

Ombudsman for Banking Services and Investments
ANNUAL REPORT 2004



The Ombudsman for Banking Services and Investments (OBSI) is an organization independent of government and the financial services industry that investigates unresolved complaints from customers about banks and other deposit-taking organizations, investment dealers, mutual fund dealers and mutual fund companies.

First established in 1996, we have worked to provide prompt and impartial resolution of complaints that clients have been unable to resolve satisfactorily with their financial services provider. We deal with complaints from individuals as well as from small business.

There is no cost to the customer for our services.

The Ombudsman is independent of the financial services industry and the final decision on the fair resolution of complaints rests solely with the Ombudsman.

We base our assessment of a customer complaint on four basic criteria:

- Overall fairness
- Good business practices
- Accepted industry standards and practices
- Standards established by industry regulatory bodies, professional associations or the individual financial services provider

Please visit our website at www.obsi.ca.

OUR PRINCIPLES AND VALUES

All of our activities and work are guided by our principles and values, which include:

An overriding commitment to excellence

Providing responsive service based on fairness, integrity, equity and respect

Maintaining our independence from member financial services providers

Upholding the highest standards of excellence in both our decision-making process and in the timely delivery of our recommendations

Communicating our recommendations thoughtfully, thereby promoting greater understanding

Nurturing career growth and professionalism among our staff.

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The Ombudsman for Banking Services and Investments is not an individual — it is an organization and a team.

Across the country, a strong team of 20 people — accountants, auditors, lawyers, and even a former police officer — protects customers by independently investigating and resolving their complaints. The Board of Directors is proud of our team and of the professional, objective manner in which its members deliver such an important public service.

Our team has grown and evolved since 1996, when the organization was launched with an initial mandate to investigate complaints by banks' small business customers. Service was subsequently expanded to include individual bank customers (1997) and customers of independent investment and mutual fund dealers and mutual fund companies (2002).

Our tenth year, 2005, marks another milestone in the growth and evolution of the team, as the Board selects a new Ombudsman. Michael Lauber, who has served Canadians with independence, integrity and impartiality, is retiring on June 30. We owe Michael a debt of gratitude for his diligent and effective work.

The renewal of our team through the selection of the next Ombudsman illustrates one of the organization's most important principles: independence. Following our annual meeting in 2005, we will go from a majority of two independent directors to fully 70 per cent of the directors, including the Chair, being completely independent of banks, investment and mutual fund dealers and mutual fund companies. The independent directors control the selection of the Ombudsman. We also choose new independent members of the Board. Through this process, OBSI's continued independence is assured.

Replacement of the Ombudsman is one of several changes underway:

- The Honourable Lincoln Alexander retired from the Board of Directors in February and has accepted the position of Director Emeritus. Lincoln is a very special person, particularly to the people of Ontario, and his contribution has been significant. The Honourable David Crombie, former Mayor of Toronto and Chair of Toronto's Olympic bid, will succeed him as an independent director.

- Gilles Cloutier also retired in February to make way for a younger independent Director from Quebec. We welcome Gisèle Côté-Harper, Q.C. a professor of law at Laval University.
- Two of the industry appointees (who form a minority on the Board) have also stepped down: Donald Panchuk of Philip, Hager & North retired upon the completion of his term, and Gary Reamey of Edward Jones retired in February. Frank Laferriere of Berkshire Securities has replaced Gary Reamey.

I would like to express my appreciation to all Directors for their support and their dedication to the principles of the Ombudsman for Banking Services and Investments.

Led by a renewed Board of Directors and a new Ombudsman, our team looks to the future and to the objectives set by the Board:

- **Service Standards:** Since 1996 we have continuously updated and enhanced our service standards and Code of Conduct to address the changing marketplace and our expanded mandate. Currently, management is revisiting investigation procedures and processes to ensure greater standardization among all investigators.
- **Customer Satisfaction:** OBSI generally receives good marks for the way we deal with the customers and our understanding of the complaints. However, as a result of the expanded mandate, customers experienced service delays in 2004 and the satisfaction surveys reflected this. The Board of Directors has made clear that the organization must succeed in maintaining high customer satisfaction.
- **Continuous Improvement:** OBSI's culture is one of always striving to do better. In that spirit, in 2004 AssetRisk Advisory reviewed our information systems and file procedures. Its findings were extremely complimentary regarding the thoroughness of investigations, the quality of reporting to customers, the process for decision-making and the fairness of decisions. AssetRisk made several recommendations for greater efficiency that the Board has adopted and directed be implemented.
- **External Guidelines:** The International Standards Organization is currently developing a new guidance standard that will apply to an independent ombudsman system: the *ISO 10003, Customer Satisfaction – Guidelines for External Customer Dispute Resolution*. The Board enthusiastically endorses the concept and looks forward to its release in 2006.

- **Independent Audit:** In 2007, OBSI will implement an independent review of our investigation procedures, adequacy of documentation, decision-making process and the fairness of recommendations. These audits, likely conducted by a law school professor, would be based upon best financial services and business practices, accepted industry standards and practices, standards established by industry regulatory bodies, professional associations and individual financial services providers, and applicable law and regulation. (In Australia, the ombudsman system is audited on a triennial basis; the review includes public hearings and a summary of the final report is made public.)
- **International Activity:** This September, we will be pleased to host an international conference of financial services ombudsmen. Ombudsmen from the United Kingdom, Australia, New Zealand, South Africa and Ireland, among others, will attend. One of the speakers will be Kernaghan Webb of Industry Canada, part of the international team responsible for developing the ISO 10003 standard.
- **Domestic Cooperation:** We continue to work cooperatively with the two insurance industry ombudservices (Canadian Life and Health Insurance OmbudService and General Insurance OmbudService), and the Centre for the Financial Services OmbudsNetwork (CFSON) to ensure that no customer's complaint "falls between the cracks." Discussions to combine the organizations have not reached any conclusions. To improve communication, the chairs of the ombudservices have recently joined the CFSON Board of Directors.

These are the priorities established by the Board of Directors as the Ombudsman for Banking Services and Investments prepares to enter its second decade.

This is an exciting time for the organization: A time of renewal. A time of change. Most of all, a time to maintain the reputation for integrity and fairness of which everyone on the team is justifiably proud.

*Dr. Peggy-Anne Brown
Chair of the Board of Directors*



The year 2004 was a very busy one for the Ombudsman's office following a year in which we adapted to an expanded member base; we went from 13 bank financial groups to approximately 500 member financial services providers. OBSI considered 428 client complaints in the year compared with 321 in the previous year. Adding to the impact of an increased number of complaints is the fact that 55% of the complaints related to investment products and services, up from 43% in 2003 and from an estimated 15% to 20% in 2002. Investment complaints are usually more time consuming than banking issues because the investigation generally involves several accounts and requires the review of several years' investment history.

The majority of investment complaints claimed losses resulting from unsuitable investments. The complaints still mostly related to the 'tech bubble' in 2000 and the depressed markets that followed until late 2002. As I reported last year, the volume stretched our resources, resulting in the time required to investigate a complaint and to respond to the client becoming unacceptable. We were ultimately able to locate and hire additional qualified staff and, together with some procedural changes, we have largely resolved the service delivery problem.

