

Agenda

OBSI Meeting with Industry Associations

November 25, 2024

Time: 2:00pm – 3:30pm

Location:

Teams Video Conference

DIAL-IN DETAILS:

See Email Invitation

OBSI Presenters:

Sarah Bradley, Ombudsman & CEO

Rob Paddick, Deputy Ombudsman

Mark Wright, Director, Communications
& Stakeholder Relations

**See Appendix for the list of participating
Industry Associations**

Mark Wright – Welcome

- Agenda
 - o Sixth month update – Sarah Bradley
 - o Governance update – Mark Wright
 - o Recent case updates – Rob Paddick
 - o General questions
- Introduction of presenters
- Introduction of other OBSI staff and board members attending the call

Sarah Bradley – Key operational highlights from 2024

In 2024, our key defining environmental factors continued to be:

- Continuing historically high demand for our services – in both banking and investments, but most dramatically in the banking sector
- Active policy/regulatory environment – most notably the single ECB (External Complaints Body) commitment and binding authority for securities

1. Continuing exceptionally high demand:

- In 2024, OBSI responded to the highest levels of demand the organization has experienced in its 29-year history.
 - Historically high inquiry volumes – this year, over 16,000 Canadians reached out to us for assistance and information, a number we expect to climb to over 20,000 in 2025.
 - o Our Case Assessment Team has done an excellent job in responding to these inquiries. Their work involves providing information and assistance to those who have reached out to us, making mandate assessments and for complaints that are within our

- mandate, working with consumers and firms to make sure we have the information we need to get our investigations started.
- Record high case volumes – in 2024 we opened over 3,200 cases – which was another record high - more than triple the volumes we saw in the Financial Crisis and in the first year of the pandemic.
 - o Case and inquiry volume in 2024 was led by banking – this was largely as a result of the important regulatory changes in the Bank Act that came into force in 2022. These changes were intended to and, in fact, have reduced complainant attrition significantly – we are seeing dramatically more cases, and cases are reaching us at an earlier point.
 - o Investments cases have remained very close to last year’s record high levels.
 - o This surge presented a huge challenge to our organization over the past two years – and I am proud to say that we have been able to meet this challenge well.
 - o Our approach to the challenge of such a sudden increase in demand had two major components: Efficiency improvements and growth.
 - On the efficiency front - our investigative teams and analyst teams have been doing a fantastic job investigating these cases.
 - o We have dramatically improved our productivity and efficiency – our total cases closed have nearly doubled, which increased 75% from over 2,000 last year to over 3,700 this year. This is the second consecutive year of case volume doubling from approximately 1,000 in 2022 to 2,100 in 2023 and over 3,700 this year. The trend line of our case closings is nearly vertical.
 - o And our per investigator efficiency also increased by over 75% from 2022 levels.
 - We were also able to maintain high levels of employee engagement and morale.
 - o Our time to complete a case has reached all-time lows in 2024:
 - Banking cases took us an average of 36 days to close – 29 days for straightforward cases - down over 30% from 2022 levels.
 - Investment cases took an average of 57 days – 30 days for straightforward cases – this is down almost 30% from 2022 levels.
 - o We have been able to drive this increased productivity through a number of initiatives:
 - From streamlining our case management system to boosting our case guidance and templates for common communications.
 - Implementing a FastTrack case approach to ensure that our investigations are proportionate to the complaints and that we have removed any unnecessary processes and focusing on arriving at a fair outcome as efficiently as possible, while maintaining our investigative and communication quality and our data integrity.
 - We spoke about these efficiency initiatives more fully at our last industry associations meeting, but they continue to be effective and we continue to refine them as appropriate.
 - Growth: With increases in demand this significant, efficiency is not the whole solution. We have a need to increase our Case Assessment and Investigative team complements considerably.
 - o We expanded our workforce to both deal with the 2024 case volumes and also to ensure our capability to fulfill our new mandate as the single ombudsman for banking in Canada.

- To keep up with this growth in demand for our services, in 2024 we added over 35 staff to our case management and investigative teams.
- Fees: This growth has impacted our expenses and is reflected in increased fees for 2025, primarily for participating banks.
 - Fees are top of mind for all participating firms and are driven by a number of factors:
 - Overall budget
 - Each sector's relative case volume, compared to other sectors
 - Invoices for 2024 have been sent or the invitation to log into the portal has been issued
 - Fees for 2024 are:
 - up very significantly for banking – a reflection of both a higher budget and a larger proportion of the compliant volume now attributable to the banking sector
 - down significantly for CRO firms – despite very high compliant volumes, lower proportion of total complaints
 - and up moderately for other sectors
 - An important consideration to keep in mind – is that, while we have grown significantly, we have also recognized significant economies of scale and scope:
 - Compared to 2022, in 2025 we will complete approximately 400% or 5 times the number of case volumes, with approximately a doubling of our budget.
 - 5 times the cases with only double the funding.

2. Progress to our strategic plan

- OBSI's strategic plan for 2022–2026 contains three interconnected and mutually supporting success pillars and related objectives. Together, these provide a foundation for OBSI to thrive as a resilient, successful organization.
 - Each year, our annual operating plans and key initiatives will align to these pillars, with any necessary adjustments to address new issues.
- SUCCESS PILLAR #1: PUBLIC ASSISTANCE AND DISPUTE RESOLUTION
 - OBSI provides information services to assist consumers who reach out to us with a complaint, and we conduct fair, efficient, and effective investigations of disputes between consumers and participating firms.
 - Most notable objective is to explore innovative dispute resolution approaches to drive efficiency and effectiveness – we have done a great deal in this area in 2023 and 2024, as I have described.
- SUCCESS PILLAR #2: COMMUNICATION, AWARENESS AND THOUGHT LEADERSHIP
 - OBSI works to improve awareness and share our expertise and experience to increase trust and strengthen the financial services sector in the public interest.
 - Ensuring awareness – search engine optimization work continues – website traffic is up 15% year over year – on top of the 30% increase in 2023
 - Thought leadership – participation in binding authority consultation and the Department of Finance banking sector consultation
 - Continuing to improve our digital tools – Data Cube, banking case disclosure page and Firm & Consumer Portals
 - Launching a new website on a new platform

- SUCCESS PILLAR #3: ORGANIZATIONAL RESILIENCE AND CONTINUOUS IMPROVEMENT
 - o OBSI is efficient and effective and adapts to changes in the financial services sector and our operating environment.
 - o Includes providing high value services to participating firms that reflect OBSI's overall value proposition.
 - Upgrades to our firm & consumer portals based on feedback received
 - Improvements to upload capabilities to improve user experience
 - Improvements to firm reporting that can be accessed through the portal to give more self-serve options
 - Adding email for MFA (instead of just cell phones)
 - o New Intranet for our staff – built on the SharePoint system, allowing more seamless communication and access to our knowledge database

3. Policy and regulatory environment

- CSA (Canada Securities Administrators) committed in 2022 to developing a proposal for comment that contemplates providing OBSI with binding authority, which regulators published for public comment late last year.
 - o The comment period closed earlier in the year – with comments from industry and consumer stakeholders largely consistent with our expectations.
 - o It is our understanding that the binding authority working group has continued its activities throughout the year. Working on consideration of the feedback received and details of a proposed framework.
 - o Recently published a bulletin committing to a further round of consultation in the second half of 2025.
- Federal:
 - o In October 2023, the Minister of Finance announced the designation of OBSI to be the sole External Complaint Body (“ECB”) for Canadian Banks, effective November 1, 2024.
 - o Throughout 2024, OBSI worked with the FCAC, the returning and continuing banks, as well as the Canadian Bankers Association and ADRBO to develop an Operational Transition Plan and ensure a smooth transition.

