

Agenda

OBSI Meeting with Industry Associations

June 17, 2024

Time: 2:00pm – 3:30pm

Location:

Teams Video Conference

DIAL-IN DETAILS:

See Email Invitation

OBSI Presenters:

Sarah Bradley, Ombudsman & CEO

Grace McSorely, 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 and efficiency initiatives – Grace McSorely
 - o General questions
- Introduction of presenters
- Introduction of other OBSI staff and board members attending the call

Sarah Bradley – Key operational highlights from 2024, including our progress to our strategic plan

In 2024, our key defining environmental factors have been largely shaped by two major influences:

- 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 2023, consumer demand for our services soared - we responded to a record high number of inquiries and opened and closed dramatically more investigations than we did last year – which was our highest volume year on record. In 2024 to date, we are up around 20% in banking year over year and down around 14% in investments cases year over year. Overall, we are up around 11% from last year's record levels.
 - We continue to experience historically high inquiry volumes – last year, approximately 17,000 Canadians reached out to us for assistance and information. This year is tracking similarly.

- 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.
- We also experienced and continue to experience record high case volumes – last year, in the full year, we opened just over 3,000 cases, which was a record high, triple the volumes we saw in the Financial Crisis and in the first year of the Pandemic.
 - This year we are on track to open over 3,300 cases.
 - This surge presented a huge challenge to our organization over the past year and half and I am proud to say that we have been able to meet this challenge well.
 - Our approach to the challenge of such a sudden increase in demand has 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.
 - We have dramatically improved our productivity and efficiency – our total cases closed have doubled from over 2,000 last year to an expected nearly 4,000 this year. This is the second consecutive year of case volume doubling, from 1,000 in 2022 to 2,000 in 2023 and now we are on track to hit 4,000 cases this year.
 - And our per investigator efficiency also increased by over 90%.
 - Our time to complete a case has reached all-time lows.
 - Year to date, 89% of banking cases were closed in under 60 days – an average of 31 days.
 - 83% of investment cases were closed in under 90 days – an average of 54 days.
 - We have been able to drive this increased productivity through a number of initiatives:
 - We have streamlined our case management system to ensure that case administration is straightforward for our investigators and managers and built IT tools to assist wherever possible.
 - We have boosted our case guidance and templates for common communications.
 - We developed and deployed our new FastTrack case approach and deployed two dedicated FastTrack teams – ensuring that our investigations are proportionate to the complaints, removing 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.
- 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.
 - To keep up with this growth in demand for our services, we have added over 30 staff to our case management and investigative teams.
 - And we are continuing to grow to address current wait times and to prepare to serve as Canada’s sole ECB.
 - This growth has impacted our expenses and is reflected in increased fees for 2024, primarily for participating banks.

- For 2025, we expect continued increases for banking sector firms, but no increase for investment firms.
- We are no longer experiencing delays in our case assignment phase.
 - In 2023, we experienced a sudden near tripling of our case volumes – despite our efficiency and productivity gains, cases were coming in faster than our investigators can close them.
 - At our last update in November, Banking cases were waiting approximately 3 months for assignment and around two months for investment cases.
 - Due to our improved efficiency and growth, these wait times declined throughout 2024 and we are now fully caught up and back to our standard performance levels of assigning cases within two weeks.
- Case and inquiry volumes have been led by banking, 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.
- Investments cases have moderated from last year’s record high levels.

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 30% year over year – on top of the 30% increase in 2023
 - Thought leadership – participation in binding authority consultation
 - Continuing to improve our digital tools – Data Cube, banking case disclosure page and Firm & Consumer Portals
 - Building a new website on a new platform
- SUCCESS PILLAR #3: ORGANIZATIONAL RESILIENCE AND CONTINUOUS IMPROVEMENT
 - OBSI is efficient and effective and adapts to changes in the financial services sector and our operating environment.

- 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)
- 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.
 - The comment period closed in February 2024 – with comments from industry and consumer stakeholders largely consistent with our expectations.
 - 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.
- Federal:
 - On October 17, 2023, Canada’s Minister of Finance announced the designation of OBSI to be the sole External Complaint Body (“ECB”) for Canadian Banks, effective November 1, 2024. And the legislation required for this model was passed in the Budget Implementation Act last June.
 - This follows many years of calls for this and many examinations of the issue including the FCAC (Financial Consumer Agency of Canada) ECB report Feb 2020 and the Federal Finance consultation on ECB system last year.
 - FCAC launched the selection process for the single ECB last May, and the selection review took place throughout last summer and early fall.
 - We are honoured to have been designated and we look forward to serving as the ECB for all of Canada’s banks and their customers.
 - Since the designation, we have been working 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.

Single-ECB Operational Transition Plan

- The Purpose and goal of this transition plan is to deliver the following results by the Transition Date:
 - 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.
 - B. All Transitioning Banks have appropriate systems and communications in place to support their customers’ ability to escalate to OBSI.
 - C. Consumers who escalate complaints during the transition period are treated fairly.
- Supporting Objectives: In order to achieve the principal objectives effectively, the following functional objectives must also be achieved:

- D. All stakeholders are appropriately engaged and consulted on all material aspects of the transition plan.
- E. Potential risks are identified and mitigated.

