marketing, customer experience, sales force productivity and data insights and analytics. She began her career as a business journalist working for the *Wall Street Journal* and the *Financial Times of Canada*.



Ian Lightstone

Mr. Lightstone is currently a director of MJI Global and ArtsandTV.com. He is a past member of the Board of Directors and past Chair of Bridgepoint Health Foundation, 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

Mme Martel, FCPA, FCA, 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 E. Regan MFDA nominee

Mr. Regan is Executive Vice-President and Chief Financial Officer of IGM Financial Inc. He was appointed to the role in May 2012 following just over two decades with the company in a variety of senior roles. Mr. Regan is currently on the Board of Directors of the Mutual Fund Dealers Association (MFDA) Investor Protection Corporation and the First Vice-President on the Council of the Institute of Chartered Accountants of Manitoba.

Janis Riven, LLB, BCL, MBA









































Ms Riven is a governance and compliance consultant with extensive board experience, and an adjunct professor at the John Molson School of Business at Concordia University where she teaches Corporate Governance. Prior to 2003 she worked as an executive in the financial services industry in a variety of legal and compliance roles.





Director Attendance

There were four regularly-scheduled meetings of the Board in 2014.

Board of Directors	12/03/2013	02/25/2014	05/27/2014	09/23/2014
Fernand Bélisle, Chair				
Adrian Burns				
Jim Emmerton				
Angela Ferrante				
Craig Hayman				
Lynne Kilpatrick				
Ian Lightstone				
Louise Martel				
Kevin Regan				
Janis Riven				

 Present

 Absent

























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.















In 2014, the Governance and Human Resources Committee of the Board considered matters including but not limited to the adoption of a blanket tolling agreement, OBSI's application for federal approval as an External Complaint Body and associated required changes to OBSI's policies and Terms of Reference, the onboarding process for new participating firms under NI 31-103 and obligations of OBSI under the Memorandum of Understanding with the Canadian Securities Administrators. The Committee was also responsible for updating or creating several Board governance policies and procedures.

Governance and Human Resources Committee	12/03/2013	02/25/2014	05/27/2014	09/23/2014
Fernand Bélisle, Chair				
Adrian Burns				
Angela Ferrante				
Ian Lightstone				
Kevin Regan				
Janis Riven				

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.

In 2014, the Finance and Audit Committee of the Board considered matters including but not limited to OBSI’s 2015 budget, the annual financial audit conducted by Crowe Soberman LLP, the organization’s pension obligations and performance, and a replacement for OBSI’s Case Management System.

Finance and Audit Committee	12/03/2013	02/25/2014	05/27/2014	09/23/2014
Louise Martel, Chair				
Jim Emmerton				
Craig Hayman				
Lynne Kilpatrick	N/A	N/A		

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 2013, 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 2014.





Financial Highlights

As complaint volumes stabilized in recent years, OBSI managed to deliver several budgets in a row that kept expenses, and thus participating firm fees, fairly constant. In 2014, our revenues increased primarily due to fees collected from new participating firms required to join OBSI under National Instrument 31-103 (NI 31-103).

With this expansion, OBSI took on the new mandate for investigating complaints about almost one thousand exempt market dealers, portfolio managers, and scholarship plan dealers. We also had to build the administrative capacity to directly invoice and collect fees from this large new group of participating firms, a task performed by the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) on behalf of OBSI for their members.

The cooperation from new members has been strong, with only 1.5% of new participating firms behind in paying their OBSI fees. Participating firms from other sectors, including IIROC and the MFDA, have occasionally expressed concern that they would be required to subsidize OBSI to cover non-payment of fees by new members. While our “no cross-subsidization” policy would have

precluded such a move, we hope that all participating firms take comfort from this result.

In response to calls from industry that OBSI engage in continuous process improvement, a budget line was added in 2014 that provides for investments in driving further efficiencies. The end-to-end process review led by external consultants that helped OBSI make significant gains in timeliness and efficiency metrics was one such investment. Making this commitment to continuous improvement and adding a corresponding expense line as permanent part of OBSI’s budget will continue to pay dividends in the future.

Beginning in 2015, OBSI will budget for an annual contribution to our operating reserve. As a non-profit organization, we have limited ability to manage in-year surges in complaint volumes without going back to our participating firms for

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.

an off-cycle fee increase — something we are loathe to do. A better approach is to build up a cushion in our operating reserve that allows us to mitigate the impact of unforeseen increases in complaints that cannot be managed using existing human resources. The operating reserve that had been built up over many years was completely depleted when RBC withdrew from OBSI with no notice in 2008, as the Board at the time chose not to pass along the bank's share of the budget to other participating firms. OBSI believes that now is the time to rebuild that reserve to cover any future contingencies.

This year, OBSI is undertaking a special one-time project to identify and implement a replacement for our existing Case Management System (CMS). Our existing CMS is no longer capable of handling the increased reporting and case flow requirements arising out of the expanded mandate under NI 31-103. We expect that replacing the CMS, while a large budget item this year, will quickly pay for itself in driving further efficiencies and reducing ongoing operating and change request costs.