Performance under the Single-ECB Operational Transition Plan

- The transition plan was developed for the purpose of delivering the following results by Nov 1:
 - A. OBSI is fully operationally capable of managing the intake and investigation of all escalated complaints for all Canadian Banks within the timeframes established in the Bank Act.
 - a. This objective required:
 - i. All cases waiting for assignment to an investigator are being assigned within 10 business days (this was achieved in Q2 of 2024).
 - ii. Sufficient staff have been hired and trained to address anticipated case volumes (this has been achieved).
 - iii. A fair methodology for transition cost recovery has been established (this was accomplished in Q2 through the cooperation and collaboration of all returning banks).

- B. All Transitioning Banks have appropriate systems and communications in place to support their customers' ability to escalate to OBSI.
 - a. This objective required:
 - i. All client-facing communications referencing complaint processes have been reviewed and updated
 - ii. All internal documentation and staff training materials and processes have been reviewed and updated.
 - iii. Sufficient human and technological resources have been committed to ensuring that OBSI investigations can proceed in a timely manner.
 - iv. Internal transition plans have been prepared by each Transitioning Bank, reflecting their unique operational systems. OBSI and FCAC will provide support in this planning as needed
 - b. All transitioning banks completed these obligations in a timely manner
- C. Consumers who escalate complaints during the transition period are treated fairly.
 - a. This objective required:
 - i. Consumers have been provided with appropriate and clear information to enable them to have confidence that their complaint will be addressed fairly and efficiently.
 - ii. Communication protocols of all Transitioning Banks, ADRBO and OBSI are aligned and consistent.
 - iii. Information sharing meetings with consumer advocacy organizations have taken place
 - b. These objectives were all completed – as were the supplemental objectives that
 - i. All stakeholders were appropriately engaged and consulted on all material aspects of the transition plan.
 - ii. Potential risks were identified and mitigated.

ECB Transition update

- We are now about 3 weeks into our expanded mandate, and I can report that things are going well.
- Since November 1, we have seen an increase in our consumer inquiries and case openings, roughly in line with our projections.
- Inquiries in the first few post-transition weeks are up approximately 45% overall
 - o In the past couple of years, we've averaged about 325 inquiries per week (17,000 per year) and so far in 2025 we're at 475 per week (24,000 per year) – in line with our projections.
- Case openings have increased by approximately 60%
 - o From roughly 60 cases per week to approximately 100 cases per week, in line with our projections and expectations to open roughly 5,000 cases in 2025.

Loss calculation consultation

- In September, we launched a public consultation on our loss calculation methodology for complaints involving unsuitably sold illiquid exempt market securities.
- The public consultation period was announced on September 26, 2024, and the comment period closed on November 21, 2024.

- This consultation focused on assessing the process we currently use and helping us determine whether there are better alternative approaches we should adopt in such cases.
- This consultation was recommended in our 2021 independent expert external review.
- We would like to thank all those who provided their input.
- In the coming months, we will be reviewing the comments received and take into consideration all stakeholders' input. Following this review, we will publish our response to the consultation and any appropriate action items or changes.

2025 outlook

- We expect consumer demand for our services to remain very high - increasing by approximately 2,000 cases in 2025 – reaching all-time records of over 5,000 cases.
- We look forward to continuing to work with all stakeholders to ensure that the transition to the single ECB system continues to be smooth.
- This year will have a number of “firsts” for all returning banks and we have been working together to ensure that we all have a clear understanding of what to expect
- We expect that provincial regulators will publish further details of their framework for binding authority in the second half of the year, responding to the comments received in the initial consultation and we look forward to that ongoing discussion.
- We also expect our Credit union membership to grow in 2025, as we are currently in discussions with Manitoba, Atlantic and Ontario that expect to be working towards membership in 2025 as well.
- We are also closely watching the federal government's open banking initiative and payment service provider regulation process. As we move towards the implementation of open banking, and the government builds out the regulatory regime for payment service providers, the details of the liability regime and compliant handling and redress requirements should become clearer.
- We will soon be publishing a Special report on consumer experience.
- Continued engagement in communications and thought leadership.
- Undertaking two fee-related consultations – these will be focused on:
 - o CIRO fees – reconsidering our approach to distinguishing between Investment Dealer and Mutual Fund dealer fees. Opportunities for administrative improvements, simplicity and clarity.
 - o EMD/PM fees – looking at separating crypto platforms from other non-CIRO firms.

Mark Wright – Update on organizational governance

In late July, the board began its efforts to find an Industry Director with Rhonda Goldberg's departure and a Consumer Interest Director to replace Wanda Morris. In October, Bonnie Lysyk resigned from the board as Community Director to assume her new role with the OSC as the EVP, Enforcement.

We want to thank all of you who helped with the consultation process to identify potential candidates.

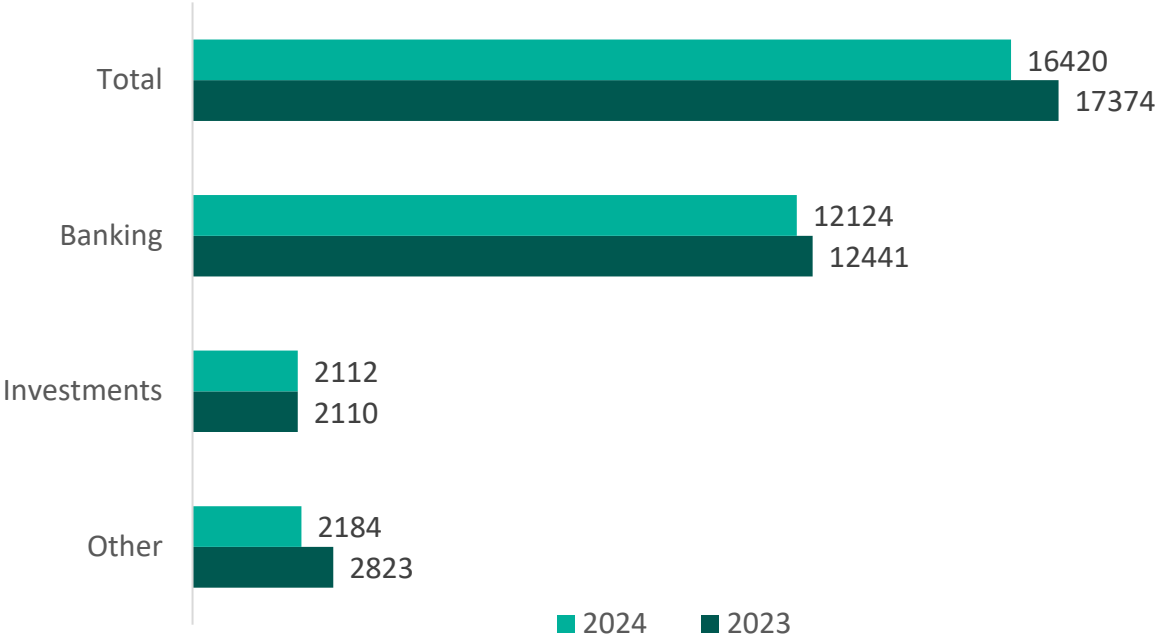
There was strong slate of candidates for the Nomination Committee to consider and interview. Following that process, a meeting was held with the Governance Committee to finalize recommendations to the Board. The Board will be making its decision at the upcoming December meeting. The announcements about the new board members will be made following the March AGM.