2024-2025 outlook

- We expect consumer demand for our services to remain very high for the rest of 2024 and to increase 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 a smooth transition to the single ECB systems
- We expect that provincial regulators will publish further details of their framework for binding authority, 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 2024, as we are currently in discussions with a couple of other provinces that expect to be working towards membership in 2025 as well.
- We are also closely watching the federal government’s open banking initiative. As we move towards the implementation of open banking, the details of the liability regime and complaint handling and redress requirements are expected to be included in the fall 2024 legislative package.
- We will soon be publishing a Special report on consumer experience.
- Continued engagement in communications and thought leadership.
- Following through on some of the recommendations in our 2022 external reviews – including the loss calculation consultation.

Mark Wright - Changes to organizational governance

In June 2023, the board announced the changes to the board structure to balance consumer and industry expertise on the board and to allow the board to better reflect the diversity of industry sectors participating in OBSI’s service.

The decision was made to continue to include three designated industry director positions, with industry consulted for potential nominees.

And the number of designated consumer interest directors was increased from one to three, with consumer groups consulted for potential nominees.

In March, the board announced the new members which included:

As an Industry Director:

Sarah Shody who recently became Managing Counsel, with RBC, prior to which she was Associate General Counsel for Wealth at HSBC Canada.

As a Consumer Interest Director:

Mary Condon who is a professor at Osgoode Hall Law School, former Dean of the school and a past vice-chair of the OSC.

Michael Thom who is the Managing Director of CFA Societies Canada.

And as a Community Director:

Bonnie Lysyk who previously was the Auditor General of Ontario, former provincial Auditor of Saskatchewan, and former Deputy Auditor General and Chief Operating Officer of Manitoba.

We also have had a very recent vacancy on our board. Rhonda Goldberg who is the Executive Vice-President, General Counsel for IGM Financial Inc., resigned from the Board at our June meeting after five years of service.

The Governance and HR Committee will be leading the process of looking for an Industry Director replacement which will include reaching out to industry groups for potential candidates over the summer.

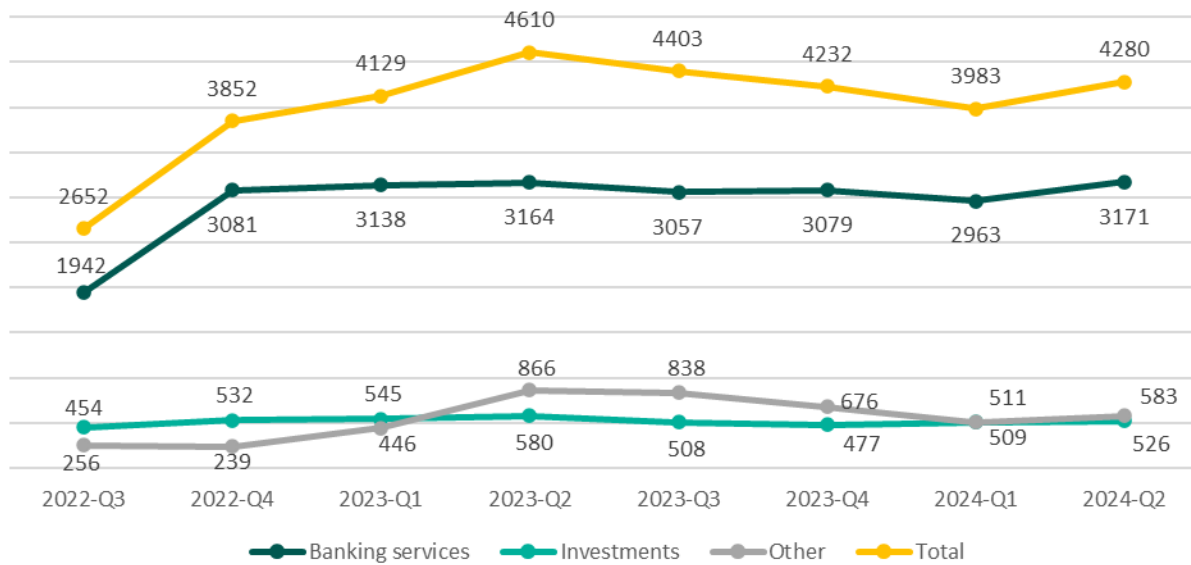
Recent Case Updates and efficiency initiatives – Grace McSorely