One other new expense line in OBSI's budget is for costs associated with compliance with new regulatory requirements (federal Bank Act regulations and NI 31-103). OBSI's other expense lines have been held more or less flat, or reduced, the exception being personnel costs. Salary and benefit costs are rising according to a modest cost-of-living adjustment.

OBSI's financial statements were audited by Crowe Soberman LLP.

FISCAL YEAR ENDED OCTOBER 31	2015 BUDGETED	2014 AUDITED	2013 AUDITED	2012 AUDITED	2011 AUDITED
REVENUE					
Participating Firm Fees (Banking Services, IIROC, MFDA)	\$ 8,617,558	\$ 8,167,962	\$ 7,965,906	\$ 7,800,221	\$ 8,599,862
Participating Firm Fees (CSA Registrants)	\$ 1,070,765	\$ 164,579	\$ -	\$ -	\$ -
Interest		\$ 28,603	\$ 23,481	\$ 11,797	\$ 12,787
	\$ 9,688,323	\$ 8,361,144	\$ 7,989,387	\$ 7,812,018	\$ 8,612,649
EXPENSES					
Personnel	\$ 6,935,873	\$ 6,604,941	\$ 5,446,554	\$ 5,792,229	\$ 5,830,726
Director Fees and Expenses	\$ 351,450	\$ 279,422	\$ 298,875	\$ 844,271	\$ 384,734
Rent and Operating Costs	\$ 350,000	\$ 304,710	\$ 298,202	\$ 313,372	\$ 305,169
Marketing and Membership	\$ 228,400	\$ 154,159	\$ 102,137	\$ 136,940	\$ 171,414
Supplies, Services and Travel	\$ 147,500	\$ 121,967	\$ 106,644	\$ 119,828	\$ 128,442
Telephone	\$ 80,000	\$ 69,097	\$ 74,588	\$ 85,004	\$ 88,555
Information Technology and Support	\$ 215,000	\$ 138,223	\$ 142,613	\$ 117,727	\$ 122,829
Corporate Administrative	\$ 144,000	\$ 117,048	\$ 111,381	\$ 115,806	\$ 88,065
Legal	\$ 206,500	\$ 156,186	\$ 126,872	\$ 155,059	\$ 175,486
Insurance	\$ 13,500	\$ 12,847	\$ 12,847	\$ 11,891	\$ 11,896
Audit	\$ 31,000	\$ 33,900	\$ 46,387	\$ 26,725	\$ 25,425
Process Efficiency and Innovation	\$ 35,000	\$ 32,571	\$ -	\$ -	\$ -
Consultants	\$ 34,100	\$ 93,215	\$ 120,469	\$ 23,424	\$ 29,115
Contribution to Operating Reserve	\$ 300,000	\$ -	\$ -	\$ -	\$ -
Other	\$ 2,000	\$ 3,465	\$ (3,105)*	\$ (10,273)*	\$ 33,005
Amortization	\$ -	\$ 93,408	\$ 111,873	\$ 79,967	\$ 88,017
	\$ 9,074,323	\$ 8,215,159	\$ 6,996,337	\$ 7,811,970	\$ 7,482,878
One-Time Projects	\$ 614,000		\$ -	\$ -	\$ 932,312
Total Expenses	\$ 9,688,323	\$ 8,215,159	\$ 6,996,337	\$ 7,811,970	\$ 8,415,190
Excess of Revenue over Expenses	\$ -	\$ 145,985	\$ 993,050	\$ 48	\$ 197,459

* Accounts receivable (participating firm fees) previously written off that were collected



Complaint Statistics

OPENED CASE FILES

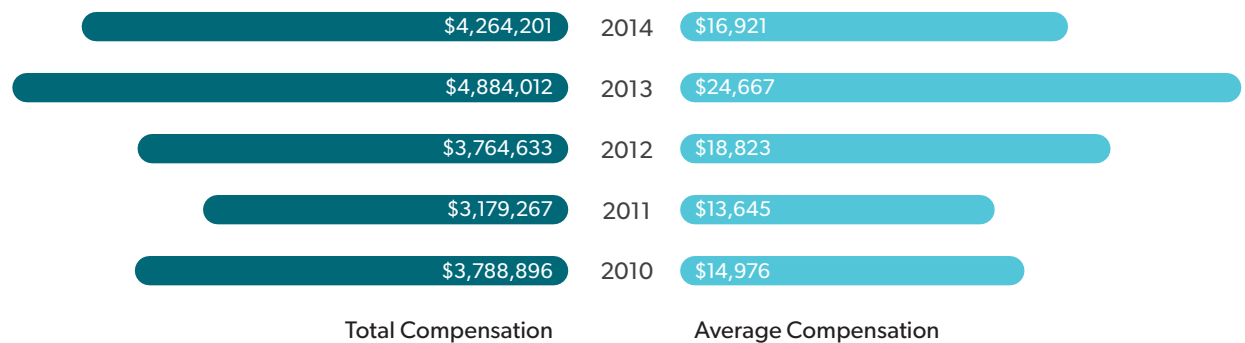
Year	Total	Banking	Investments
2014	570	225	345
2013	641	207	434
2012	656	210	446
2011	802	397	405
2010	1024	462	562

