



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

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July 22, 2011

**VIA EMAIL**

Mr. Tyler Fleming

Director, Stakeholder Relations and Communications

Suite 1505 - 401 Bay Street

P.O. Box 5

Toronto, ON, M5H 2Y4

Dear Mr. Fleming:

**Re: OBSI Consultation Paper on Suitability and Loss Assessment Process**

We are writing to provide comments of the Members of The Investment Funds Institute of Canada ("IFIC") with respect to the May 26, 2011 publication of the "Consultation Paper on Suitability and Loss Assessment Process" (the "Consultation Paper") by the Ombudsman for Banking Services and Investments ("OBSI").

While IFIC broadly supports OBSI's engagement of the industry on loss calculation standards, the industry does have concerns with how such methodologies are applied in practice, as well as the other aspects relating to the organization's operations. These concerns were shared with OBSI in the consultations committee struck by OBSI and participated in by Members of IIAC and IFIC last year, and, were outlined in a letter sent by IIAC on July 20, 2010.

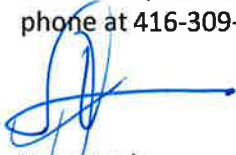
As articulated in the July 20<sup>th</sup> letter, industry concerns relate to OBSI's exercise of discretion and judgment in weighing issues of credibility and the application of legal and regulatory principles in the resolution of investor disputes. In particular, OBSI staff appear to substitute their own assessment of a client's risk profile and investment objectives over those accepted and signed by the client in the Know Your Client (KYC) document. Thus, in order to ensure a consistent standard of fairness in its compensation recommendations, IFIC suggests OBSI's complaint handling regime rely on legal and regulatory principles and be adjudicated by investigators with extensive industry experience and product knowledge.

We believe the use of notional KYC and the development of notional portfolios should only be applied in extreme cases or when advisors have a legal fiduciary duty. Given OBSI's investigation standards which exclude the rigor associated with the judicial process, the application of a notional approach becomes highly subjective and counter to OBSI's fairness standard.

Mr. Tyler Flemming  
*OBSI Consultation Paper on Suitability and Loss*  
July 22, 2011

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Thank you for providing our Members with an opportunity to comment. Should you have any questions or wish to discuss these comments, please contact me directly by phone at 416-309-2300 or by email at [jdelarentiis@ific.ca](mailto:jdelarentiis@ific.ca) or Jon Cockerline, Director – Policy, Dealer Issues by phone at 416-309-2327 or by email at [jcockerline@ific.ca](mailto:jcockerline@ific.ca).



Yours truly,  
THE INVESTMENT FUNDS INSTITUTE OF CANADA