Recent Case Updates

Inquiries received by Industry: Last 8 Quarters

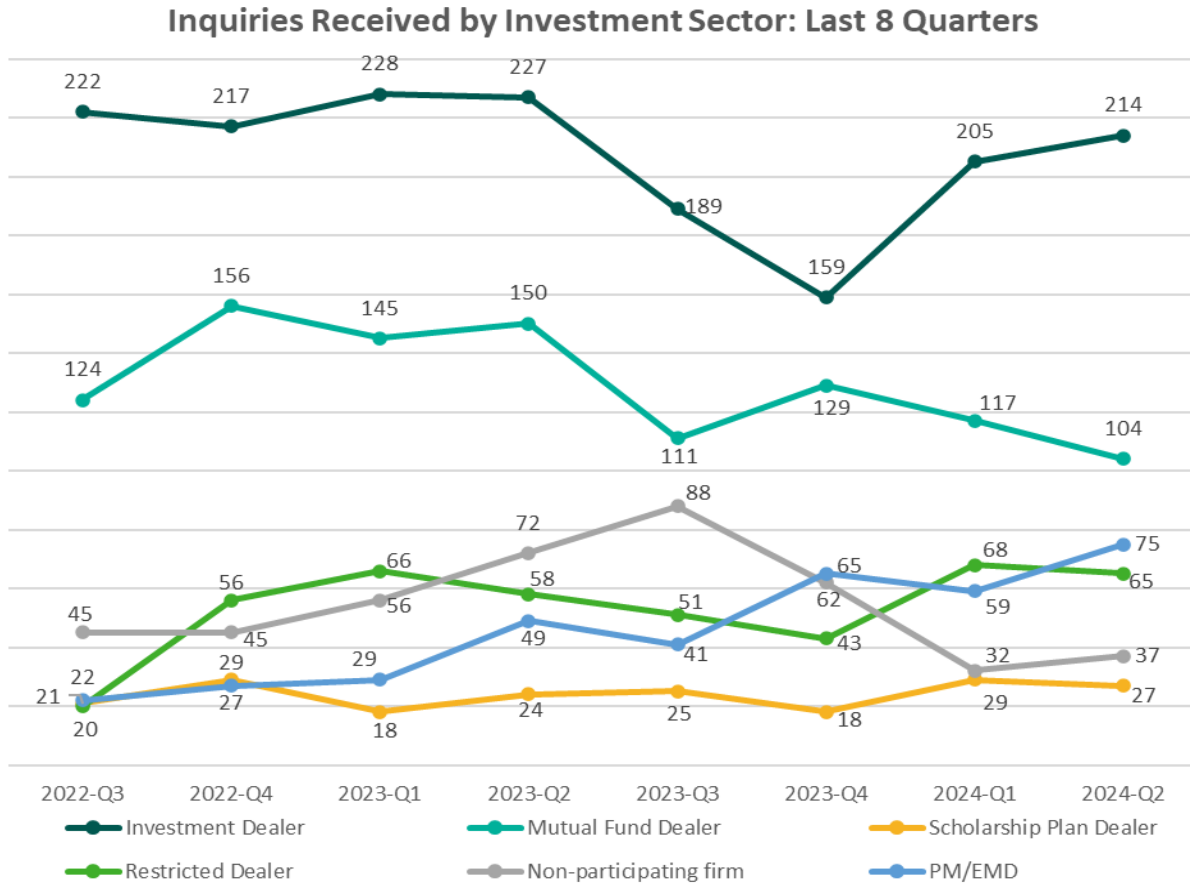
The top yellow line on the chart shows the total number of inquiries which rose 7% to a total of 4,280 in Q2, reversing a downward trend. This was largely driven by banking consumer inquiries. The dark green line shows banking inquiries, which accounted for 74% of total consumer inquiries and increased 7% to 3,171 inquiries. The light green line shows that investment-related inquiries were flat.

Inquiries Received by Industry: Last 8 Quarters



Inquiries Received by Investment Sector: Last 8 Quarters

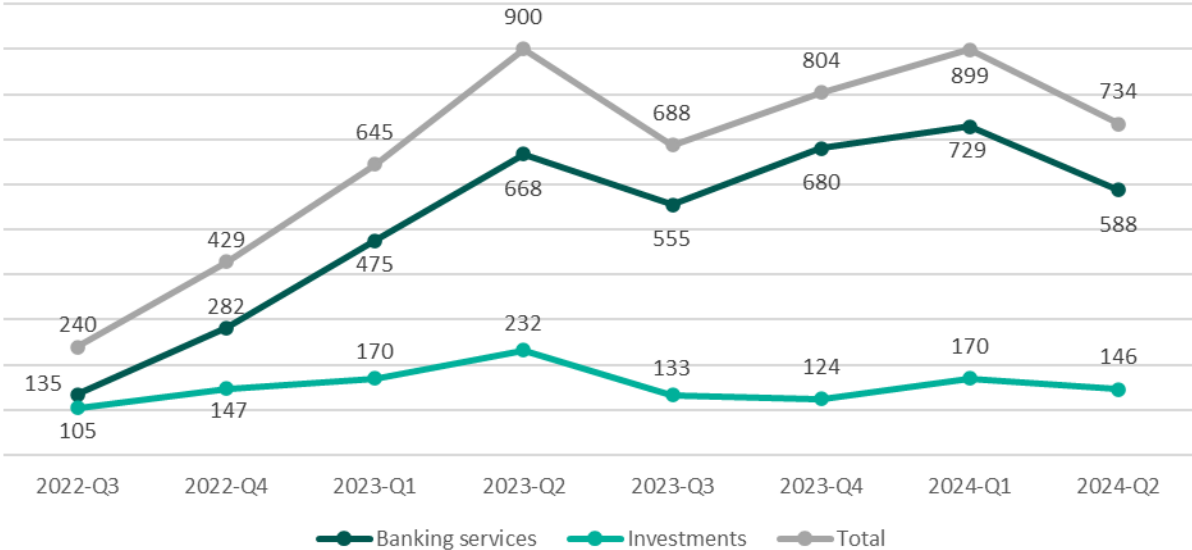
The dark green line at the top of the chart shows that investment dealer inquiries increased 4%, continuing an upward trend, but the number of inquiries is still below what we saw in 2022 and early 2023. Mutual Fund dealer inquiries are shown in the lighter green line below investment dealer inquiries, which were down compared to the previous quarter and previous year. Restricted dealer inquiries were up slightly year over year but down slightly quarter over quarter. Scholarship dealer inquiries were relatively flat quarter over quarter and year over year. PM/EMD inquiries went up compared to the last quarter and compared to last year.