COMPENSATION

	Total	Average	Median	Lowest	Highest	# of Case Files
Banking	\$ 151,793	\$ 4,897	\$ 1,021	\$ 90	\$ 44,036	31
Investments	\$ 4,112,408	\$ 18,608	\$ 8,300	\$ 141	\$ 181,178	221
ALL	\$ 4,264,201	\$ 16,921	\$ 6,025	\$ 90	\$ 181,178	252

In 2014, 252 case files ended with monetary compensation to the client, worth a total of \$4,264,201. This represents 33% of all closed case files. Fourteen percent of banking complaints (31 of 223) and 42% of investment complaints (252 of 531) ended with monetary compensation. In addition, nine complaints ended in some form of non-monetary restitution, four banking and five investment complaints. In 2014, eight case files ended with firms refusing to compensate their clients, representing 1.1% of all closed files.

The total amount of compensation paid out after an OBSI recommendation and the average settlement amounts have followed a similar trend in recent years. After dipping slightly in 2011, both amounts increased over the next two years, peaking in 2013 and then declining again in 2014.



INQUIRIES

Top 10 Firms

Firm*	# of Inquiries	% of Total
Scotia	742	14%
BMO	603	11%
TD	437	8%
CIBC	427	8%
RBC	334	6%
Capital One Bank	300	6%
Canadian Tire	258	5%
National	246	5%
HSBC	174	3%
Laurentian	136	3%

* Includes any banking or investment affiliates and subsidiaries.

Non-Member Banks

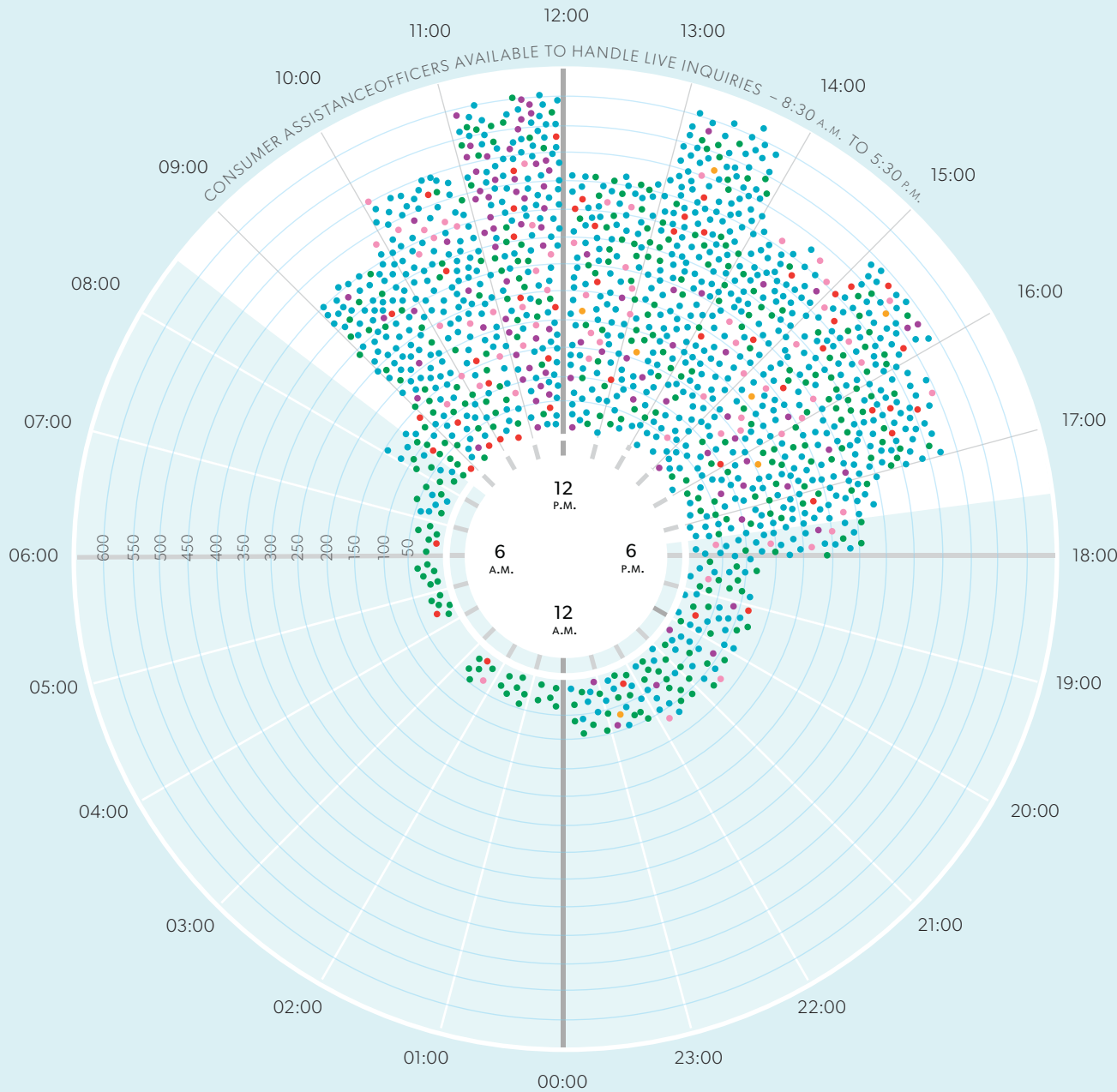
Bank	# of Inquiries
Direct Cash Bank	2
RBC Royal Bank	260
TD Canada Trust	355
TOTAL	617

