

Agenda

OBSI Meeting with Consumer Groups

June 29, 2023

Time: 2:00pm – 4:00pm

Location:

Zoom Video Conference

DIAL-IN DETAILS:

See Email Invitation

OBSI Presenters:

Sarah Bradley, Ombudsman & CEO

Robert Paddick, Deputy Ombudsman

Mark Wright, Director, Communications
& Stakeholder Relations

Mark Wright – Welcome

- Agenda
- Introduction of presenters
- Introduction of other OBSI staff and board members attending the call

Sarah Bradley – 2023 mid-year update

- In the first half of 2023, responded to a record high number of inquiries and opened and closed even more investigations than last year – which was the highest volume year on record.
- Continuing high demand for our services
 - Record high number of inquiries – 10,650 Canadians reached out for assistance last year. First half 2023 – 9,000 – forecasting to respond to nearly 20,000 inquiries this year
 - Case Assessment Team has done an amazing job responding to these inquiries
 - Experiencing record high complaint volumes – last year opened 1,153 cases -a record high – exceeding the volumes we saw in the Financial Crisis and in the first year of the Pandemic
 - This year – in the first half of the year – we opened over 1,500 cases. Banking cases have quadrupled – and investment cases have doubled year over year
 - We expect to open over 3000 cases this year. Nearly triple the amount of any prior year
 - Fantastic job by investigative teams investigating these cases. In Q1 and Q2, we closed 81% more cases than in the same period last year – and more cases than we did in all of 2019 or 2020
 - We are also closing cases faster than we ever have – average days to complete a standard case so far in 2023 is 48 days – 25% faster than last year
 - Maximizing efficiency initiatives – fast track cases, streamlining the case management system, boosted case guidance and templates, growing our teams to keep up with growth and demand in services

- Experiencing some delays in the case assignment phase – current wait time is 7-8 weeks for assignment, however, wait time is declining – anticipate being caught up and back to standard by early next year
- Major volume increases led by banking sector because of regulatory changes to Bank Act in June 2022, but investment cases are also at record high levels
- External review recommendations
 - Positive reviews overall – found that OBSI exceeded obligations under the MOU and the Complaints Regulations
 - Key recommendations included *Governance* – conducting governance review --*Strategic* recommendations – binding authority, public consultation on the loss calculation methodology for illiquid securities (in the coming months), work with regulators to enhance systemic issues reporting – and *Operational* changes, which are fairly granular and many of which have been implemented
- Policy and regulatory environment
 - CSA binding authority working group has been active throughout the year
 - October 2022 announced developing a proposal for comment, expected to publish in the year ahead
 - Federal
 - Federal government fully committed to moving forward with single ECB model for Canada – legislation passed
 - Follows many years of calls for and examinations of the issue including the FCAC ECB report Feb 2020 and the Federal Finance consultation on ECB system last year
 - FCAC initiated the selection process for the single ECB last month, and the application period closed. OBSI applied – put forward a very strong application that highlighted strengths and advantages of one ombudsman for both banking and securities
 - Selection and designation process will take place over summer, FCAC publicly said they expected to be concluded late summer/early fall
 - Other highlights
 - Working towards building awareness: web traffic is up 30%, implementing thought leadership initiatives, participating in consultations; internally we've deployed new intranet; launched data cube on website, launched banking case disclosure page required by Bank Act changes
 - 2023-2024 outlook
 - Expect consumer demand for our services to remain very high, for both securities and banking mandate
 - Look forward to outcomes or progress on the provincial and federal policy initiatives currently ongoing.
 - Upgrades to our firm and consumer portals
 - Firm letter template project
 - Special report on consumer experience
 - Continued engagement in communications and thought leadership

- Following through on some of the recommendations in the external reviews – including the loss calculation consultation
- Budget for 2024
 - Have not yet been finalized – these are determined in September each year, based on our forecast needs for the coming year – however, we have developed a preliminary budget for planning purposes
 - Our current estimates of consumer demand are that we will see overall case volumes in 2024 approximately similar to 2023 – up over 200% from last year’s levels
 - Due to impressive efficiencies of scale and scope, expect to be able to handle this tripling of case volume with a total budget increase of approximately 25% year over year