This year we began to reconsider our processes and to provide more timely responses to customers requesting an investigation of their complaint. We determined that there were a significant number of complaints brought to OBSI that could be resolved without the need of a full investigation – we have categorized these cases as "early resolution". Often the client has provided sufficient information for OBSI to understand the circumstances of the complaint and to form a view of fairness. In other cases, informal conciliation was able to resolve the issue. We were able to process approximately 30% of our 428 cases in this manner and to provide the customer with a written report in less than 20 days in most of those cases.

There is a more complete discussion of the type of cases coming to OBSI, their geographic origin, the issues giving rise to the complaints, and the resolution thereof elsewhere in this report.

I have recently announced that I will retire as Ombudsman on June 30, 2005 after over nine years in the role. It has been a very challenging time that saw the organization grow from an initial staff of three people dealing with complaints from customers of seven banks and their dealings with small businesses, into an organization of twenty and a membership of about 500 firms serving both small business and consumers. We are now investigating complaints concerning all retail banking services as well as all securities and mutual funds issues. OBSI's membership includes all banks, substantially all trust and loan companies, and all members of the Investment Dealers Association, Mutual Fund Dealers Association and the Investment Funds Institute. In addition, there are a few insurance companies and credit unions that are members. Having had a role in bringing these organizations together to provide a comprehensive dispute resolution organization for the benefit of consumers has been very satisfying, as has been the unqualified support and co-operation that we have received from the leaders of the industry associations.

There were other challenges to contend with. In 1998, the Task Force on the Future of the Canadian Financial Services Sector strongly endorsed the ombudsman office but concluded that because of perception issues it would be better to be within government. After three years of discussion, the government agreed that this recommendation was not in the best interest of consumers and OBSI continued as an industry-based dispute resolution organization. I am convinced that OBSI would not be the comprehensive organization that it is today if it was within government.

I am pleased that the board of directors has accepted my recommendation that OBSI adopt the business process guideline ISO 10003 when it is released in 2006 and has also accepted my recommendation to adopt a policy of periodic independent review of OBSI's files for fairness, similar to the Australian procedure. There is more discussion on this in the message from the Chair.

Over the nine years, I have tried to maintain contact and to be accessible to consumer groups and investor advocacy groups. I have not always agreed with their expectations of OBSI but I have always appreciated their comments and advice and I considered these to be part of the continuing education of the Ombudsman. Frequently these groups have argued that OBSI should be able to make rules, set standards or discipline firms – that is the role of a regulator. OBSI's role is to

investigate individual complaints and make a recommendation for redress based on fairness in the circumstances - not to set rules and standards for the industry. Nor can OBSI be seen to be an advocate for the consumer or the industry positions and still be accepted as impartial by the other party.

Holger Kluge and Bruce Birmingham, then Presidents of CIBC and Scotiabank respectively, were members of the early board of directors of OBSI. These gentlemen lead the initiative within the banks to form an ombudsman scheme and were committed to seeing that it was established based on sound principles and that it would be truly independent from the industry. Dr. Peggy-Anne Brown picked up the leadership reins early in the first year and has served as Chair of the Board of Directors since that time. I have very much appreciated Peggy's commitment to the role of Chair and her wise counsel over the years and the support of the Board of Directors.

Finally, I would like to thank my team of investigators and customer service staff. There is nobody at OBSI who does not spend at least three-quarters of their time directly on customer issues. They are all focused on quality service to the clients and our members. I am particularly proud of the attitude of fairness that permeates the office and the discussion of decisions that we make on a daily basis.

To my successor, I can only say that OBSI is respected by the industry and the marketplace, it has an excellent staff that understands fairness and there are demanding standards in place. It is a solid base on which to build. Good luck.

R. Michael Lauber
Ombudsman and CEO

HOW THE OMBUDSMAN PROCESS WORKS

Individual or small business customers not satisfied with a financial product or service have a right to make a complaint and to seek resolution of the problem.

The process starts with the local branch or office of the financial services provider where the transaction occurred. Most problems can be resolved at that level. If a complaint is not settled at the point of sale, all members of the Ombudsman for Banking Services and Investments (OBSI) have an additional dispute resolution process to help resolve the matter.

Member firms have client brochures describing the process. The OBSI has approximately 500 members, including banks, trust and loan companies and other deposit-taking institutions, investment dealers, mutual fund dealers and mutual fund firms. A complete list of member firms is on our website at www.obsi.ca.

Larger organizations often have customer satisfaction groups responsible for complaint-handling as well as a full-time internal Ombudsman who reports to the CEO. All financial services firms have a compliance officer, or compliance group, with responsibility for handling client complaints. Some firms also have a designated senior executive responsible for dispute resolution.

If a customer has not been successful in resolving a complaint using the internal process of their financial services provider, the customer can request the assistance of OBSI.

There is no charge for our service and our mandate enables us to investigate a wide range of issues relating to products and services.

However, there are some complaints we do not investigate because they are competitive issues best resolved in the marketplace:

- complaints about the general pricing of products and services, including the pricing of fees, commissions and other charges applicable to clients;
- complaints about the level of interest rates;
- issues related to general industry policies or procedures; and,
- credit-granting policies or other risk management policies or procedures of members.

OBSI also does not handle matters that are or have been before a court or an arbitration body or other dispute resolution process.

Clients retain their legal rights and, if dissatisfied with OBSI's decision, are free to pursue those rights in court, subject to limitation periods, or through any other available dispute resolution processes.

However, if a customer decides to go to court or arbitration first, the option of bringing the matter to the OBSI is not available since both of those processes are final and binding.

The Complaint Process

Customers who have a complaint should first talk with their account manager or the person they originally dealt with to explain the problem.

If the issue is complicated, it is usually best to communicate a complaint in writing, and some organizations may require it. Customers should ensure they have all the appropriate documents, including brochures, account statements and copies of contracts.

If a complaint is not resolved at this stage, customers should be provided with information on their financial services provider's complaint escalation process and they should follow it.

Once all avenues of appeal have been exhausted within the firm, customers who have not received satisfaction can take their case to OBSI.

Bringing a Complaint to OBSI

We ask the client to set out the complaint in a letter. The letter should summarize the nature of the complaint and indicate a proposed resolution. We also ask for copies of all previous correspondence concerning the complaint between the client and the financial services provider as well as copies of related documents and notes of conversations.

OBSI requires that customers must bring complaints to us within six months of completing the process at their financial services provider.

Clients are required to sign a plain language agreement between the client, the financial services provider, the Ombudsman and any other parties involved in the dispute. It describes the process and authorizes the financial services provider to send us files related to the complaint. If the client is disabled or requires the assistance of a family member, friend or other person, we ask the client to sign a form allowing us to discuss confidential matters with a third party.