Channel

	#	%
Email	1475	27%
Fax	270	5%
Mail/Courier	272	5%
On-line	398	7%
Phone	2973	55%
Walk-in	10	0%
TOTAL	5398	99%

Percentages do not add up to 100% due to rounding.

TIME OF INITIAL CONTACTS AND INQUIRIES



OBSI and the financial regulators who oversee us understand the importance of ensuring that those individuals who need to access OBSI can, regardless of individual circumstances that pose challenges. These might include the inability to communicate in English or French, or an unfamiliarity with new technology. But time and schedule limitations also matter.

OBSI’s initial contacts and inquiries come at all times of the day. While we can’t be available to receive live inquiries twenty-four hours a day, the data does show us the importance of continuing to make our complaint intake systems as accessible as possible to accommodate Canadians’ busy lives and varied schedules. This means providing multiple channels to submit inquiries and complaints, and ensuring that each of these channels are accessible and easy to use.

Where Do Our Complaints Come From?

As a national service, OBSI gets complaints from coast to coast to coast. We also see files from customers of participating firms who live abroad who have banking and investment relationships with firms in Canada.

This table compares the percentage of complaints received by OBSI by province or territory. The proportionately lower number in Québec reflects the fact that the Caisses populaires Desjardins do not participate in OBSI for banking services and the province’s Autorité des marchés financiers provides investors with a redress mechanism that does not exist in other jurisdictions.

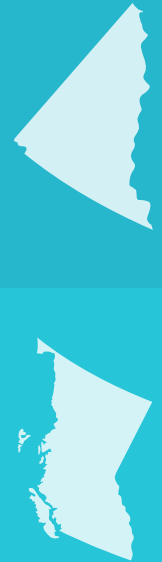
Percentages do not add up to 100% due to rounding.

Ontario	51%
British Columbia	17%
Québec	12%
Alberta	8%
Manitoba	5%
Saskatchewan	3%
Nova Scotia	2%
New Brunswick	1%
Newfoundland and Labrador	1%
International	1%
Prince Edward Island	0%
Nunavut	0%
Northwest Territories	0%
Yukon Territory	0%

YUKON

0 cases

Banking 0
Investments 0



BRITISH COLUMBIA

96 cases

Banking 24
Investments 72

NORTHWEST TERRITORIES

0 cases

Banking 0
Investments 0



NUNAVUT

0 cases

Banking 0
Investments 0



NEWFOUNDLAND AND LABRADOR

4 cases

Banking 1
Investments 3



PRINCE EDWARD ISLAND

0 cases

Banking 0
Investments 0



NOVA SCOTIA

14 cases

Banking 6
Investments 8



NEW BRUNSWICK

6 cases

Banking 3
Investments 3



ALBERTA

43 cases

Banking 24
Investments 19

SASKATCHEWAN

17 cases

Banking 3
Investments 14

MANITOBA

26 cases

Banking 4
Investments 22

ONTARIO

292 cases

Banking 101
Investments 191

QUÉBEC

69 cases

Banking 57
Investments 12

INTERNATIONAL

3 cases

Banking 2
Investments 1

TIME FRAMES

Banking

Effective September 2013, OBSI adopted the federal government’s standards for the reporting of complaint resolution timeliness by External Complaint Bodies (ECBs), even though the applicable regulations do not yet apply to OBSI. 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.

	Average number of days to close case file
Straightforward investigations	38.6
All investigations	69.4

Benchmark	Number of Banking Case Files	Percentage of Total
≤ 120 Days	223	100.0%
> 120 Days	0	0.0%

Investments

OBSI reports on investment complaint time frames using different benchmarks than that required by the federal government for banking complaints. Information on the definitions used in OBSI’s reporting is found below and on the next page.

It is important to note that, compared to banking complaints, investment complaints are usually more complex and time-consuming to investigate. Because of this, comparisons should not be made between the two time measurements.