Mark Wright - Changes to organizational governance

- OBSI’s 2021 independent evaluation recommended a strategic review of its governance structure be undertaken to determine how best to ensure that key stakeholder interests are effectively incorporated into board membership and decision-making
- Following this -- a board working group was established and a public consultation on governance was held starting November 1, 2022 and ending on January 31, 2023
- The consultation led to strong stakeholder input – which resulted in 25 submissions
- The working group considered the input of all stakeholders. And it was an interesting mix of views – with not everyone aligning – but there were some key themes:
 - A desire to enhance the consumer and investor voice on the board
 - A desire to establish a broader and more flexible approach for industry director selection
 - There was strong support for use of a comprehensive skills matrix
 - There was general support for continuing designated directors – but also for balancing interests while maintaining independence
 - Support to increase our stakeholder outreach efforts as well
- After careful review – the board decided on a few key approaches:
 - Renewed its skills matrix to comprehensively reflect criteria related
 - to business and professional experience
 - geographic representation
 - regulatory experience
 - areas of specialized expertise
 - and diversity
 - All board members will be evaluated and selected based on their strengths and expertise relative to the renewed matrix, to ensure the board collectively has all the

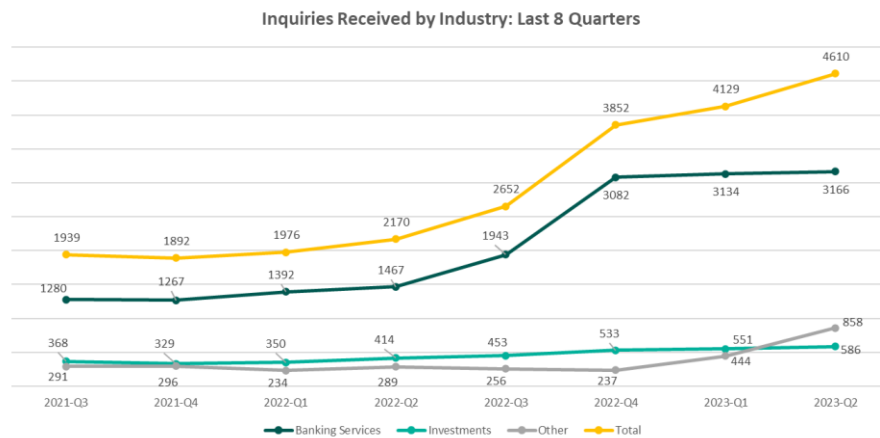
required skills to effectively govern the corporation, deliver on its public mandate and understand the business of its members

- In addition to the matrix – the board structure is designed 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 and the candidates. These will be selected for their experience and knowledge in one or more of the financial industry sectors that OBSI members operate in:
 - They must be directly affiliated with a participating firm at the time of their appointment or within the two preceding years
 - The board will endeavour to always ensure that at least:
 - one industry director will have current or recent expertise in the banking industry
 - and one industry director will have current or recent expertise with an Investment Dealer or Mutual Fund Dealer, as most cases considered by OBSI relate to these financial services sectors
 - They will no longer be selected solely from nominees put forward by the Canadian Bankers Association, the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada (now merged into the Canadian Investment Regulatory Organization)
 - Banking and financial services stakeholders will be consulted when OBSI is seeking nominations for industry director positions
- The number of designated consumer interest directors will be increased from one to three.
 - Consumer interest directors will be selected for their experience in engaging with the banking, financial services or other sectors in consumer or investor advocacy.
 - Consumer stakeholders will be consulted when OBSI is seeking nominations for consumer interest director positions
- Enhanced stakeholder input and outreach
 - OBSI is also expanding its formal stakeholder outreach efforts, by establishing separate bi-annual meetings with consumer groups and industry associations other stakeholder input approaches -- including establishing task forces, working groups, conducting surveys, and establishing focus groups on an as-needed basis for specific projects.
 - With these enhancements to consumer engagement directly on the board, and increased stakeholder outreach, the board has decided not to reconvene the Consumer and Investor Advisory Council (CIAC).