To encourage cooperation and openness, we ask all parties to agree that our files and our work product and anything generated as part of the dispute resolution process may not be used in any subsequent legal or regulatory proceedings. The parties must also agree that the Ombudsman and staff and advisors will not be called to testify.

Most cases involve a formal investigation and the customer receives a detailed written response that includes our findings and any recommendations we make. Our service standard is to complete more than 80 per cent of files within 90 days. Complex cases can take longer to resolve.

We make our findings about a case based on overall fairness and good business practices. We also take into account accepted industry standards and practices as well as any standards established by industry regulatory bodies, professional associations or the individual financial services provider where the client does business.

The ceiling on the amount of compensation the Ombudsman can recommend is \$350,000.

Financial Services OmbudsNetwork

OBSI is one of three independent, industry-specific complaint-handling services that make up the Financial Services OmbudsNetwork. The OmbudsNetwork also includes the Canadian Life and Health Insurance OmbudService, which provides services to clients with complaints related to life and health insurance companies, and the General Insurance OmbudService, which handles complaints from customers of property and casualty insurance companies, including home, auto and business insurance.

The three industry Ombudservices are linked by the Centre for the Financial Services OmbudsNetwork (CFSON) which operates a customer assistance centre. CFSON can provide assistance to customers uncertain about where or how to resolve a dispute with their financial services provider.

Our Privacy Policy: How we protect your personal information

OBSI is committed to ensuring that personal information in our possession remains confidential, secure and accurate.

With the consent of the customer, we collect personal information from the financial services provider, the customer and other sources to facilitate the investigation and resolution of the complaint. We will only use the information for the purposes intended.

We regard our communication to clients as confidential. As a matter of policy, the Ombudsman will not make any public comment about any case that has been brought to our office.

We will destroy personal information in our possession when it is no longer necessary for our investigation and it is no longer legally necessary for us to have the information to respond to issues that may arise later.

Our detailed privacy policy is available on our website at www.obsi.ca

CASE STUDIES

CASE 1

In this case, an investment advisor failed to act in the best interest of his client when he made unsuitable investment recommendations for an elderly client with high annual income requirements.

CASE: Nearly 75% of a 91-year-old client's account at a full-service brokerage firm was invested in a bond mutual fund. The investment advisor convinced the client's son, who held Power of Attorney for the client, to switch the investment in the no-load bond fund to a back-end load version of the same fund.

The advisor did not explain that the back-end load version only allowed the client to withdraw 10% of her fund investment each year without incurring deferred service charges (DSC's).

The client required a substantial yearly income and, after the switch, she was able to withdraw only half of her required income from the bond fund without incurring DSC's. This, in turn, put a burden on the client's other investments which then needed to grow by 15% to 20% per year to provide for the client's annual income requirements without prematurely depleting the account.

The mutual fund company paid the advisor and the brokerage firm a \$30,500 commission for the switch.

On the advisor's advice, the client's son also opened a margin account so the client could borrow funds to cover any shortfall in her income requirements. In effect, the client was forced to live on borrowed money to avoid paying DSC fees on withdrawals from the bond fund.

In less than one year, the client was charged over \$10,000 in interest on her margin account, before her son decided to close the account. After moving the account to another firm, the client's son sold the remaining bond fund investment, which cost his mother \$17,000 in DSC's.

OBSI: Investment advisors have an obligation to act in the best interest of a client. In this case, the change from a no-load mutual fund to a DSC version of the same fund was not in the client's best interest, and appeared to have been recommended only to enrich the investment advisor and the firm.

The firm accepted OBSI's recommendation that the client be reimbursed the DSC's as well as the margin interest that she incurred.

CASE 2

This case shows that clients are not entitled to expect investment advisors to be guarantors of their financial success. In addition, clients are responsible for preparing for, and responding to, margin calls.

CASE: Late in the fall of 2000, a couple in their forties deposited \$100,000 with a mutual fund dealer, obtained a "2 for 1" loan, and invested a total of \$250,000 in mutual funds.

The clients, who were experienced in the mutual fund industry, listed their investment knowledge as "Extensive" and their risk tolerance as "High" and "Extensive". On several occasions their advisor informed them that they had undertaken a very risky investment strategy and he confirmed in writing that they were fully appreciative of this fact.

In July 2001, the clients gave their Power of Attorney to a relative and began what was planned as several years of travel in foreign countries. By the time of their departure, the mutual funds had declined in value.

During their travels, communication between the clients, their Attorney and the advisor took place by telephone and e-mail. The Attorney forwarded the clients' statements and occasionally, at the clients' request, the advisor faxed statements to them. Cash withdrawals were sent to the clients to pay their travel expenses.

The value of the portfolio continued to decline and, by May of 2002, was at the point where the lender would soon issue a margin call.

Through their Attorney, the clients asked their advisor about switching their investments to a bond or dividend fund, hoping this would allow them to continue their travels. The advisor told the Attorney that in the current market (low interest rates and declining market prices), a bond or dividend fund would not generate enough income to pay the interest on the loan. The clients then notified the advisor that they were returning to Canada.

The clients arrived in July 2002 and by the time they contacted their advisor, a margin call had been issued. Although the advisor had immediately notified the Attorney of the margin call, the Attorney could not reach the clients for several days. Once the clients learned of the margin call they arranged to pledge collateral to support the loan.

The advisor recommended that the clients take steps to insure against further margin calls, such as collapsing their portfolio to pay off their loan, but they took no action and received a second margin call several weeks later.

After being forced to sell their investments to cover the margin, the clients complained that the \$75,000 loss on their

investments was due to their advisor's failure to respond to their requests for alternative investment strategies, and to notify them of margin calls in a timely manner.

OBSI: OBSI did not make a recommendation to the dealer. The clients had committed to a high-risk strategy of using borrowed funds to purchase investments, which they hoped would generate sufficient growth to finance their travels. When the clients asked about switching to dividend or bond funds, the advisor recommended against such switches and recommended alternatives which the clients did not accept.

The clients' Line of Credit and Security Agreement clearly specified the point at which a margin call would be issued, and stated that clients are responsible for ensuring that proper margin is maintained in the account. There was no requirement that the advisor notify the clients in advance of a margin call, and it was clear that the advisor had kept them informed of the declining value of their portfolio.

The fact that the clients satisfied the margin call using borrowed assets as collateral demonstrated their commitment to the original strategy and their expectation that the markets would recover. They gave no instructions to pay down the loan or to alter the strategy of using leverage, even though their advisor urged them to reconsider their strategy.

CASE 3

This case highlights the importance of an investment advisor learning and then accurately recording the essential elements of a client's financial and personal situation to be in a position to make suitable recommendations.

CASE: A few years after immigrating to Canada, a middle-aged couple opened an account with a full service investment firm and deposited the net proceeds from the sale of their home in the UK and the husband's severance pay.

The clients invested a total of \$80,000, and claimed they told their investment advisor that they planned to use this money, which represented their entire wealth, for a down payment on a house and for their daughter's upcoming wedding. At the time, the husband worked as a tradesman and the wife was employed as a receptionist. Their younger daughter lived with them in a one bedroom rented apartment. Except for personal effects and an older car, the clients had no other assets. They also had an outstanding line of credit that was close to its \$20,000 limit.