In addition, we want to mention that Sarah Shody - one of our industry directors - left her role as Managing Counsel, with RBC, prior to joining the portfolio manager August Capital Group.

Recent Case Updates – Rob Paddick

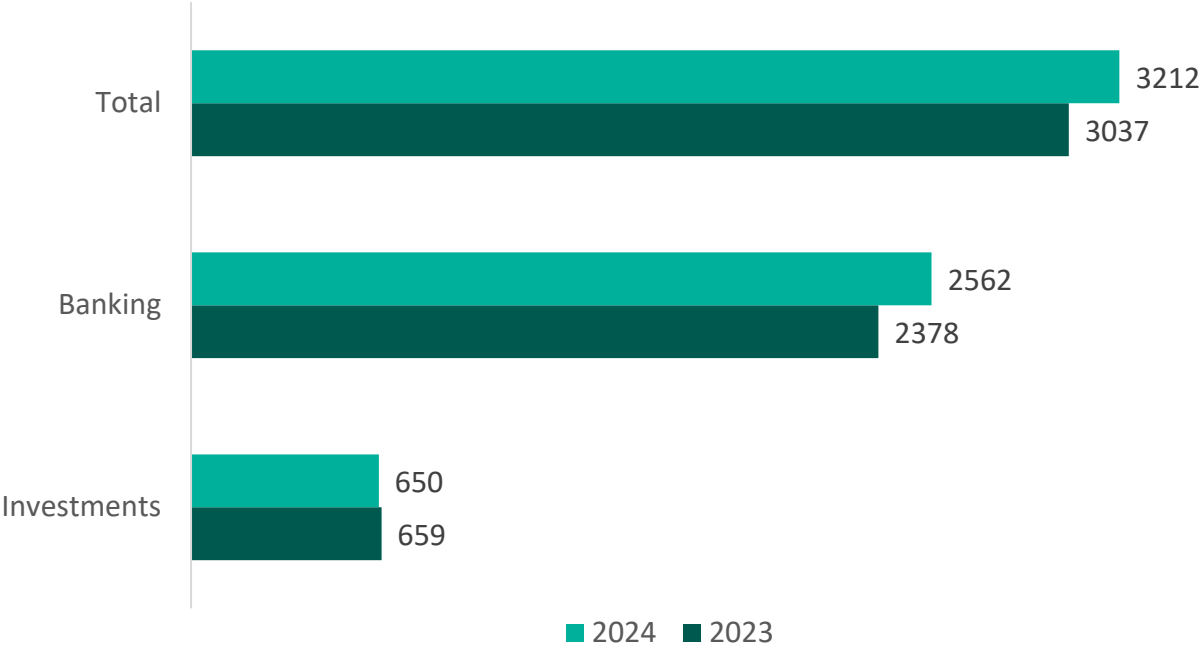
Total Consumer Inquiries: 2024 vs 2023

In 2024, we had a total of 16,420 new consumer inquiries. That was a 5% decrease from the record-setting 17,374 that we received in 2023. Banking consumer inquiries continued to drive the volume, remaining relatively steady at 12,124. Investment-related inquiries were flat at 2,112 in 2024.



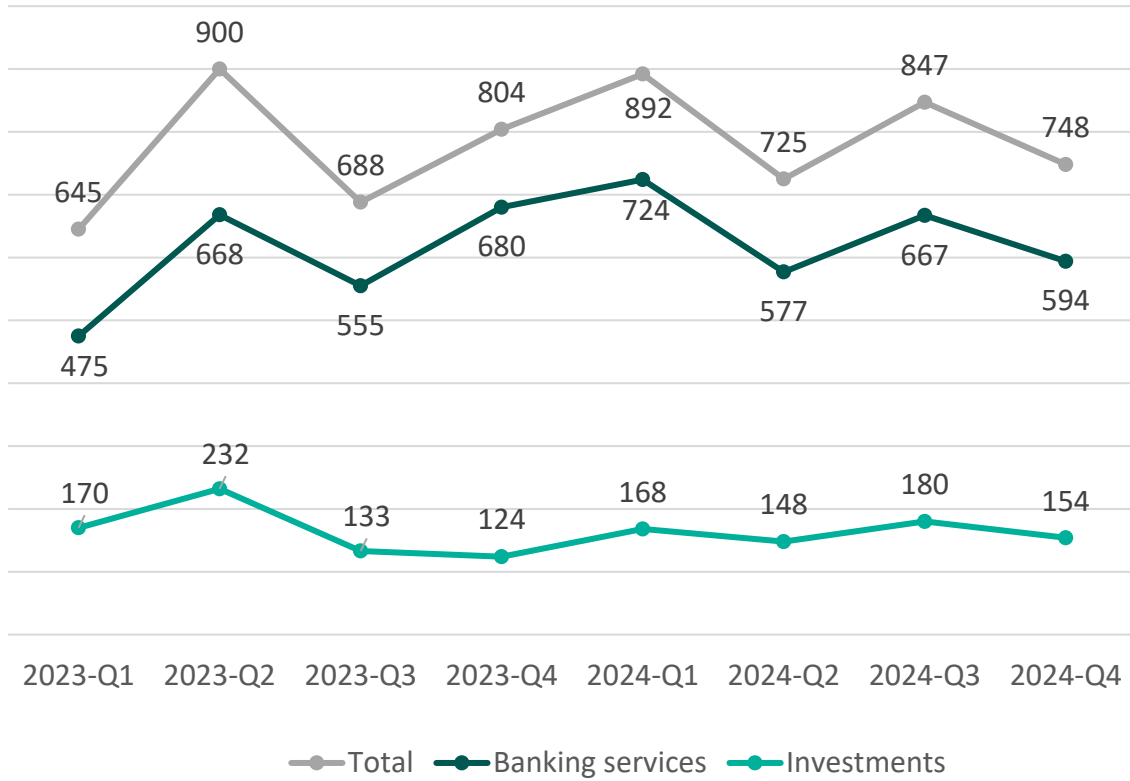
Total Cases Opened: 2024 vs 2023

In 2024, we opened a total of 3,212 cases, a new all-time high and a 6% increase over the 3,037 cases we opened in 2023 which was our previous all-time high. About 80% of the cases opened were banking cases. Opened banking cases increased 8% over 2023 while opened investment cases remained relatively flat year over year at 650 cases.