Total Cases Opened: Last 8 Quarters

Total cases (the top grey line) show a decrease of 18% quarter over quarter and a decrease of 12% year over year, landing at 734 cases last quarter. This was largely driven by banking cases, as demonstrated by the dark green line, that decreased 19% to 588 cases. This number is still high from an overall historic perspective. Investment cases decreased quarter over quarter by 14% to 146 cases, but we've opened more investment cases at this point in the year than we had in 2022 and 2021.

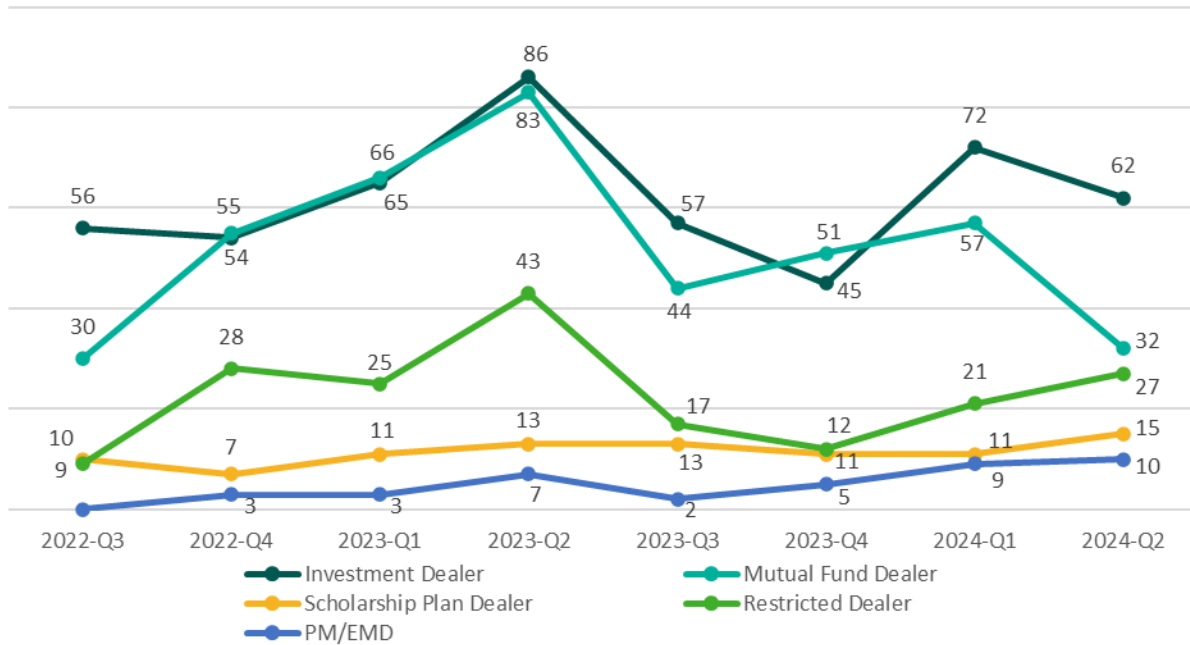
Total Cases Opened: Last 8 Quarters



Cases Opened by Investment Sector: Last 8 Quarters

In Q2, investment dealer cases opened (the top dark line) were down 14% quarter over quarter and 28% below the eight-quarter average last year. Mutual fund dealer cases (the second green line on the chart) declined 44% from the highs of Q1 in 2024. Restricted dealer cases (the third green line on the chart) decreased year over year and quarter over quarter. Scholarship plan cases (the orange line) and PM/EMD cases (the bottom blue line) remained at low levels, but still reached an eight-quarter high.