The account opening documentation showed the clients' investment knowledge as "good", although their only

investment experience was with GIC's and a bank money market mutual fund. The clients' risk tolerance was identified as 60% medium risk and 40% high risk, and their objectives as 60% long-term capital appreciation and 40% short-term capital appreciation and speculative trading.

When the account was opened, it was invested 100% in equity mutual funds, most of which were foreign, technology, sector or theme funds. All were purchased on a deferred sales charge (DSC) basis or back end load.

The clients' monies were invested as though their investment objectives were 100% long term, and 87% of their account was placed in medium to high risk investments. The advisor denied that he was ever told of the client's intentions for the money in the account.

Five months after opening the account, the clients wanted to withdraw \$13,000 to pay for the wedding, which was scheduled to take place within a few months. Since the mutual funds had declined in value and were subject to significant DSC's, the advisor did not recommend selling any of the investments. Instead, he facilitated a \$13,000 margin loan for the clients.

By the end of March 2004, the mutual funds had declined in value by \$33,000 and the balance owing on the margin loan had increased to \$16,500.

OBSI: OBSI determined that the information recorded on the account opening documentation was not an accurate reflection of the client's risk tolerance and investment objectives. Furthermore, the mutual funds the clients invested in were not consistent with this documentation. OBSI concluded that the advisor had not learned essential facts needed to provide investment recommendations in keeping with the clients' financial circumstances.

A review of the clients' monthly financial obligations revealed that they did not have the means to service the margin loan. Consequently, the monthly interest on the margin loan was being added to the outstanding debt.

On OBSI's recommendation, the investment firm agreed to reimburse the clients for all of their investment losses. Since the clients had benefited from the proceeds of the margin loan, the outstanding balance of the margin loan and unpaid interest were deducted from the proceeds of the account's liquidation.

CASE 4

This case underscores that investors are responsible for the decisions they make. Investors should bring errors in their accounts to the attention of their investment firm as soon as possible.

CASE: A couple had been investing with their advisor for several years. In December 1999, the husband instructed the advisor to make a small change in one of his accounts. About a week later, both the husband and the wife received trade confirmation slips in the mail indicating that a large number of units of mutual fund A had been switched to mutual fund B in their accounts.

The husband immediately called the advisor to notify him that a large mistake had been made in their accounts. The advisor was on vacation, but the husband was able to speak with the advisor's partner, another advisor at the same firm. The advisor's partner recommended that the clients keep the units of mutual fund B. In the end, the husband agreed with this recommendation. After this telephone conversation, the husband relayed the partner's recommendation to his wife, who also decided to keep the mutual fund B units in her account.

In the months following the switch, mutual fund B performed well. After several months, however, the value of mutual fund B began to decline. A year after the switch, when the clients transferred their investments to another firm, their units of mutual fund B had decreased in value by about \$18,000. But if the switch had not been made, their units of mutual fund A would have increased in value by about \$14,000 during that time. The clients complained to the original firm about the switch to mutual fund B only after they had transferred to another firm.

OBSI: There was no doubt that a mistake had been made, but after speaking with the advisor's partner, the clients agreed to keep the units of mutual fund B that had been purchased in error. OBSI concluded that because they did not instruct their advisor's partner (or later their advisor) to reverse the switch, the clients had ratified the transaction.

The clients did not make a complaint to the firm when the fund was doing well; they only did so after the fund had significantly declined in value. Had they complained promptly after the switch, the switch could have been reversed with no loss to the clients and at no cost to the firm. OBSI decided that it would not be fair to require the firm to compensate the clients for their losses.

CASE 5

Unsuitable investment recommendations were made for a client, for which her investment firm offered to compensate her \$30,000. The client turned down the firm's offer and appealed to OBSI. On closer scrutiny, however, OBSI concluded that the client should be compensated only \$20,000.

CASE: A client claimed that all of the mutual funds purchased over a six-year period were unsuitable for her because she should have been invested in low risk and guaranteed securities. She requested compensation of \$100,000, which included her losses on all of the funds, as well as the "opportunity cost" to her of not having her money in alternative investments.

While the investment firm agreed that some of the mutual funds were unsuitable, it maintained that this should have been apparent to the client sooner. The firm offered the client \$30,000, representing 75% of the losses from her investments in high-risk mutual funds. The client was not offered compensation for 100% of her losses in the high-risk mutual funds because she significantly delayed raising her concerns while the funds continued to decline in value.

OBSI: Once a client turns down a firm's offer, that offer is no longer available to the client. OBSI, through its investigation, establishes its own views on what is fair compensation, if any, for the client. Clients are not compensated for "opportunity costs". In this case, OBSI recommended compensation of \$20,000, a significantly lower amount than the firm's original offer.

Investment advisors are obliged to recommend securities that are suitable for a client, but when a client becomes aware of errors or misconduct by an investment adviser that is causing a financial loss, he or she must take steps to mitigate that loss.

OBSI concluded that the client should be compensated for all of her losses in the unsuitable securities, up to three months after she recognized that the securities were unsuitable. During the three-month period after the client identified the problem, she could have reasonably mitigated her losses. To consider losses beyond this period would allow the client to unfairly speculate at the investment firm's expense.

CASE 6

A customer found a buyer on the Internet and accepted a cheque from a third party for more than the purchase price of his goods. The customer wired the excess funds overseas to his buyer, but then discovered that the original cheque had been forged. The bank shared responsibility for the customer's loss because it had not provided complete information to the customer.

CASE: A customer advertised stereo equipment for sale on the Internet and was contacted by an overseas purchaser in Amsterdam, who agreed to buy it for \$1,600.

For payment, the purchaser suggested that his American client, who owed him money, pay the customer \$7,800 and the customer could then wire the \$6,200 difference to the purchaser. A Canadian business associate of the purchaser would pick up the stereo equipment. The customer agreed to this proposal and asked to be paid with a certified cheque.

The customer received a \$7,800 cheque written on a Canadian bank account. Although the cheque was not certified as he had requested, he deposited it at an automated banking machine after business hours on a Friday.

When the customer called the bank to find out how long it would take for the cheque to clear, he was told that it generally takes five days, but to be safe he should wait seven days.

During the weekend, the purchaser called to tell the customer of a family tragedy that required his immediate travel to Hong Kong. He told the customer he would accept \$5,800 instead of \$6,200, as he urgently needed the funds for travel.

On Monday the customer called the bank to find out if the cheque had cleared. He was told that it had not cleared, but that he could access \$3,000 now because of his history as a good customer of the bank.

The purchaser called again, pressuring the customer to help with his travel costs. The customer called the bank on Thursday and claims he was told that if the funds were in his account on Friday, then the cheque had cleared. On Friday morning the customer satisfied himself that the funds were in his account and he wired the purchaser \$5,800.

Shortly afterwards, the \$7,800 cheque was returned because it was a forgery. The bank offered to reimburse the customer \$2,600 of his loss but the customer declined, demanding payment of \$7,800.