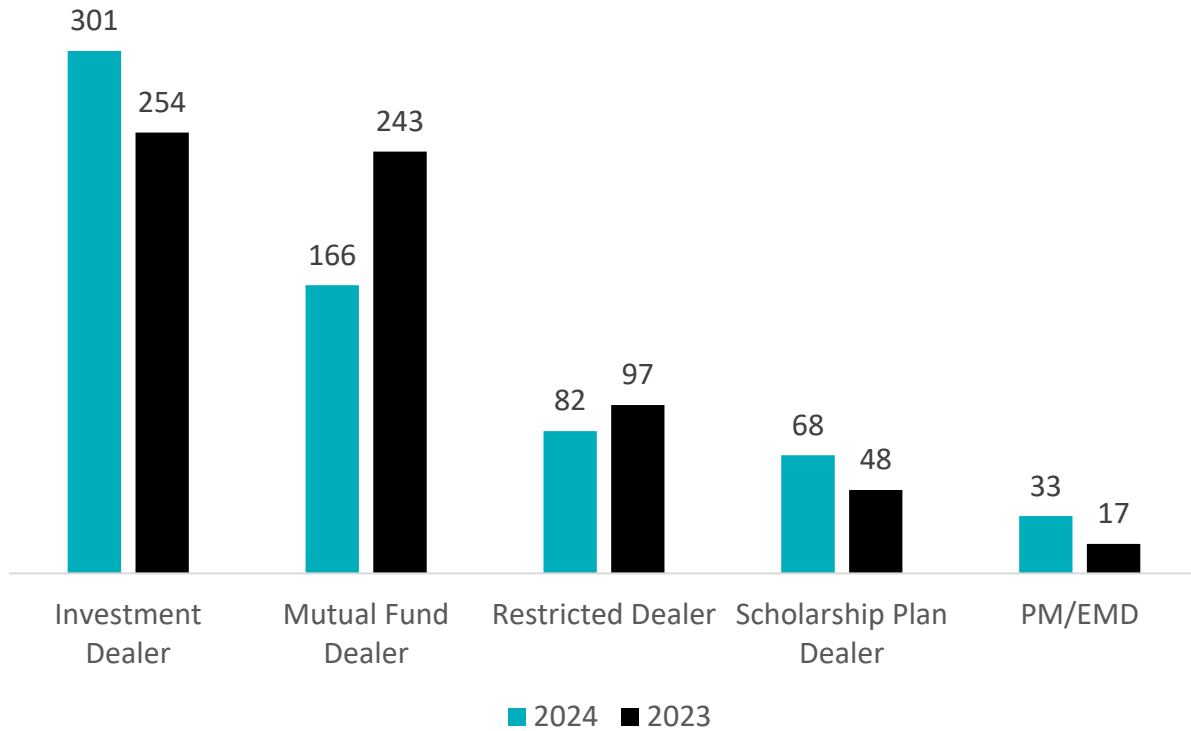
Total Cases Opened: Q4 2024

This chart shows our opened case volume in Q4 as compared to the previous 7 quarters. The grey line is total cases opened, the dark green line is banking cases and the light green line is investment cases opened. In Q4 2024, total opened cases were down 7% compared to Q4 2023, banking cases were down 13% compared to Q4 2023, and investment cases were up 24% compared to Q4 2023.



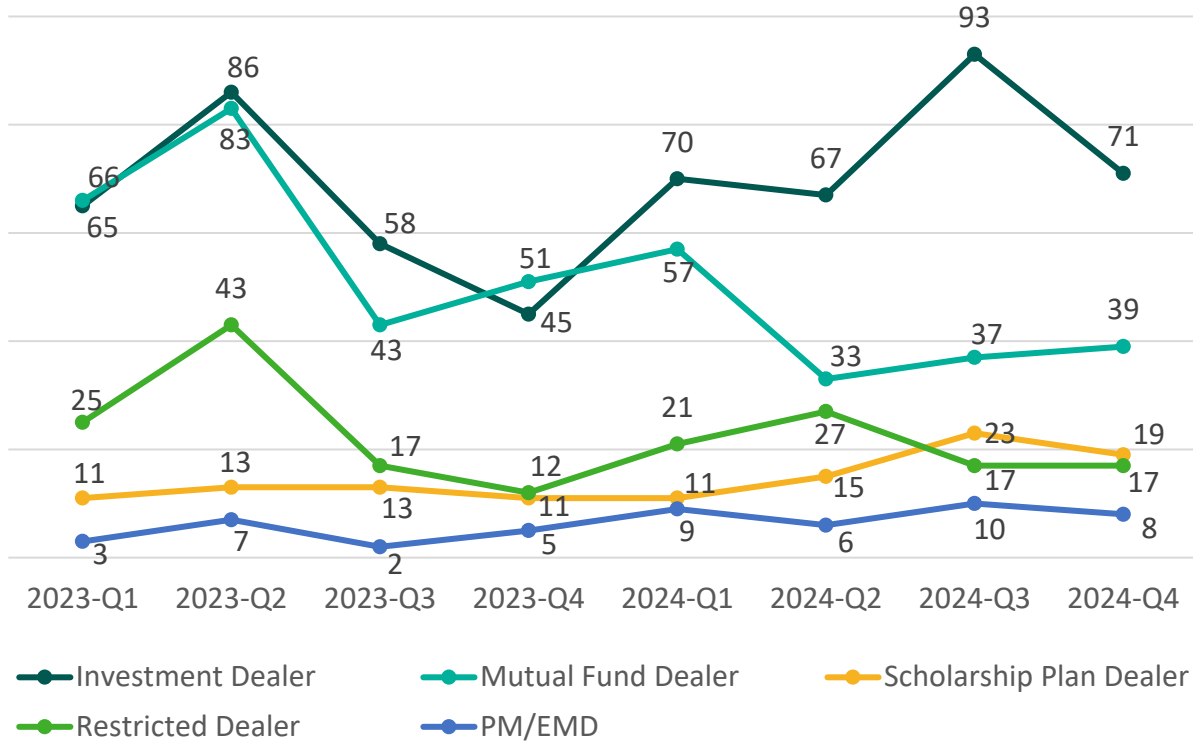
Investment Cases by Sector: 2024 vs 2023

This chart provides a breakdown of investment cases opened by sector in 2024 vs. 2023. Cases involving investment dealers remained high in 2024, up 19% from 2023. On the other hand, cases involving mutual fund dealers were down 32%. Cases involving restricted dealers (crypto dealers) decreased 15% in 2024. However, cases involving SPDs increased 42% year over year and cases involving PMs/EMDs almost doubled from 2023 to 2024.



Investment Cases by Sector: Q4 2024

In Q4 2024, investment dealer cases – the top dark green line – declined from the eight-quarter high we saw in Q3. Mutual fund dealer cases were flat quarter over quarter, and below the highs of 2023. Restricted dealer cases were also flat quarter over quarter but increased year over year. Scholarship plan dealer cases decreased from Q3’s eight-quarter high but reached higher levels than those seen in 2023. PM/EMD cases decreased slightly from Q3’s eight-quarter high while remaining at higher levels than in 2023.