OBSI Q2 Data – Rob Paddick

Inquiries by industry

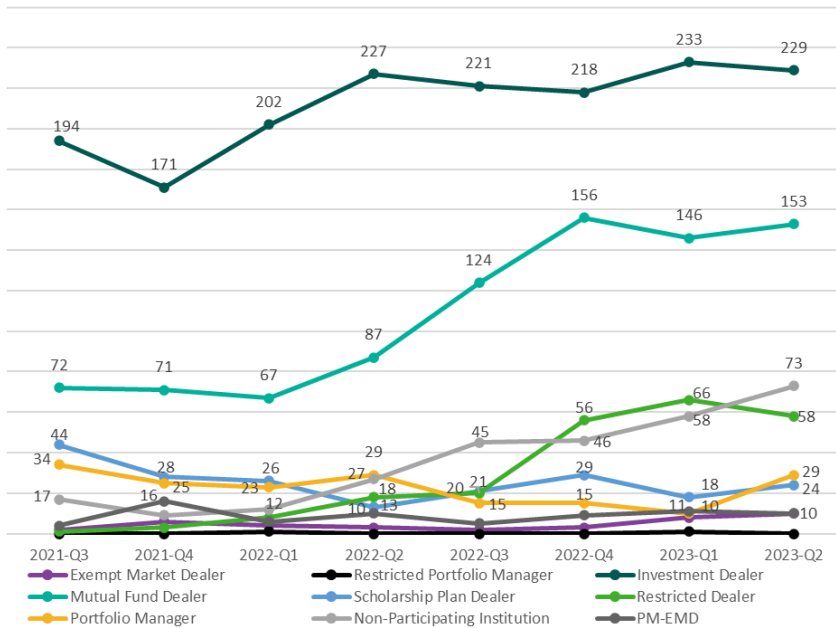
- Significant increase in consumer inquiries. Reached an all time high of more than 4600 in Q2. These are new inquiries – consumers who have not contacted us before, or consumers who are contacting us about a new complaint
- Largest growth has been in banking inquiries -- largely stemming from the Bank Act changes that came into effect in June 2022 that were designed to reduce consumer complaint attrition
- Also seen a steady increase in investment related inquiries over the past eight quarters, reaching a new peak this quarter with 586 inquiries



Inquiries by investment sector

- Breaking down the investment inquiries by sector, investment dealer inquiries remain high and steady with 229 inquiries this past quarter
- Significant run up in mutual fund dealer inquiries starting in the first quarter of last year, which also continue at a higher level, with 153 inquiries in Q2
- Growth in Restricted Dealer inquiries starting about a year ago. These are the crypto asset trading platforms that have joined us as participating firms
- Tripling of inquiries for Portfolio Managers this quarter compared to the previous quarter, returning to levels last seen in 2021 and 2022

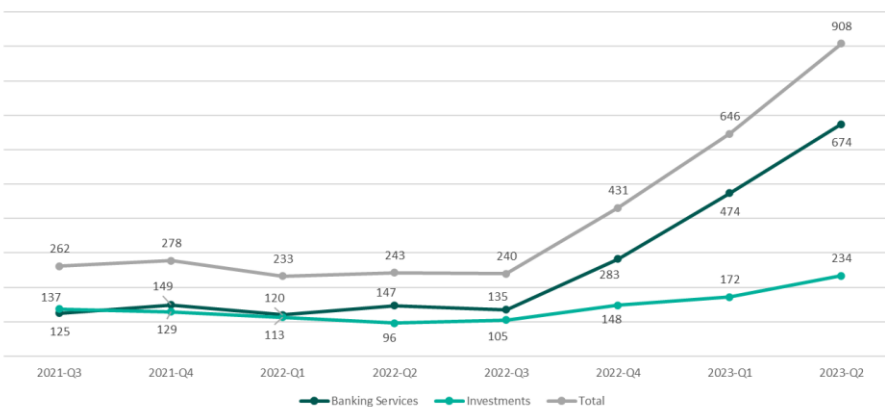
Inquiries Received by Investment Sector: Last 8 Quarters



Total cases opened

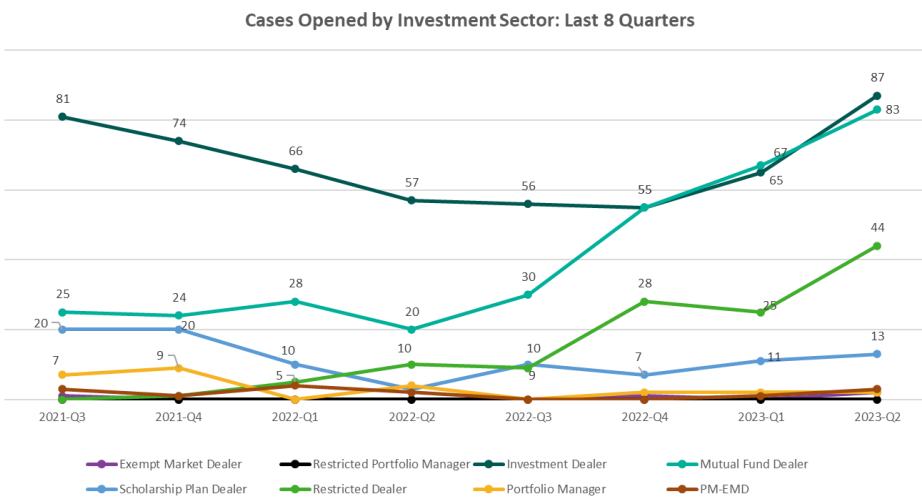
- Grey line on the chart shows the combined cases opened for banking and investments – reached an all-time high in Q2 of this year. Total cases opened this past quarter nearly quadrupled compared to the same quarter last year.
- Banking cases opened – the dark line – are up 360% from the same quarter last year
- Investment cases are also up significantly. Opened investment cases increased almost 145% compared to the same quarter last year and are up more than 35% from the previous quarter