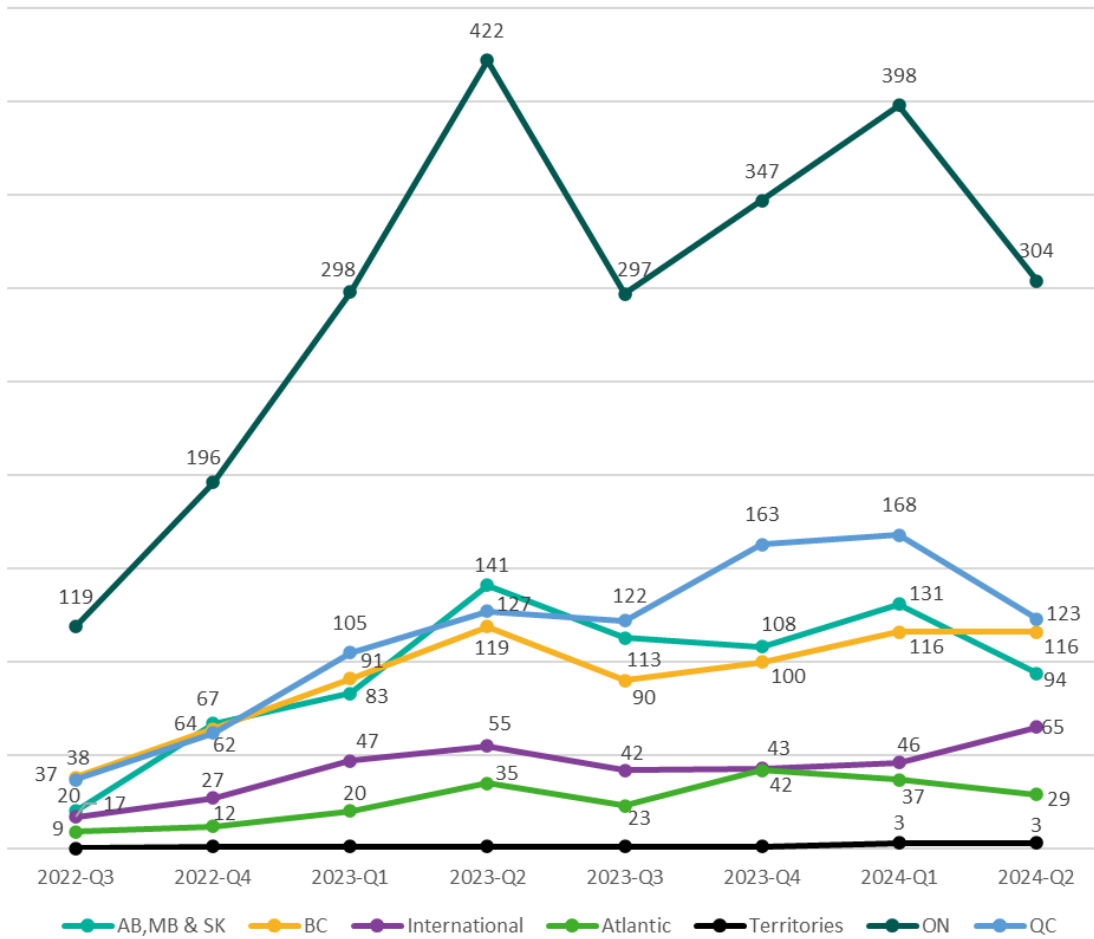
Cases Opened by Investment Sector: Last 8 Quarters



Cases Opened by Region: Last 8 Quarters

In Q2, cases opened declined quarter over quarter in most regions except B.C. (the orange line) and the Territories (the black line), which were flat. International cases (the purple line) reached an eight-quarter high. Ontario cases (the dark line on top) were down 24% quarter over quarter and down 28% from the eight-quarter high in 2023's Q2.