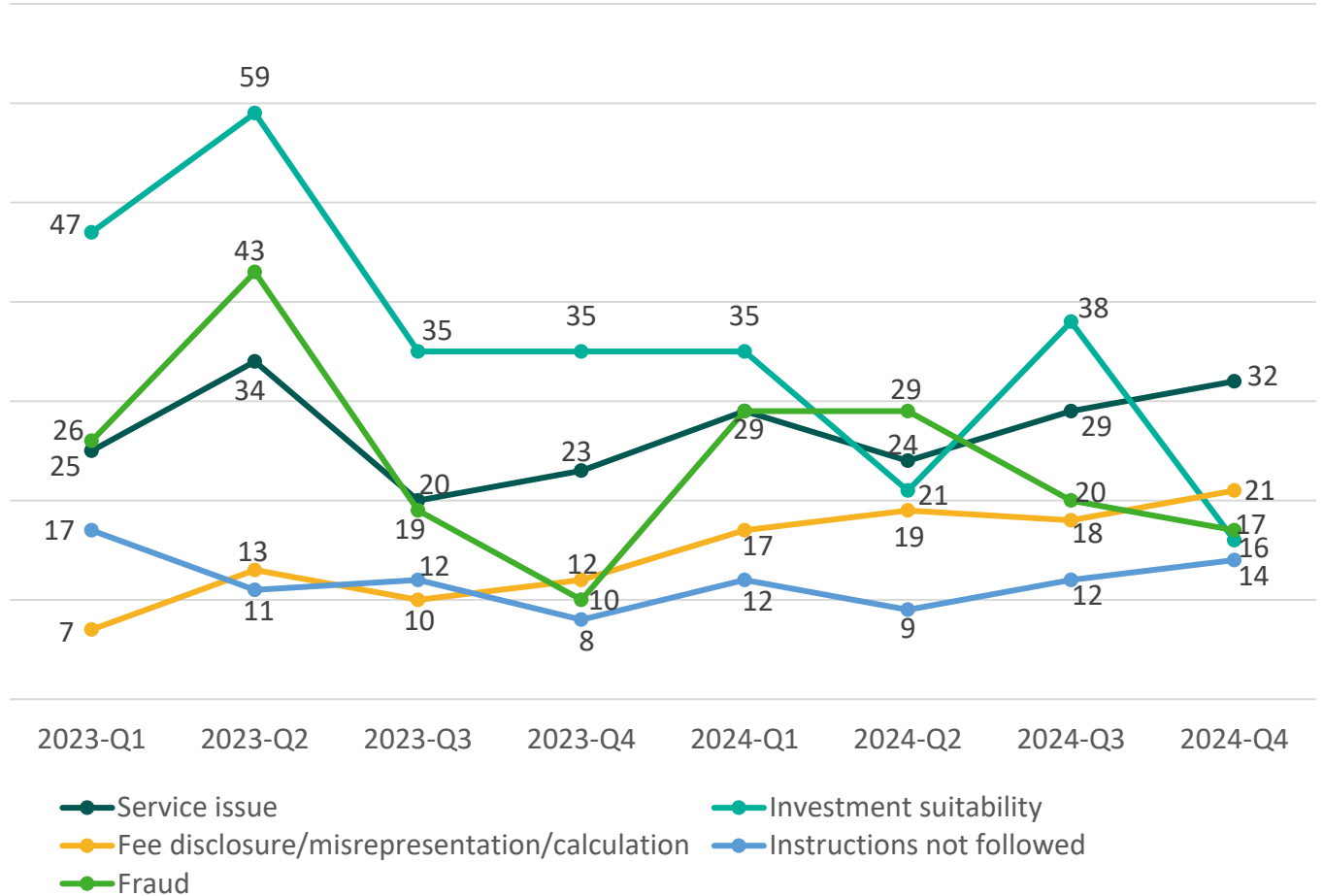
Top 5 Investment Issues: 2024 vs 2023

This chart shows the top 5 investment issues in 2024 versus 2023. Suitability complaints declined 38% and was the second top issue next to service. Fraud complaints (most of which involve allegations about crypto dealers) and complaints related to “instructions not followed” remained flat while fee disclosure complaints were up 79% over last year.



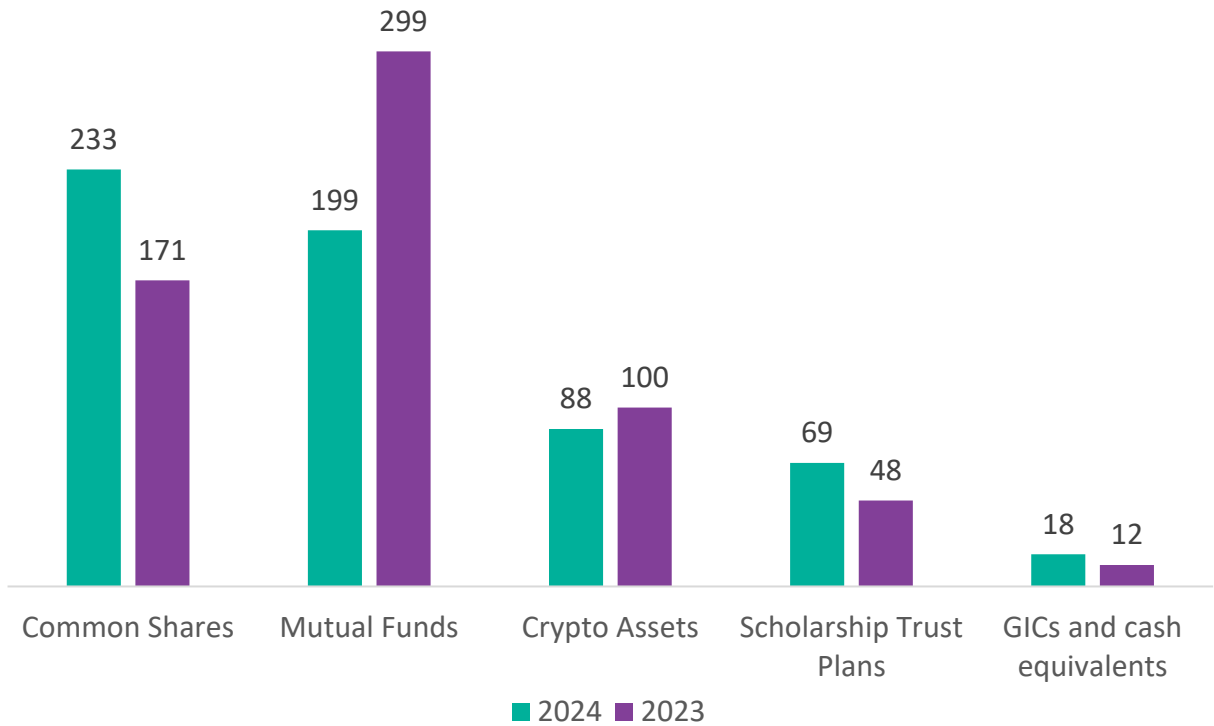
Top 5 Investment Issues: Q4 2024

The chart represents the 8-quarter trend line for investment issues. In Q4, service issues – the dark green line – replaced investment suitability as the leading concern for investor complaints, up from the previous quarter and previous year. Investment suitability declined by more than half quarter over quarter and year over year. Fraud continued a downward trend. Instructions not followed was up slightly compared to the previous quarter, and fee disclosure was up as well.