OBSI: Unfortunately, the customer was a victim of a common fraud scheme.

OBSI determined that a hold on the cheque for five

business days would have expired at midnight on the Friday following its deposit. Not only did the customer not wait a full five days for the cheque to clear but, contrary to the original agreement for payment by certified cheque, he accepted an uncertified cheque from an unknown third party without attempting to verify the payment. In addition, the customer still had his stereo equipment.

OBSI found the bank's offer to reimburse the customer \$2,600 to be reasonable. The bank renewed its offer and the customer accepted it.

CASE 7

This case shows the importance of protecting your personal identification number (PIN) – even from a friend.

CASE: A customer and his friend went to a nightclub one evening after having several drinks at the customer's apartment. The customer was intoxicated by the time they arrived at the club, but he ordered and paid for a round of drinks. He then left his wallet, containing his bank debit card, on the table while visiting the washroom facilities. When the customer returned to the table he did not notice that his wallet was gone. Shortly afterwards, the customer and his friend left.

The next morning, the customer realized that his wallet and debit card were missing and reported this to the police and to his bank. The bank immediately cancelled the debit card, but \$800 had already been fraudulently withdrawn from the customer's bank account.

The customer later identified his friend as the fraudster from photographs taken by a security camera at an automated banking machine.

OBSI: When the friend was interviewed, he told OBSI that, while intoxicated, the customer had boasted that he had "plenty" of money in his account and had told the friend his PIN. The customer denied informing his friend of his PIN, but admitted that he had been intoxicated and did not recall many of the events of that evening at the nightclub.

OBSI did not recommend that the bank reimburse the customer for the fraudulent cash withdrawals because the customer failed to safeguard his PIN.

CASE 8

The importance of being fully aware of insurance policy terms is underscored in this case, where it was necessary to advise the travel insurance provider within 24 hours of the onset of a medical condition that caused, or could cause, the cancellation of a trip.

CASE: When booking a cruise through a travel agent, a couple purchased trip cancellation and medical insurance from a bank-owned insurance company.

On May 1st, six weeks prior to their scheduled departure, the husband was hospitalized due to a stroke. The husband discussed his upcoming cruise with the hospital doctor, who thought he would recover and be able to travel as planned. Unfortunately, the husband's condition deteriorated and on May 31st the doctor concluded that travel would not be possible. The trip was cancelled immediately and a claim submitted on the travel insurance policy.

Part of the claim process included a doctor-completed Medical Certificate in which the doctor stated that he advised the husband to cancel the trip on May 31st. However, on the Claim Form the husband had entered the stroke date of May 1st as the "Date of the cause of the cancellation". On a subsequent form the doctor advised that May 1st was the date when he would have "precluded travel".

The cruise company refunded half of the cost of the couple's trip, but the insurance company paid only a quarter of the claim. The balance was denied because the couple did not cancel within 24 hours of the "cause of cancellation", which the insurance company said was May 1st, the stroke date. The couple argued that the cause of cancellation occurred on May 31st when the doctor advised against travel, but the insurance company disagreed.

OBSI: With the husband's permission, OBSI contacted the doctor. The doctor's recollections matched those of the husband and he provided a letter clarifying and confirming May 31st as the date of the cause of cancellation.

Insurance providers need to be involved in the decision regarding a policy holder's ability to travel. If the insurance provider had been involved in this case, it would have advised the couple whether it concurred with the doctor's opinion.

Nonetheless, because of the confusion around the documents, the insurer agreed to pay the full claim on a goodwill basis.

CASE 9

When a credit card company provides an authorization number to a merchant for a credit card transaction, this only confirms that there is sufficient credit available on the credit card for the transaction and does not protect the merchant against fraudulent transactions.

CASE: An established merchant, specializing in product sales through telemarketing, decided to begin accepting credit card payments and was referred to his bank's Merchant Credit Card Services (MCCS). The merchant's account was set up during a rapid information exchange over the phone with an MCCS representative and he was faxed any documents requiring his signature.

Later, the merchant was mailed the materials he needed to accept credit card payments. Some of the brochures provided said that obtaining an authorization number for each transaction would protect the merchant against fraud. Others said that the merchant must obtain an imprint of the card and the cardholder's signature to ensure the transaction would be fully guaranteed. To reassure himself, the merchant checked with his bank branch to inquire about potential problems with accepting credit card payments. He was told that everything would be fine as long as he obtained an authorization number for each sale.

Although the sales were made over the phone, the merchant required purchasers to present themselves in person if they wanted to pay by credit card. MCCS had confirmed that this was the best way to protect against fraud.

Sales to out-of-town purchasers were handled differently because the large products required delivery. The merchant checked once again with MCCS. It was suggested that the purchaser give his card to the deliveryman with a letter authorizing the deliveryman to use the purchaser's credit card and sign the credit card slip on behalf of the purchaser. The merchant followed this procedure and also obtained authorization numbers for all of the transactions.

A few months later, the credit card companies charged back some of the "face to face" credit card sales and all of the out-of-town credit card sales because they were fraudulent. The merchant had been a victim of a network of fraudsters that had stolen or copied credit cards of valid cardholders without their knowledge.

The merchant claimed that he should not be responsible for the fraudulent transactions because he had followed all of the instructions and had always obtained an authorization number from the credit card companies.

OBSI: OBSI concluded that the merchant had not been properly informed on several occasions.

The merchant had not been properly informed of the risks inherent in accepting credit cards. Among other things, he was not provided complete information about his Merchant Agreement, which would have pointed out that there are always risks in accepting credit cards, especially when the transactions are completed by fraudsters.

The brochure which stated that an authorization number would protect the merchant from fraud was incorrect. An authorization number only guarantees that there is sufficient credit on the card presented to complete the transaction. It would have been valuable if the MCCA representative had met with the merchant and explained in person all of the “do’s and don’ts” of accepting credit cards.

As well, the merchant did not receive adequate support after the credit card transactions were reversed (chargebacks). The procedures for disputing chargebacks were not properly explained to him.

On the other hand, it appeared that the merchant could have shown more vigilance over some of the transactions, enabling him to discover the fraud sooner.

The merchant had paid \$45,000 for the goods that he delivered to the fraudsters. OBSI recommended that the financial institution pay the merchant \$30,000, two thirds of the cost of the goods lost due to fraud.

CASE 10

This case shows the need for banks to inform customers about all of the consequences of an anticipated transaction so that the customers can make informed decisions.

CASE: In July 2003, a couple decided to sell their house and buy one better suited to their needs. They contacted the bank and inquired about their financing options for their future house. They also asked about the effect an early discharge would have on their existing mortgage and were advised that an early discharge would result in the bank charging a prepayment fee of \$4,000. The couple immediately objected to the fee, since their new mortgage with the bank would be much larger than the mortgage they were about to discharge.