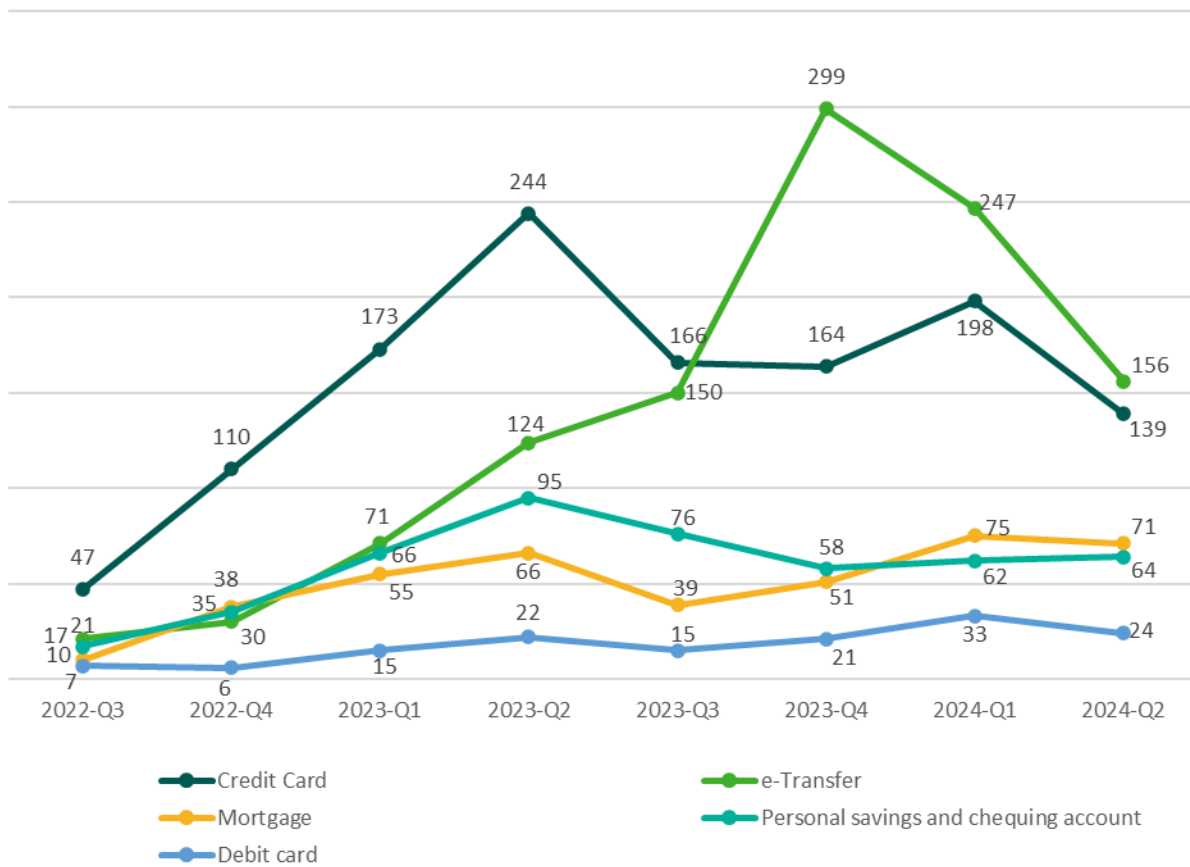
Cases Opened by Region: Last 8 Quarters



Top 5 Banking Products: Last 8 Quarters

E-transfers remained the leading product complaints for bank consumers in Q2 as shown in the top green line. Credit cards (the dark line) are the second most common complaints, which declined after the Q2 high of 2023 and remained below levels seen in the past year. Mortgage cases and complaints related to personal savings and chequing accounts were flat quarter over quarter. Debit card complaints saw a 27% quarter-over-quarter decline.