Straightforward Investigations

	Phase 1: Intake and Assessment	Phase 2: OBSI Investigation	Phase 3: Firm/Client Decision-Making	Total Per File Average
Average time spent in phase (days)	83.0	35.9	10.0	119.1

All Investigations

	Phase 1: Intake and Assessment	Phase 2: OBSI Investigation	Phase 3: Firm/Client Decision-Making	Total Per File Average
Average time spent in phase (days)	156.9	117.9	103.3	319.2

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.
- Includes any delays resulting from an increase in complaint volumes or insufficient funding and staffing resources that delay the assignment of the file to an investigator.

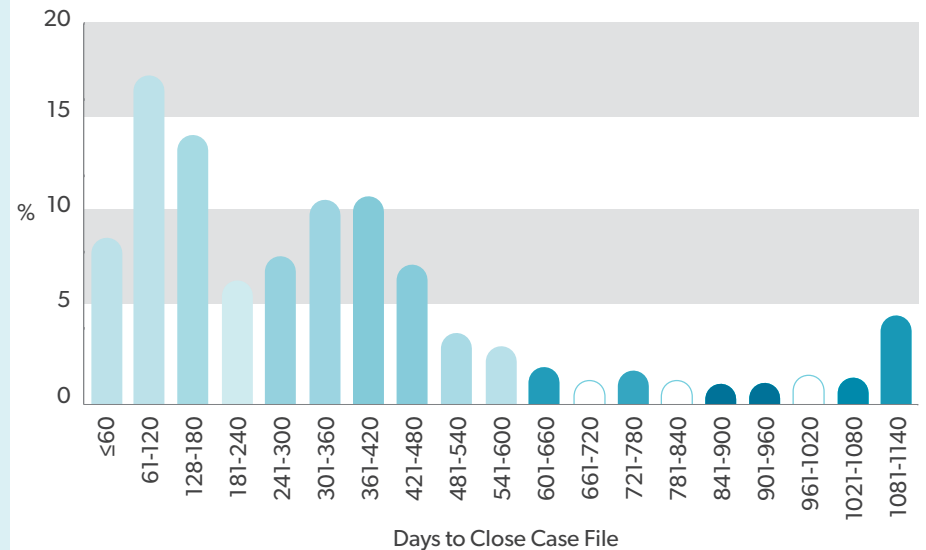
Phase 2: OBSI Investigation

- 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.

INVESTMENTS



The darker the shade, the greater the proportion of cases involving smaller firms.

Benchmark	Number of Investment Case Files	Percentage of Total
≤ 180 Days	223	41.4%
> 180 Days	316	58.6%
TOTAL	539	100.0%

PRODUCTS AND ISSUES

Banking Products

Product	Main Product	Secondary Product	Product	Main Product	Secondary Product			
Cheque	5	1	Loan—Conditional Sale Agreement	5	0			
Cheque—Bank Draft	6	0						
Credit Card	42	3	Loan—Home Equity Loan	1	0			
Debit Card	6	1						
Insurance—CMHC/GE	0	1	Loan—Line of Credit	12	2			
Insurance—Critical Illness	1	0	Loan—Mortgage	47	8			
			Loan—Other	1	0			
Insurance—Disability	2	1	Loan—Personal	3	0			
Insurance—Life	1	3	Other	7	2			
Insurance—Travel	1	0	Safety Deposit Box	5	1			
Investment—GIC/Term Deposit	9	1	Transaction Account—Commercial	6	2			
Investment—GIC: Index Linked	1	0	Transaction Account—Estate	2	0			
Investment—Mutual Funds	0	1	Transaction Account—In Trust	1	0			
Investment—RESP (REEE)	1	0	Transaction Account—Joint	5	1			
Investment—RRSP	8	1	Transaction Account—Personal	33	4			
Investment—Tax-Free Saving Account (TFSA/CELI)	3	0				Transfer—Electronic	0	1
						Transfer—Wire/SWIFT	2	0
Loan—Car	2	0						
Loan—Commercial	5	1						