In early November 2003, when it came time to close the sale and the purchase, the customers were told that the prepayment fee could not be avoided and further, the fee would now be \$5,900. The couple learned that, starting on October 15, 2003, the calculation of the prepayment fee on their mortgage switched from using the 3-year to the 2-year

mortgage rate, and this resulted in the increased fee.

In the couple’s opinion, the bank failed to properly disclose all the consequences that the timing of the discharge would have on their prepayment fee. Also, since the new mortgage was for a higher amount than their old one, the customers felt they should be able to discharge their first mortgage without paying a fee at all.

OBSI: OBSI first noted that the customer’s mortgage contract allowed the bank to charge such prepayment fees. However, since the prepayment fee had been the customers’ main concern from the start, and the customers were in regular contact with the bank while they searched for a new home, OBSI concluded that the bank should have better informed its customers. By advising the customers of the impact the date of the discharge would have on the fee calculation, the customers would have been able to make a better-informed decision.

Ultimately, OBSI was not convinced the couple could have been able to discharge their mortgage before October 15th and recommended that the bank pay the customers \$1,400. This represents half of the difference between the prepayment fee that they paid, and the fee they would have been charged prior to October 15, 2003.

COMMENTS ON THE STATISTICAL SUMMARY FOR 2004

During the year ended October 31, 2004, OBSI was contacted by 3,188 customers of the more than 500 financial services providers (FSP) that are members of OBSI. Some of these individuals and small businesses had unresolved disputes with their FSP and had completed the complaint process of the FSP. Others had complaints but had not approached the FSP for resolution – we referred these customers back to the FSP. Still others were seeking information on the options available to them to pursue their complaint or were seeking general industry information. Some of the issues raised are outside of OBSI's mandate and we are not able to consider the complaint.

Even if we were not able to formally accept the customer's complaint, we always attempted to provide information regarding process or the names of other organizations that could assist the customer.

The concerns of the 3,188 individuals and businesses that contacted OBSI in the year ended October 31, 2004 were dealt with by OBSI in various ways as follows:

The number of complaints considered by OBSI in the year either by early resolution or by investigation and the number of complaints closed in the year are as follows:

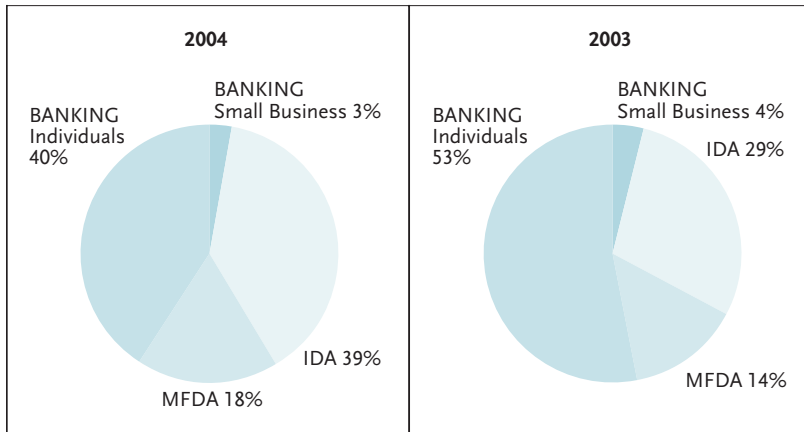
	2004			2003
	Banking	Investments	Total	Total
Open at beginning of year	40	92	132	33
Opened in year				
• Investigations	127	166	293	321
• Early resolution	73	62	135	-
	200	228	428	321
Closed in year				
• Investigations	148	186	334	222
• Early resolution	73	62	135	-
	221	248	469	222
Open at end of year	19	72	91	132

Referred back to the FSP – client had not completed the internal complaint process in the FSP. The customer is provided the name and contact information of the responsible person in the FSP.	1,550
Provided information – OBSI provides information specific to the customer's FSP or directs the client to a specific person or organization that will be able to assist them, such as another ombudservice, for example. We will usually respond in writing when the client writes to us.	1,169
Complaint is outside of OBSI's mandate – OBSI will advise the customer in writing if it is not able to accept a complaint because of its mandate. OBSI will advise the customer of other options available to pursue the complaint, frequently the courts.	41
Early resolution – frequently OBSI is able to express a view on the merits of a complaint to either the complainant or to the FSP based solely on the information provided by the complainant. This information usually includes letters from the FSP and its ombudsman. Sometimes this process involves conciliation or informal mediation. OBSI responds to the complainant in writing, usually within a few weeks of receiving the complaint.	135
Investigation – some complaints require a detailed investigation and are assigned to an investigator, a privacy release is obtained, and the client's file is obtained from the FSP. An investigation is conducted by an OBSI investigator in order to express an opinion on the resolution of the complaint based on fairness in the circumstances. OBSI's findings and our recommendation for redress, if appropriate, are communicated with reasons to the customer and the FSP in a detailed letter.	293
	3,188

OBSI made a recommendation for compensation to the client in 15% of the 334 investigations completed in the year. This result was approximately the same for banking services and investment issues and compares to 13% in 2003.

Analysis of the 293 complaints where OBSI conducted a full investigation follows.

Investigations by industry sector



Banking services

One hundred and twenty-seven or 43% of investigations opened by OBSI in the year (compared to 57% in 2003) were complaints related to banking issues. They are broken-down by product and services as follows:

Personal banking

	2004		2003
	Number	%	%
Credit cards	17	14	19
Debit cards	20	17	17
Insurance on loan products	12	10	5
Loan products, other	14	12	12
Mortgages	27	22	19
Transaction accounts	15	13	12
Wealth management	8	7	12
Other	6	5	4
	119	100	100

Small and medium sized businesses (SMEs)

	2004		2003
	Number	%	%
Credit cards	1	13	34
Debit cards	-	-	8
Insurance on loan products	1	50	-
Loans	4	12	25
Transaction accounts	2	25	33
	8	100	100

As part of our investigation, we attempted to determine the major issue giving rise to the complaints. We have identified the issues for the 127 personal and small business complaints as follows:

	2004		2003
	Number	%	%
Credit	13	10	22
Fraud	31	24	17
Privacy	4	3	3
Service	31	24	26
Transaction disputes	18	15	16
Other	30	24	16
	127	100	100

Twenty percent of credit card complaints related to the customer's credit bureau report, its accuracy and the impact of derogatory comments on credit decisions. Another 60% of complaints related to claims of unauthorized transactions charged to a card, some of which were fraudulent and others were disputes with the merchant.

Debit card issues relate almost entirely to claims of fraudulent unauthorized transactions.

Prepayment penalties comprised 50% of mortgage complaints as customers refinanced to take advantage of declining mortgage interest rates.

Investments

One hundred and sixty-six or 57% of investigations opened by OBSI in the year (compared to 43% in 2003) were complaints related to investment issues.