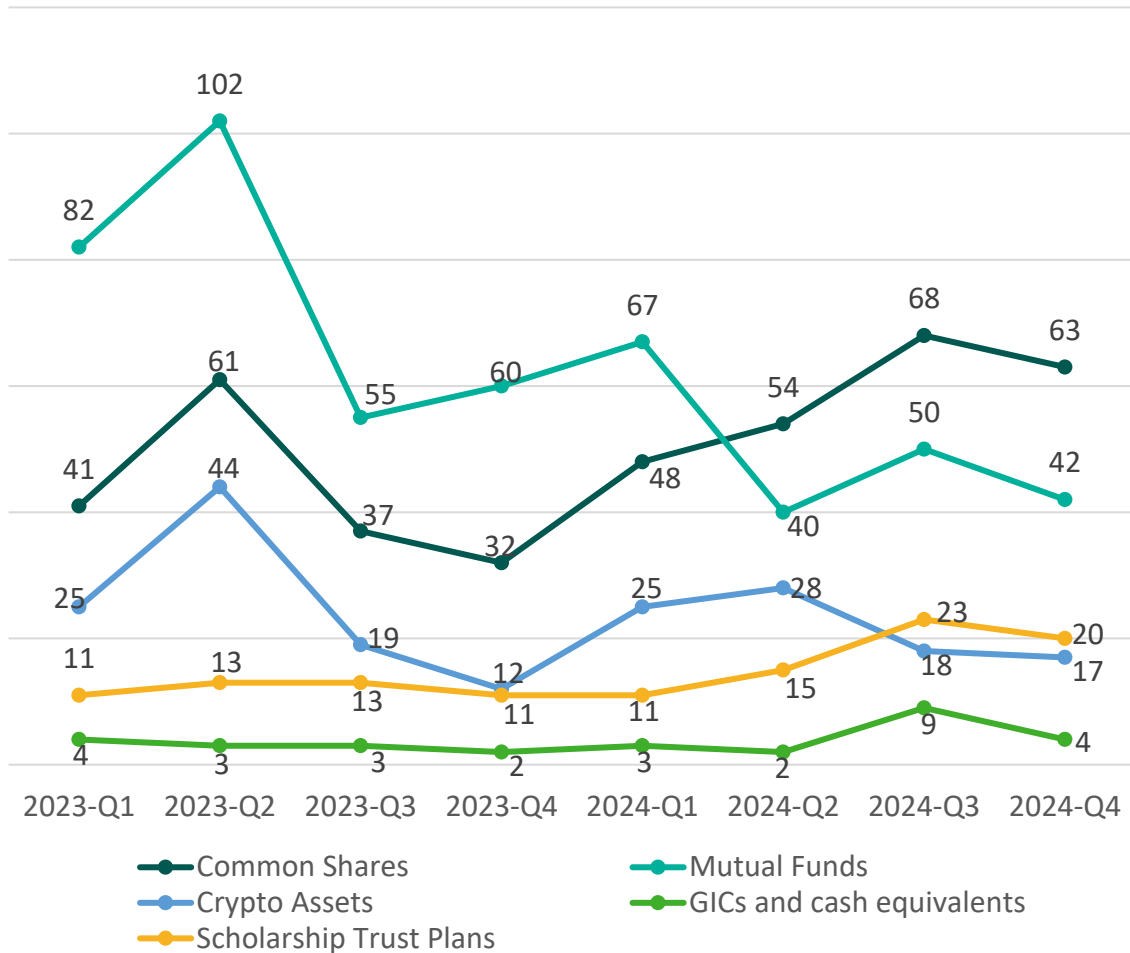
Top 5 Investment Products: 2024 vs 2023

This chart shows the top 5 investment products in 2024 compared to 2023. Common shares were the leading product concern among investors, up 36%. Mutual funds were down 33%. Crypto asset complaints were down 12%. Complaints related to scholarship trust plans were up 44%. Complaints related to GICs and cash equivalents were up but remained at relatively low levels.



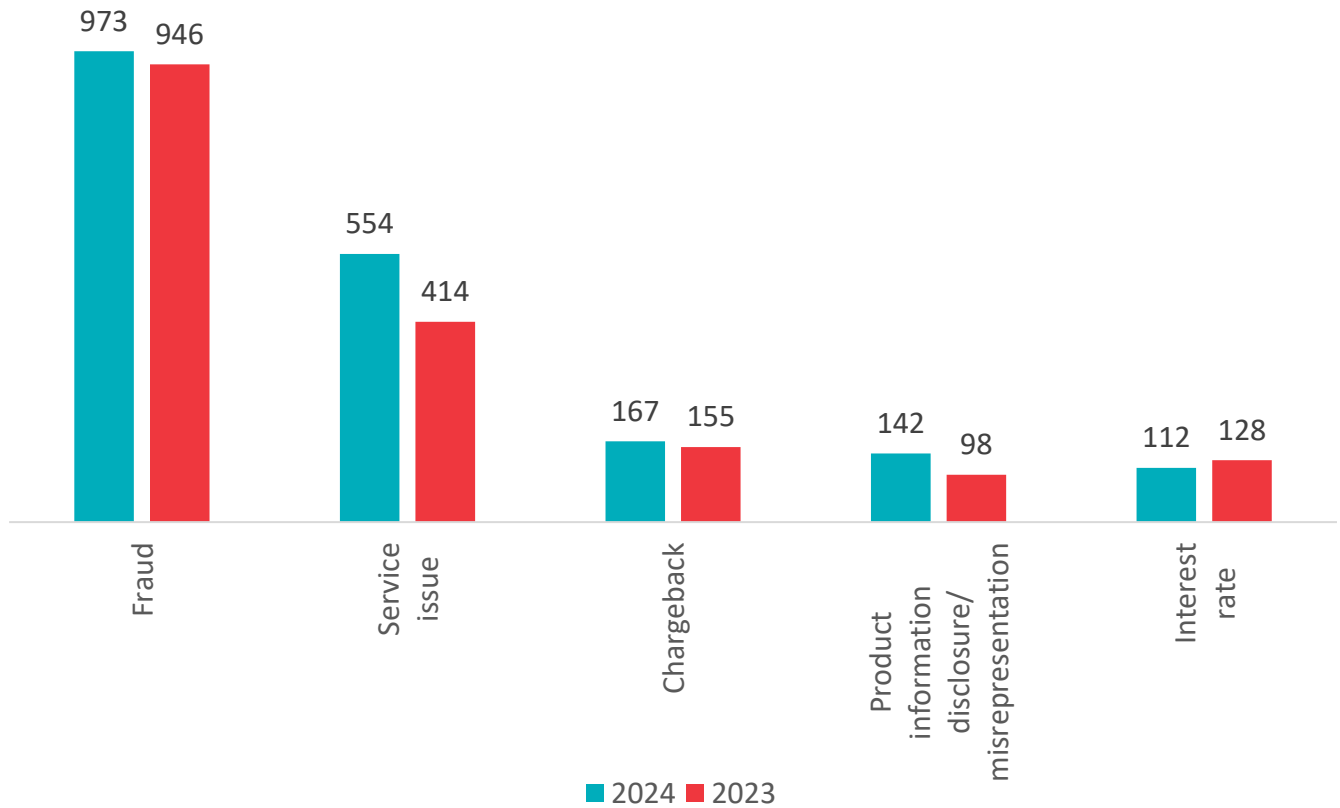
Top 5 Investment Products: Q4 2024

This chart represents the 8-quarter trend lines for our top 5 investment products. In Q4 2024, common shares – the dark green line – remained the top product concern for investors, down 7% from Q3 but nearly doubling year over year. In Q4, mutual funds were down from Q3 as were scholarship trust plans and GICs and cash equivalents. Crypto assets remained flat.