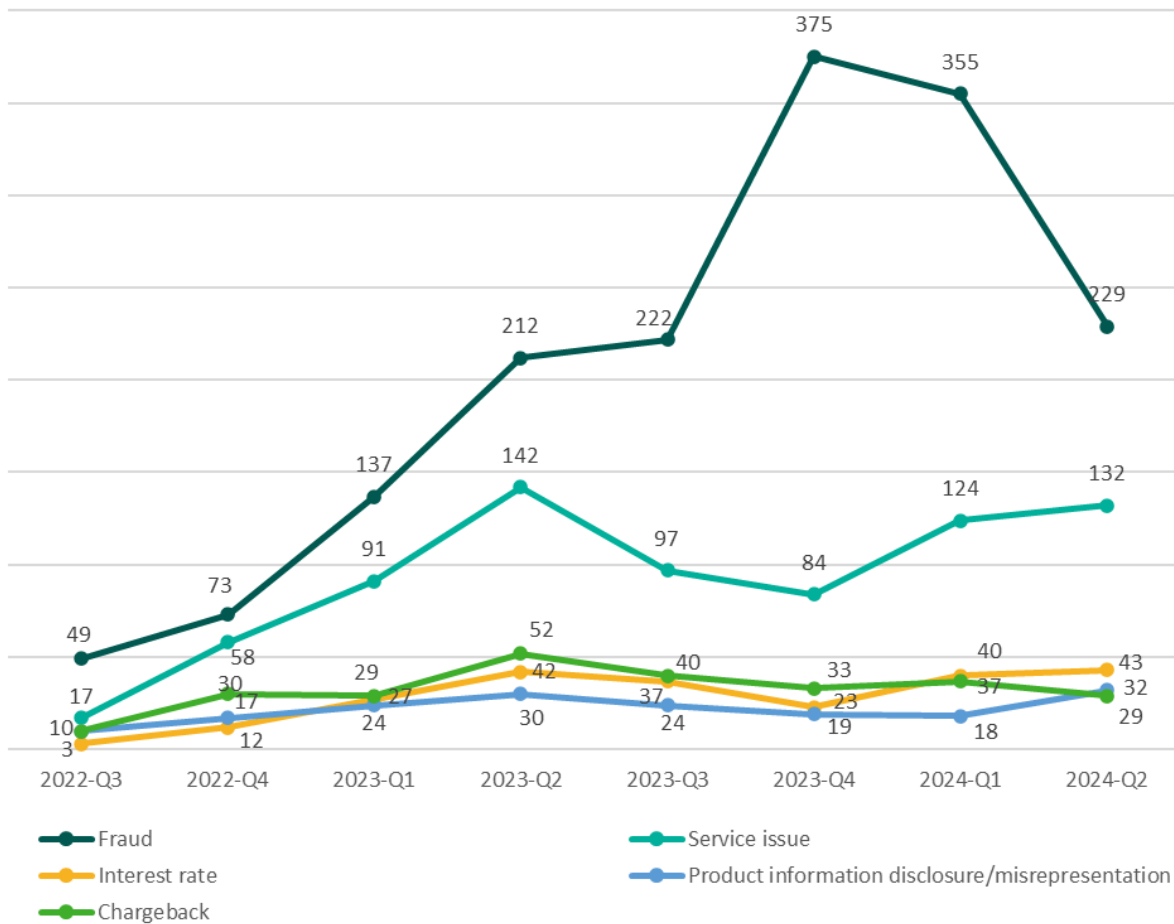
Top 5 Banking Products: Last 8 Quarters



Top 5 Banking Issues: Last 8 Quarters

In Q2, fraud-related complaints (the dark green line) remained the most reported issue among banking consumers. They declined 35% compared to the previous quarter, continuing a downward trend. Service issue complaints (the green line second from the top) are trending upwards but not as high as the second quarter in 2023. Complaints related to chargebacks were down 22% quarter over quarter and down 44% compared to the previous year. Cases related to product information disclosure and misrepresentation were up 78% quarter over quarter and were up slightly year over year. Interest rate related cases rose slightly.

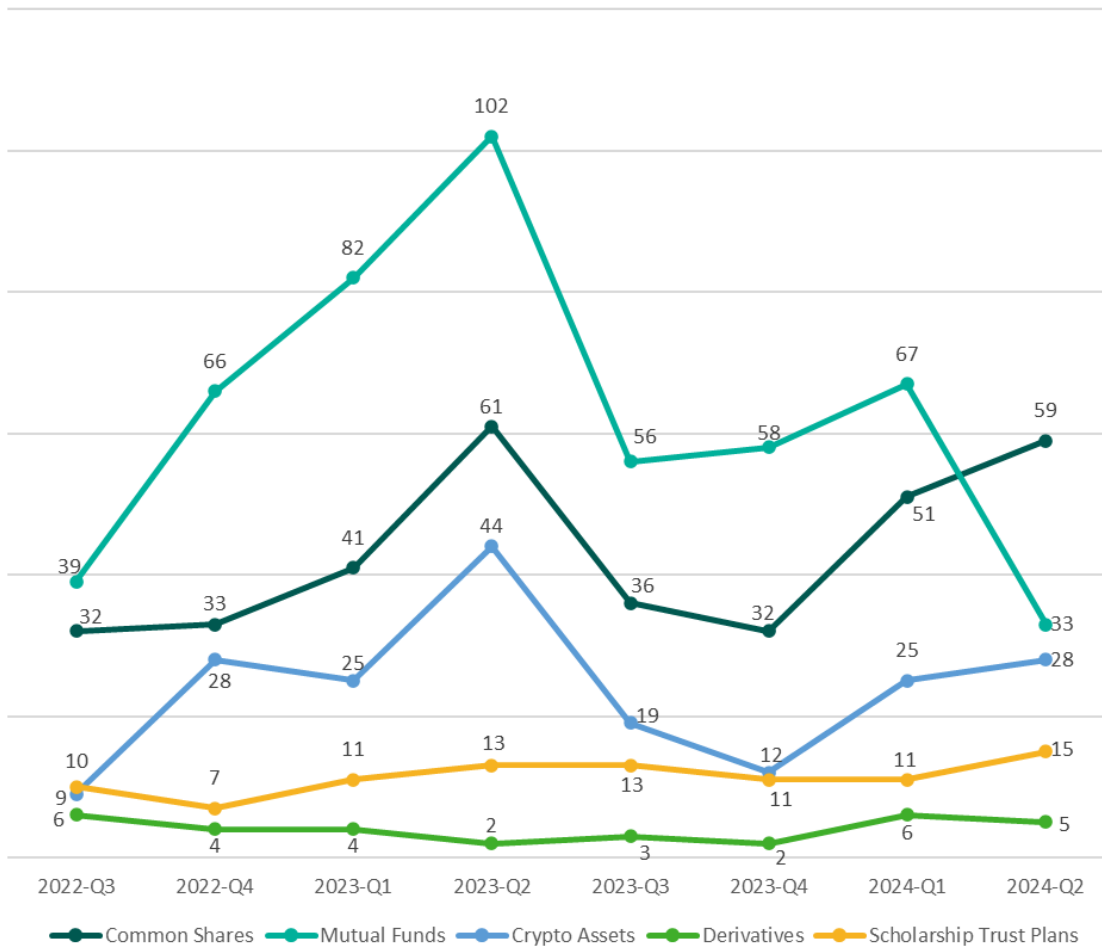
Top 5 Banking Issues: Last 8 Quarters



Top 5 Investment Products: Last 8 Quarters

In Q2, common shares were the top product concern for investors for the first time in recent quarters. Mutual funds cases decreased by over half, quarter over quarter and decreased 68% from the past year. Complaints related to scholarship trust plans reached an eight-quarter high. Complaints related to crypto assets were up slightly from previous quarter.