Complaints regarding retail investments usually involve the advice provided by the firm or investment advisor and the operations of the investment account. OBSI segregates complaint data between sectors based on the regulator having oversight over the firm or the account. Investment dealers (stock brokers) are regulated by the Investment Dealers Association of Canada (IDA) and client accounts may include securities (stocks and bonds), mutual funds and other investment products. Mutual fund dealers are regulated by the Mutual Fund Dealers Association of Canada and are limited to dealing in mutual funds and other exempt products. Members of the Investment Funds Institute of Canada (IFIC) are the companies that create, manage and market mutual funds and are also members of OBSI. There is one complaint against a mutual fund company in the year and it has been included with funds in the following analysis. The banks and some of the investment firms may have businesses in all of the sectors.

The issues giving rise to investment complaints are as follows:

IDA member

	2004		2003
	Number	%	%
Misrepresentation	5	4	9
Service and other	49	43	21
Suitability/KYC	51	46	52
Trading issues	6	5	15
Transfer of accounts	2	2	3
	113	100	100

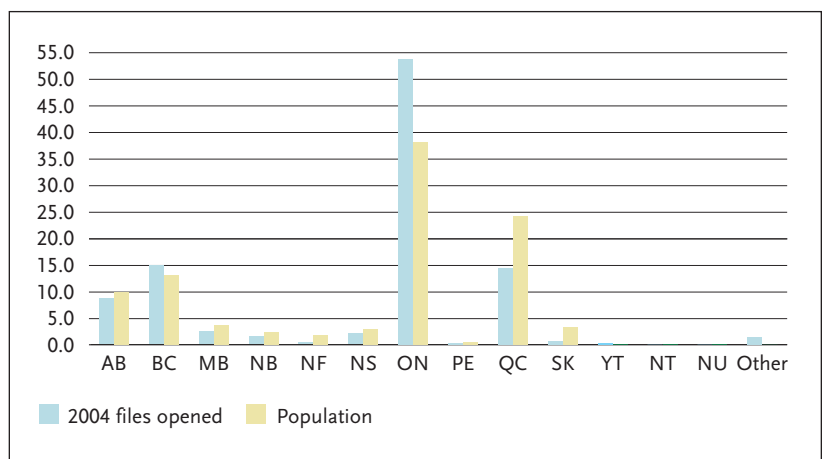
MFDA and IFIC members

	2004		2003
	Number	%	%
Misrepresentation	2	4	7
Service and other	26	48	28
Suitability/KYC	21	40	51
Trading issues	1	2	7
Transfer of accounts	3	6	7
	53	100	100

Almost half of our investment complaints involve issues of suitability of investments. This requires us to determine whether the investments in the account matched the client's investment objectives and tolerance for risk. These parameters are recorded by the FSP in the "Know Your Client" section of an account application. Our ability to assess suitability is complicated by the lack of industry-standard terminology in KYC forms, and the difficulty in assessing the risk of certain securities. This is quite apart from determining whether the KYC information recorded on the form actually represents the client's wishes, and whether the objectives and tolerance recorded were appropriate for the client in question given the client's overall circumstances.

Where do our complaints come from?

Complaints come to OBSI from all regions of Canada and the pattern has not varied significantly over the years. This table compares the number of complaints received in 2004 by OBSI by province and territory compared to the percentage of the population of Canada resident there.



Sources of complaints by FSP

BANKS AND OTHER DEPOSIT TAKING ORGANIZATIONS:	
ALTERNA BANK	1
AMEX BANK OF CANADA	3
BMO BANK OF MONTREAL	14
CIBC	24
CITIBANK CANADA	6
ING DIRECT	1
LAURENTIAN BANK OF CANADA	4
MCAP INC.	1
NATIONAL BANK OF CANADA	7
NATIONAL BANK OF GREECE	1
ROYAL BANK OF CANADA	15
SCOTIABANK	17
THE TORONTO-DOMINION BANK	33
	127

INVESTMENT DEALERS (IDA MEMBERS):	
ASSANTE CAPITAL MANAGEMENT LTD.	5
BERKSHIRE SECURITIES INC.	4
BMO NESBITT BURNS INC.	6
BRANT SECURITIES LIMITED	1
CANACCORD CAPITAL CORPORATION	2
CARTIER PARTNERS SECURITIES INC.	1
CIBC WORLD MARKETS INC.	15
CREDENTIAL SECURITIES INC.	1
DUNDEE SECURITIES CORPORATION	2
E*TRADE CANADA SECURITIES CORPORATION	1
E3M INVESTMENTS INC.	1
EDWARD JONES	2
FIRST ASSOCIATES INVESTMENTS INC.	2
FRIEDBERG MERCANTILE GROUP LTD.	1
GLOBAL SECURITIES CORPORATION	1
GROUPE OPTION RETRAITE INC.	1
HAMPTON SECURITIES LIMITED	1
HSBC SECURITIES (CANADA) INC.	1
INVESTORS GROUP SECURITIES INC.	4
JENNINGS CAPITAL INC.	1
JONES, GABLE & COMPANY LIMITED	1
KINGSGATE SECURITIES LIMITED	1
LAURENTIAN BANK SECURITIES INC.	2
MD MANAGEMENT LIMITED	3
MERRILL LYNCH CANADA INC.	16
NATIONAL BANK FINANCIAL INC.	6

NORTHERN SECURITIES INC.	2
QTRADE INVESTOR INC.	1
RBC DOMINION SECURITIES INC.	5
REFCO FUTURES (CANADA) LTD.	1
SCOTIA CAPITAL INC.	6
TD WATERHOUSE CANADA INC.	15
WELLINGTON WEST CAPITAL INC.	1
	113

INVESTMENT FUND COMPANIES (IFIC MEMBERS):	
TERAXIS FINANCIAL SERVICES	1
	1

MUTUAL FUND DEALERS (MFDA MEMBERS):	
AEGON DEALER SERVICES CANADA INC.	2
ASSANTE FINANCIAL MANAGEMENT LTD.	1
BERKSHIRE INVESTMENT GROUP INC.	4
BMO INVESTMENTS INC.	2
CARTIER PARTNERS FINANCIAL SERVICES INC.	6
CLARICA INVESTCO INC.	1
DUNDEE PRIVATE INVESTORS INC.	1
FUNDX INVESTMENTS INC.	10
GENERATION FINANCIAL CORP.	1
INDEPENDENT PLANNING GROUP INC.	1
INVESTORS GROUP FINANCIAL SERVICES INC.	6
IPC INVESTMENT CORPORATION	3
IQON FINANCIAL INC.	1
MANULIFE SECURITIES INTERNATIONAL LTD.	2
ODYSSEY PLANNING GROUP	1
PARTNERS IN PLANNING FINANCIAL SERVICES LTD.	2
PROFESSIONAL INVESTMENTS (KINGSTON) INC.	1
QUADRUS INVESTMENT SERVICES LTD.	2
ROYAL MUTUAL FUNDS INC.	2
TD INVESTMENT SERVICES INC.	2
WFG SECURITIES OF CANADA	1
	52
TOTAL	293

The Ombudsman for Banking Services and Investments is a not-for-profit corporation funded by its members, which now total about 500 financial services providers.

To protect the office's independence, the Ombudsman is responsible to a 14-member Board of Directors which includes a majority of eight independent directors who are not affiliated with the financial services industry.