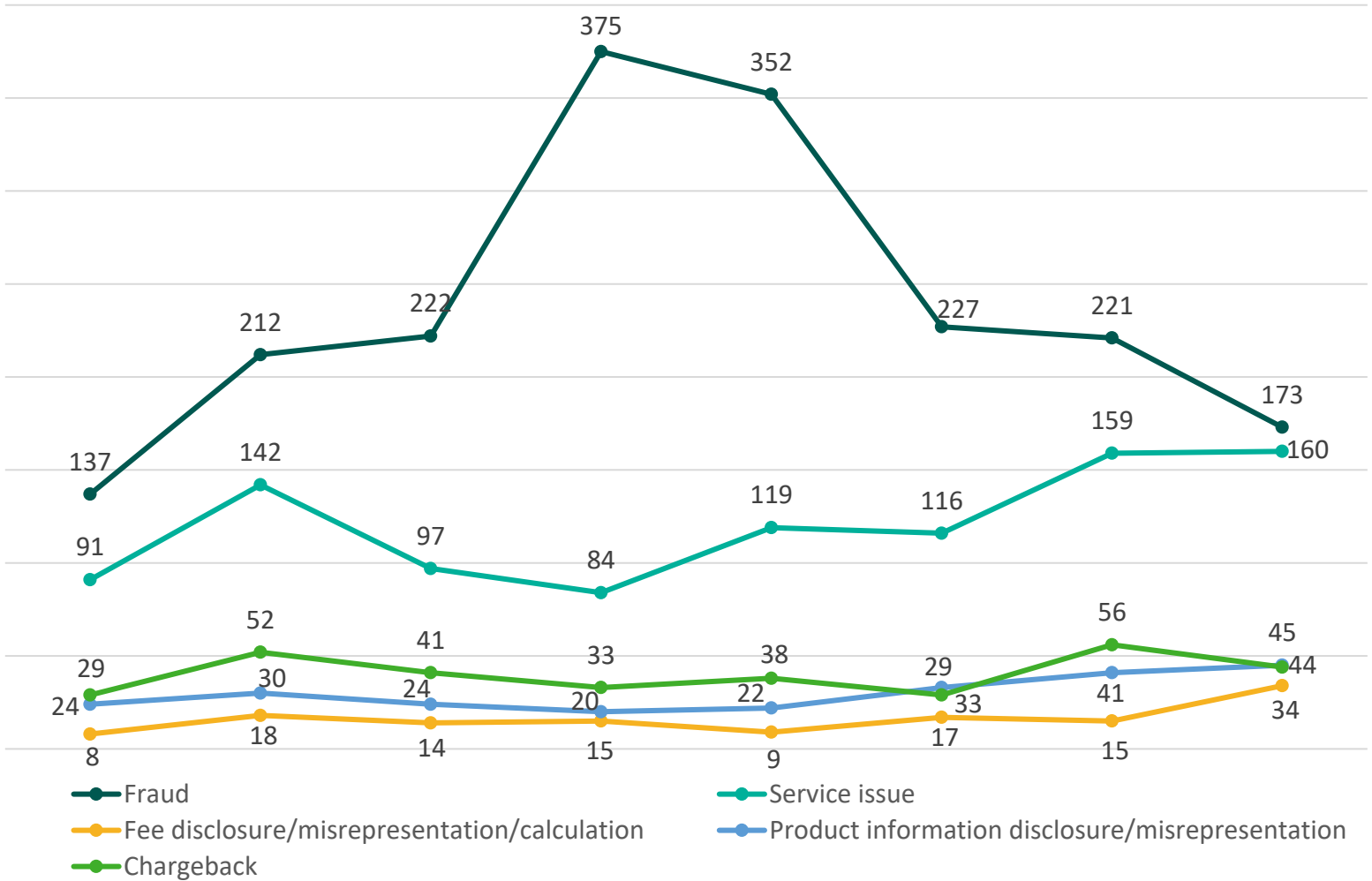
Top 5 Banking Issues: 2024 vs 2023

This chart shows the top 5 banking issues in 2024 vs 2023. After record-setting highs, the case volumes for fraud complaints remained flat. Complaints related to service issues were up 34%. Chargeback complaints were up 8%. Product disclosure complaints were up 45%. Interest rate complaints were down 13%.