Banking Issues

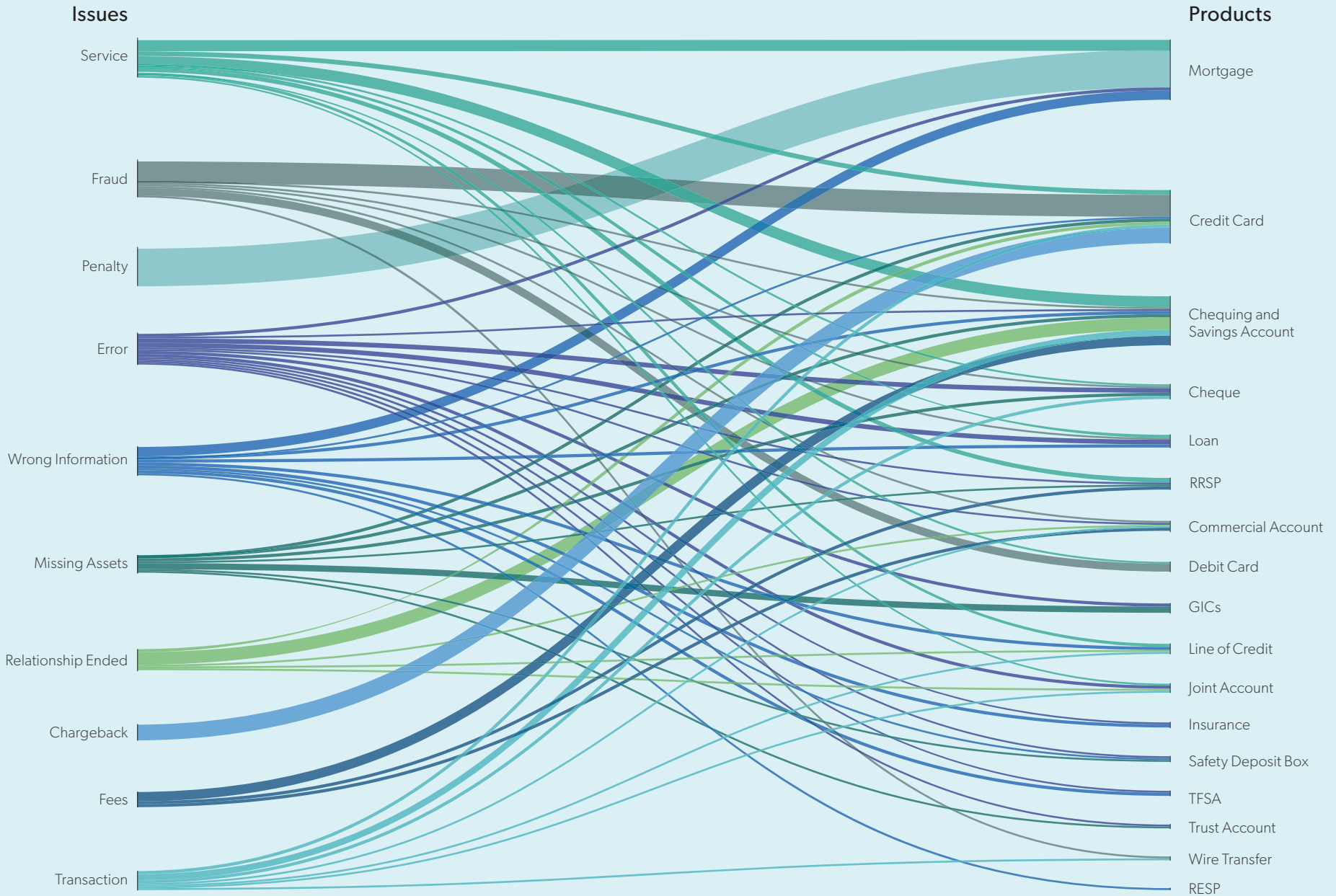
Issue Type	Main Issue	Secondary Issue	Issue Type	Main Issue	Secondary Issue
Change of Address	0	1	Overpayment Scheme	1	0
Chargeback	11	0			
Cheque—Endorsement	1	0	Partner/Spouse Issues	0	7
Claim Denied	2	0	Penalty	24	4
Collection	9	6	Portability	1	4
Credit Report Rating	3	5	Power of Attorney	3	0
Daily Limit	1	0	Premiums	2	2
Dementia/Mental Incapacity	0	1	Privacy	6	5
			Product Modification	4	3
Disclosure	1	2	Relationship Ended	13	3
Elder Abuse	0	3	Rewards	0	1
Error—Bank	16	8	Right of Survivorship	0	1
Error—Client	1	0	Risk/Business Decision	5	5
Error—Third Party	0	2			
Fees	11	4	Service	25	16
Fraud	23	5	Stop Payment	2	1
Gambling	1	0	Transaction—Direct Deposit	0	1
Guarantor/Security	3	2			
Hold on Funds	1	1	Transaction—Foreign Exchange	2	0
Information—Incomplete/Wrong/Misrepresentation	19	10	Transaction—Online	1	0
			Transaction—Pre-Authorised Debit	1	1
			Transaction—Unauthorized	6	2
Interest Rate	9	0			
Leverage/Excess	1	0			
Misleading Publicity/Promotion	0	1			
Missing or Lost Funds/Assets	14	5			