Directors normally are elected for three-year terms and can be re-elected. Terms are staggered to ensure Board continuity and gradual turnover.

The eight independent directors act as a committee of the Board and have special powers to safeguard the independence of the Ombudsman. They review and recommend candidates for Ombudsman, act as the nominating committee putting forward names for independent directors, review and recommend the budget to the Board, and must form the majority of committees of the Board.

The Ombudsman's Office

The Ombudsman is appointed by the Board of Directors, on the recommendation of the Independent Directors' Committee, for a term of up to five years, and may be reappointed. The Ombudsman cannot have been a government employee or have worked for or been closely associated with a participating financial services provider for five years prior to appointment.

The Ombudsman can be removed for cause by vote of 75% of the Board, provided the vote includes a majority of the independent directors.

While responsible to the Board, the Ombudsman does not solicit the advice of directors on specific complaints. The final decision concerning complaints rests with the Ombudsman. There is no appeal to the Board on Ombudsman decisions, nor can the Board influence the decisions of the Ombudsman.

However, the Board does establish and monitor OBSI standards for complaint handling. The Board also deals with complaints customers might have about the process of complaint handling within OBSI.

Membership

The directors of the Corporation are its voting members. Non-voting membership is available to all financial services providers that are regulated by a recognized federal or provincial regulator as well as to industry associations representing these firms. The Board of Directors may also accept a non-regulated financial services provider as a member.

Current participating members include:

- Domestic and foreign-owned banks
- Investment Dealers Association (IDA) and member firms
- Mutual Fund Dealers Association (MFDA) and member firms
- Investment Funds Institute of Canada (IFIC) and member companies
- Most independent trust and loan companies and other deposit-taking organizations

Some OBSI members may be members of more than one of the above organizations.

Composition of the Board

The eight independent directors are chosen to reflect Canada's geographic and demographic diversity and are selected as individuals who are known and respected on a regional or national basis.

The other six members of the Board come from the financial services industry and are appointed by OBSI member associations. The Canadian Bankers Association and the Investment Dealers Association each name two directors to the Board. The Mutual Fund Dealers Association and the Investment Funds Institute of Canada each name one. However, at the present time they have elected to jointly nominate a director.

Independent Directors

Peggy-Anne Brown (Chair)

*President & Co-owner
Brown Crawshaw Inc.
Vancouver*

Brown Crawshaw, a Vancouver based company, specializes in employee & family assistance programming, critical incident response and wellness training. Dr. Brown, a psychologist, is also an active major shareholder in two other human resources consulting firms.

Beverly A. Brennan

*Corporate Director and Consultant
Edmonton*

Ms. Brennan consults in the areas of governance and strategic planning. She is a former Chair of the Canadian Institute of Chartered Accountants, and a former Vice-President Finance of Philom Bios Inc., an agbiotech company in Saskatoon.

Gisèle Côté-Harper, Q.C.

*Professor
Faculty of Law
Université Laval
Québec*

Ms. Côté-Harper is a Barrister and Professor at the Faculty of Law, Université Laval, specializing in Criminal Law and Human Rights. Currently, she is a member of the General Assembly of the Inter-American Institute for Human Rights, Costa Rica. She also serves on the Advisory Committee of the National Judicial Institute on Social Context Education and the National DNA Data Bank Advisory Committee and is a member of the Board of Directors of the Centre for Financial Services OmbudsNetwork (CFSON).

The Hon. David Crombie

*President and CEO of the
Canadian Urban Institute and
Chair of Ontario Place
Toronto*

David Crombie is a former Mayor of Toronto and Member of Parliament. A member of many community organizations, he is currently President and CEO of the Canadian Urban Institute, Chair of Ontario Place, the Founding Chair of the Waterfront Regeneration Trust, Chair of the Toronto Heritage & Culture Foundation and President of David Crombie & Associates Inc. Mr. Crombie was Chair of the Toronto 2008 Summer Olympic Bid. He is a member of the Board of Directors of the Centre for Financial Services OmbudsNetwork (CFSON).

Len G. Flett

*Vice-President,
Store Development & Public Affairs
The North West Company
Winnipeg*

Mr. Flett is an executive with The North West Company, the leading retailer in northern markets. He is past-chair and currently an executive board member of the National Aboriginal Achievement Foundation, past-chair of Aboriginal Business Development Corporation (Winnipeg) and past director of Winnipeg 2000 (City of Winnipeg Development Corporation).

Daniel F. Gallivan

*Partner
Cox Hanson O'Reilly Matheson
Halifax*

The Managing Partner with Cox Hanson O'Reilly Matheson, Barristers and Solicitors, Mr. Gallivan specializes in corporate commercial, energy, and securities law. He serves as a director of the Bank of Canada and is a former Vice-Chair of the Nova Scotia Securities Commission.

James R. Savary

*Associate Professor of Economics
York University
Toronto*

Dr. Savary teaches courses in financial institutions and markets and in monetary theory and policy. He is also Chair of the Canadian Standards Association's Technical Committee on Privacy, Chair of the Board of Directors of the Canadian Motor Vehicle Arbitration Plan, and member and past chair of the Stakeholder Advisory Council of the Canadian Payments Association.

J. M. Toulouse

*Director
HEC Montreal
Montreal*

Dr. Toulouse, a full-time professor, has been the Director of HEC Montréal since January 1, 1995. He teaches courses in entrepreneurship, enterprise strategy, and strategic decision-making. He sits on several boards such as: HEC Montreal, INO (Institut National d'Optique), Cercle des Présidents du Québec, Vice-Chair of IFM2 (Institut de finance mathématique). He is the Past Chair of Canarie.

Director Emeritus

The Hon. Lincoln Alexander

*Chancellor of the University of
Guelph
Hamilton*

Industry Directors

Timothy D. Hockey

*Co-Chair
TD Canada Trust
TD Bank Financial Group
Toronto*

Frank Laferriere

*Chief Financial Officer &
Chief Operating Officer
Berkshire Securities Inc
Burlington*
Member of the Board of Directors of the Investment Dealers Association of Canada (IDA) and member of the Board of Directors of the Centre for Financial Services OmbudsNetwork (CFSON).

John Pattison

*Senior Vice-President,
Treasury, Balance Sheet and Risk
Management
CIBC
Toronto*

W. Terrence Wright

*Senior Vice-President,
General Counsel & Secretary
IGM Financial Inc.
Winnipeg*
Member of the Board of Directors of the Centre for Financial Services OmbudsNetwork (CFSON).

* Effective February 22, 2005



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for Banking Services
and Investments

Ombudsman for Banking Services and Investments

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Toronto area fax: (416) 225-4722
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Ombudsman

Michael Lauber

Deputy Ombudsmen and Investigators

Brigitte Boutin
Rick Bright
Claudia Carnevale
Harsha Gupta
Michael Hamilton
Stan Iwanski
Tom Kelly
Howard Maker
Karen McKenzie
Jo Anne Olafson
Michael O'Neil
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Marie-Claude Roy
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