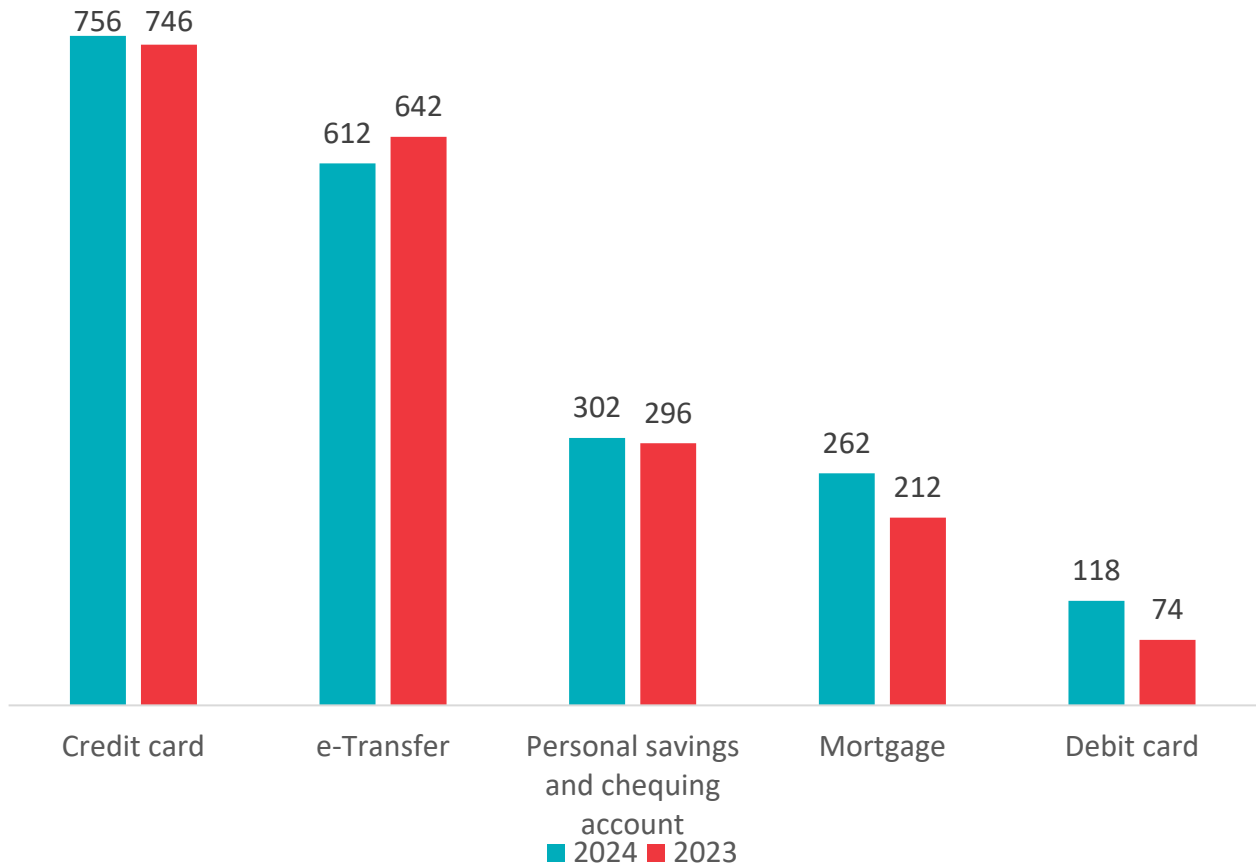
Top 5 Banking Issues: Q4 2024

The chart shows the 8-quarter trend line for banking issues. In Q4, fraud-related complaints – represented by the top dark green line – remained the most reported issue among banking consumers as they have been for the past eight-quarters. However, these complaints continued a steady decline that began in Q4 2023. Service issue complaints nearly doubled compared to the same quarter last year but remained flat from Q3 to Q4. Fee disclosure complaints almost doubled quarter over quarter and year over year. Chargeback complaints declined 21% from Q3 to Q4 while product disclosure complaints rose slightly from the previous quarter.



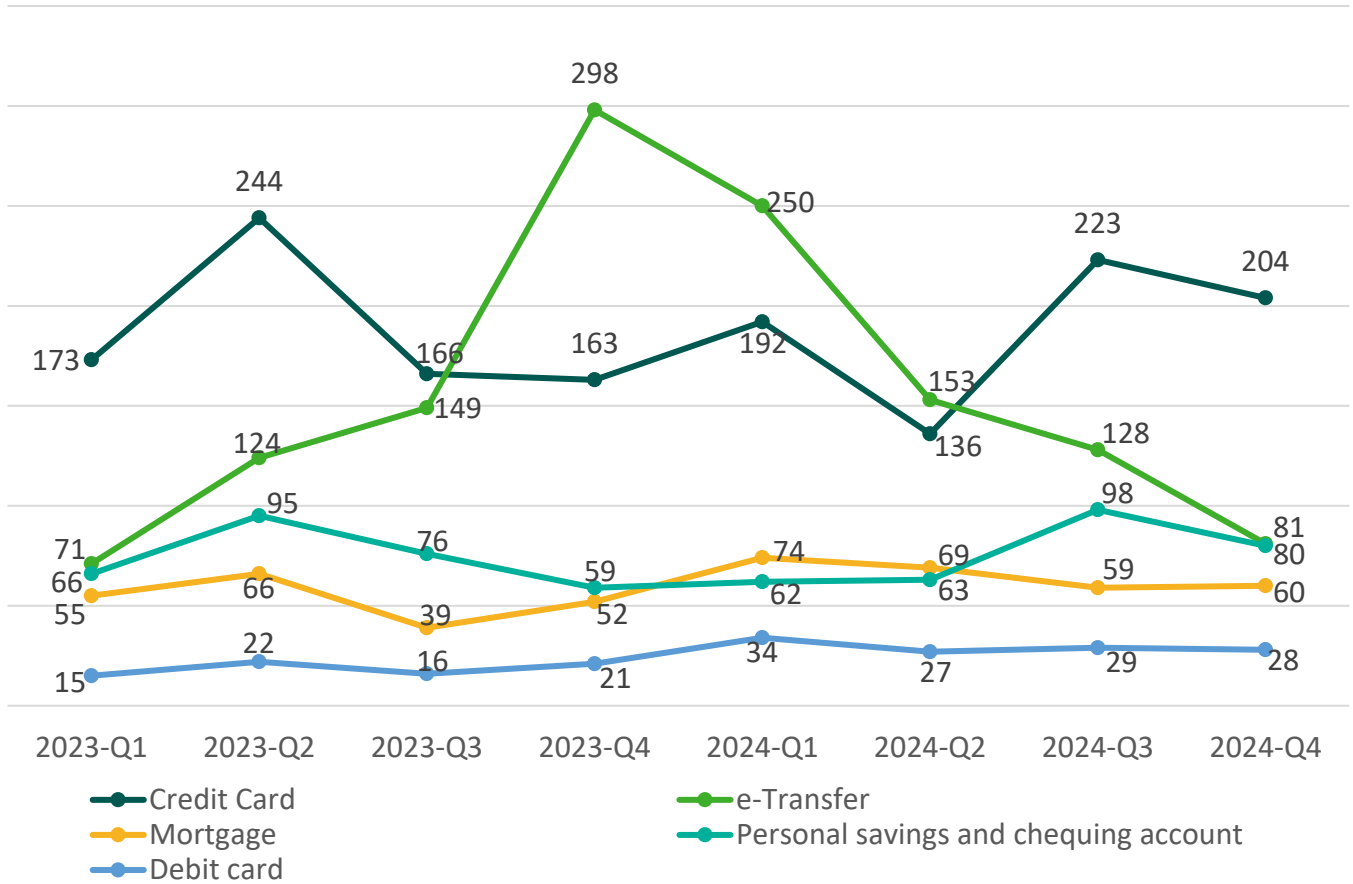
Top 5 Banking Products: 2024 vs 2023

The case volumes for the top banking products moderated somewhat. Credit card complaints remained flat. E-transfer complaints were down 5%. Complaints related to personal savings and chequing accounts remained flat. However, mortgage complaints were up 24% while debit card complaints were up 59%.



Top 5 Banking Products: Q4 2024

This chart represents the 8-quarter trend lines for banking products. In Q3 and Q4 2024 credit cards emerged as leading product complaint among banking consumers. E-Transfer complaints, the second most complained-about banking product, were down 37% but remained above the eight-quarter low of Q1 2023. In Q4, complaints related to personal savings and chequing accounts declined after the eight-quarter high of Q3. Mortgage complaints remained flat quarter over quarter but saw some growth year over year. Debit card complaints in Q4 remained flat from Q3 but were up from the same quarter last year.



Appendix – Industry Association Participation

Canadian Bankers Association (CBA)

Canadian Credit Union Association (CCUA)

Federation of Independent Dealers (FID)

Investment Funds Institute of Canada (IFIC)

Investment Industry Association of Canada (IIAC)

Private Capital Markets Association (PCMA)

Portfolio Management Association of Canada (PMAC)