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BANKING COMPLAINT ISSUE AND PRODUCT LINKAGES

Top 10 Issues



The thicker the line, the greater the number of complaints

PRODUCTS AND ISSUES, CONTINUED

Investment Products

Product	Main Product	Secondary Product	Product	Main Product	Secondary Product
Bonds, Debentures	19	7	Loans—RRSP	1	0
Common Shares	141	26	Mutual Funds	259	22
Derivatives: Options, Futures, Warrants	4	2	Options, Derivatives	3	0
			Other	21	5
Exchange-Traded Funds (ETFs)	12	7	Preferred Shares	9	7
			Principal-Protected Notes (PPNs)	2	1
Guaranteed Investment Certificates (GICs)	4	2	Private Placement Equity Securities (Funds, Preferred or Common Shares)	1	0
			Return of Capital Structured Products	1	0
Hedge Funds	5	2	Scholarship Trust Plans	28	0
Income Trusts	8	9	Segregated Funds And Other Insurance Products	2	3
Labour Sponsored Funds	2	4			
Leveraged Exchange-Traded Funds	1	1			
Limited Partnerships (Flow-Throughs)	15	7			
Linked Notes	0	1			

Investment Issues

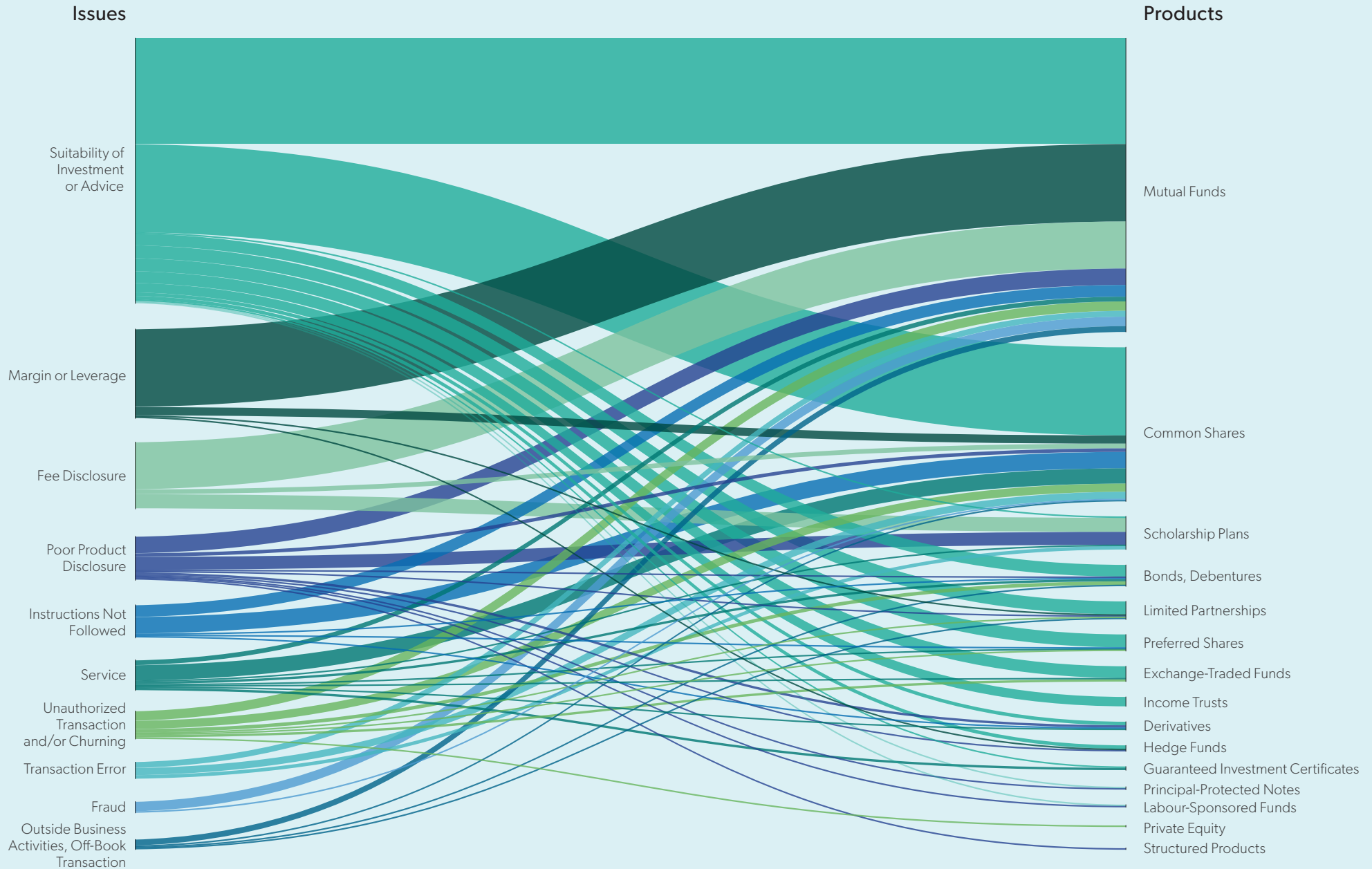
Issue Type	Main Issue	Secondary Issue	Issue Type	Main Issue	Secondary Issue
Fee Disclosure (DSC, LL, Management, Administration Fee)	58	53	Outside Business Activities, Off-Book Transaction	13	6
Fraud (Theft/Forgery)	9	3	Performance	7	30
Inappropriate Advice (e.g. RRSP Contribution)	12	6	Power of Attorney	3	1
			Privacy	1	2
			Service	26	46
Inappropriate Investment Strategy	6	5	Suitability	205	69
			Suitability of Margin or Leverage	69	21
Incomplete or Inaccurate Disclosure About a Product	38	38	Transaction Errors	14	4
			Transfer Delay	11	10
Instructions Not Followed	31	13	Unauthorized Transaction and/or Churning	25	32
Leverage/Excess	1	4			
Margin Issues	6	1			
Other	4	5			