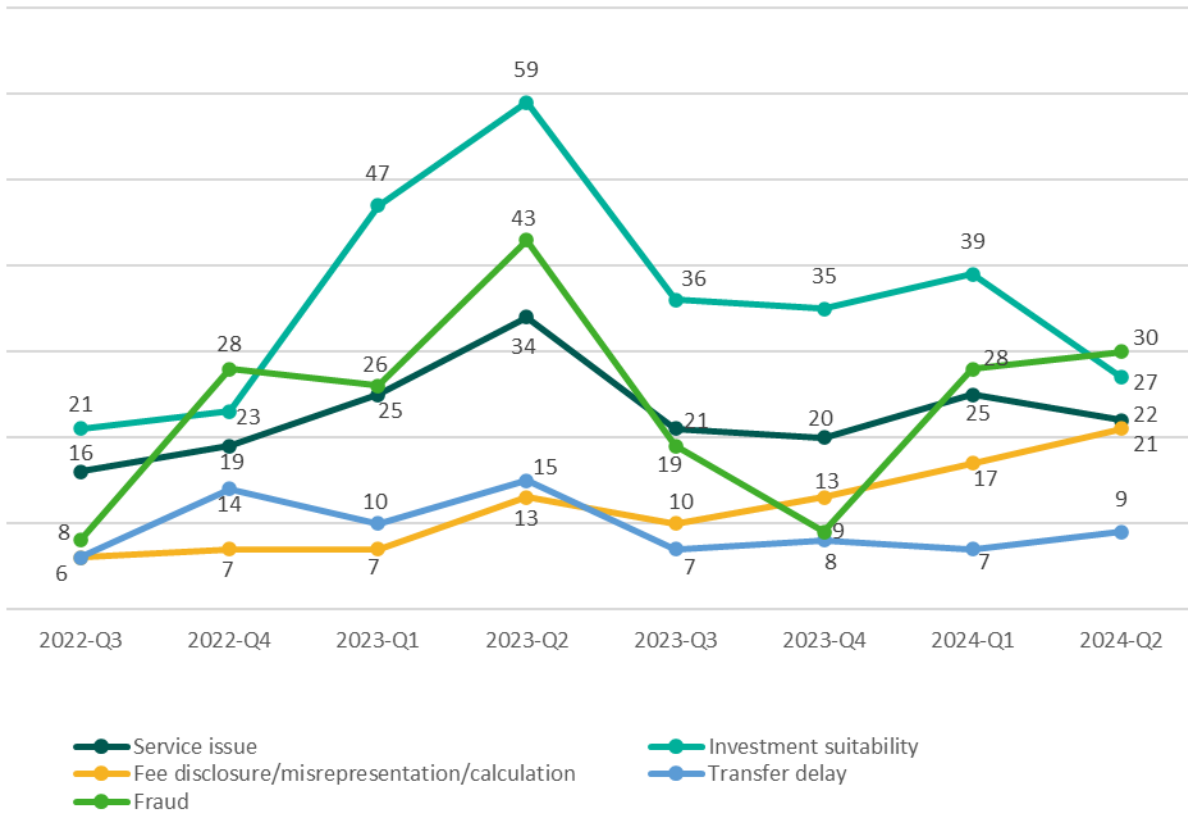
Top 5 Investment Products: Last 8 Quarters



Top 5 Investment Issues: Last 8 Quarters

In Q2, fraud became the leading issue among investors, exceeding investment suitability cases for the first time in recent quarters. Investment suitability cases were down 31% quarter over quarter and 54% year over year. Service issues declined from the previous quarter. Instructions not followed were up slightly in the quarter compared to the previous one, and transfer delays were up as well. Fee-related cases trended upwards. Transfer delay cases remained at low levels and well below the high seen in Q2 of 2023.

Top 5 Investment Issues: Last 8 Quarters



Efficiency Initiatives

New efficiency measures were introduced in Fiscal 2024:

- We've expanded our FastTrack expedited review processes to more case types.
- We strategically assign the same type of cases to investigators to facilitate more efficiency same-issue workloads where possible.
- We reviewed and expanded our approach to cases considered outside our Terms of Reference at the case intake stage, including uncomplicated account closure cases.
- We've developed and conducted training on a number of new "quick close" guides and templates to facilitate the efficient investigation of uncomplicated cases involving several categories of common, less complicated issues.
- We updated our guidance on recommendations for compensation for extraordinary distress and inconvenience to ensure clarity and consistency for all investigative staff.
- We reduced and eliminated a number of administrative steps in the process of case administration.
- We updated and clearly communicated case closing productivity expectation guidance for all investigative staff, reflecting recent efficiency measures.
- We are also working directly with current participating banks to ensure efficient and effective approaches to constructively refine our approaches to addressing certain common case types.

As a result of our ongoing efficiency measures, OBSI's case closing productivity quadrupled over the past 2 years. Additionally, per-person efficiency is increased by 90% during the same period.

Appendix – Industry Association Participation

Canadian Bankers Association

Canadian Credit Union Association (CCUA)

Federation of Mutual Fund Dealers (FMFD)

Investment Funds Institute of Canada (IFIC)

Investment Industry Association of Canada (IIAC)

Private Capital Markets Association (PCMA)

Portfolio Management Association of Canada (PMAC)