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INVESTMENT COMPLAINT ISSUE AND PRODUCT LINKAGES

Top 10 Issues



OPENED CASE FILES BY SECTOR AND FIRM

Banking Services

Firm	Cases	Firm	Cases
Alterna Savings	1	Innovation Credit Union	1
Amex Bank of Canada	4	JP Morgan Chase Bank N.A. Canada	2
B2B Bank	2		
Bank of China	1	Laurentian Bank	9
Bank of Montreal	38	Manulife Bank of Canada	1
Canadian Tire Bank	3	National Bank of Canada	17
Capital One Bank	5	Northern Trust Company	1
CIBC	37	President's Choice Bank	1
Citibank	1	Scotiabank	81
Concentra Trust	1	Servus Credit Union Ltd.	1
Crossroads Credit Union	1	State Bank of India	1
Home Trust Company	2	Tangerine Bank	7
HSBC Bank Canada	5	Walmart Canada Bank	1
ICICI Bank Canada	1	TOTAL	225

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.

Investments — IIROC-Regulated

Firm	Cases	Firm	Cases
Argosy Securities Inc.	1	National Bank Direct Brokerage Inc.	2
Assante Capital Management Ltd.	5	National Bank Financial Inc.	28
B2B Bank Securities Services Inc.	1	Odlum Brown Ltd.	2
BMO InvestorLine Inc.	3	PI Financial Corp.	2
BMO Nesbitt Burns Inc.	9	Qtrade Securities Inc.	1
Burgeonvest Bick Securities Ltd.	2	Questrade Inc.	1
Canaccord Genuity Corp.	16	Raymond James Ltd.	18
CIBC Investor Services Inc.	3	RBC Direct Investing	3
CIBC World Markets Inc.	8	RBC Dominion Securities Inc.	13
Credential Securities Inc.	2	Richardson GMP Ltd.	12
Edward Jones	9	Scotia Capital	23
Hampton Securities Ltd.	2	Secutor Capital Management Corp.	1
Haywood Securities Inc.	1	Sprott Private Wealth LP	1
HSBC Securities (Canada) Inc.	3	TD Waterhouse Canada Inc.	14
Investors Group Securities Inc.	1	Wolverton Securities Ltd.	2
Mackie Research Capital Corp.	5	TOTAL	199
Manulife Securities Inc.	5		

Investments — MFDA-Regulated

Firm	Cases	Firm	Cases
Armstrong & Quail Associates Inc.	1	Monarch Wealth Corporation	2
BMO Investments Inc.	2	PFSL Investments Canada Ltd.	6
Carte Wealth Management	1	Qtrade Asset Management	1
Desjardins Financial Security Investments	1	Quadrus Investment Services Ltd.	5
		Royal Mutual Funds Inc.	4
Equity Associates Inc.	1	Scotia Securities Inc.	4
FundEX Investments Inc.	8	Sentinel Financial Management Corp.	5
Global Maxfin Investments Inc.	2		
HollisWealth Advisory Services Inc.	4	Sterling Mutuals Inc.	3
HSBC Investment Funds (Canada) Inc.	1	Sun Life Financial Investment Services (Canada) Inc.	2
Independent Planning Group Inc.	1		
Investia Financial Services Inc.	7	TD Investment Services Inc.	1
Investors Group Financial Services	29	Transamerica Securities Inc.	9
IPC Investment Corporation	6	Worldsource Financial Management Inc.	5
Keybase Financial Group	2		
Manulife Securities Investment Services Inc.	4	TOTAL	117

Investments — Portfolio Managers

Firm	Cases
AGF Investments Inc.	1
IA Clarington Investments Inc.	1
TOTAL	2

Investments — Exempt Market Dealers

Firm	Cases
Fisgard Asset Management Corp.	1
HDL Capital Corp.	1
Trapeze Capital Corp.	1
TOTAL	3

Investments — Investment Fund Managers

Firm	Cases
Cardinal Capital Management Inc.	1
TOTAL	1

Investments — Scholarship Plan Dealers

Firm	Cases
Children's Education Funds Inc.	1
CST Consultants Inc.	4
Global RESP Corp.	1
Heritage Education Funds Inc.	12
Knowledge First Financial Inc.	4
TOTAL	22

Investments — Other

Firm	Cases
Laurentian Bank	1
TOTAL	1



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