Total Cases Opened: Last 8 Quarters



Investment cases opened by sector

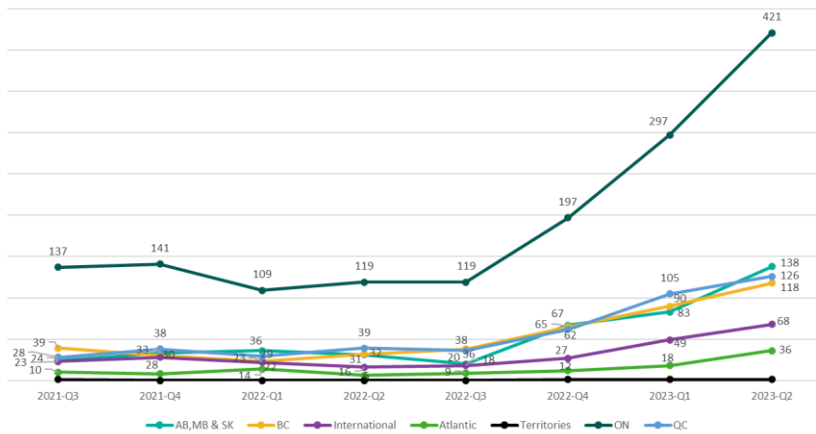
- In the first quarter of 2023, investment dealer cases increased 53% compared to the same quarter last year and 34% from the previous quarter. Investment dealer cases are back to levels seen in 2021 when OEO cases led a surge in complaints for the sector
- Mutual fund dealer cases have also reached an eight-quarter high, with four times as many cases opened as Q2 last year
- Cases for restricted dealers – as I mentioned before these are the crypto dealers – increased more than 75% from Q1 and were well above levels seen in recent quarters and the previous year
- Opened cases for scholarship trust plan dealers remained below 2021 levels and are up compared to recent quarters



Cases opened by region

- In Q2, overall case volumes reached all-time highs as did case volumes for most regions
- Quarter-over-quarter increases continued an upward trend
- Compared to the previous quarter, Ontario cases – the black line – up 42%, the Prairie provinces – the green line – up over 65%, Quebec cases – the blue line – up 20% and BC cases – the orange line – were up over 30%, international cases were up again, while case volumes from the Atlantic provinces doubled

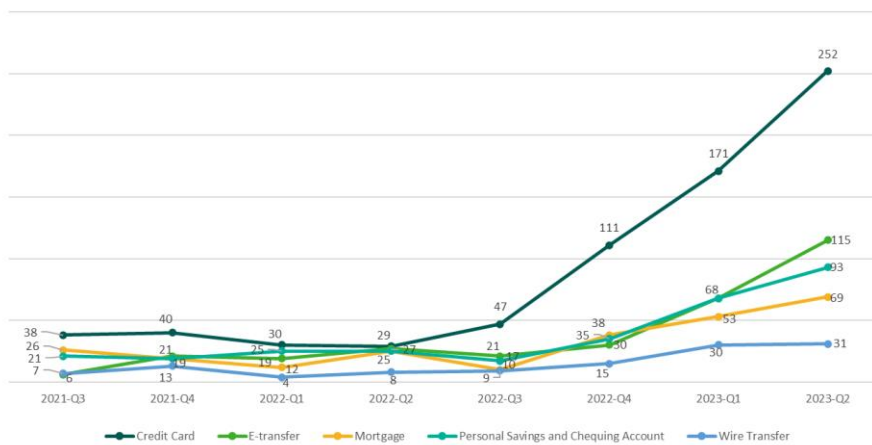
Cases Opened by Region: Last 8 Quarters



Top 5 banking products

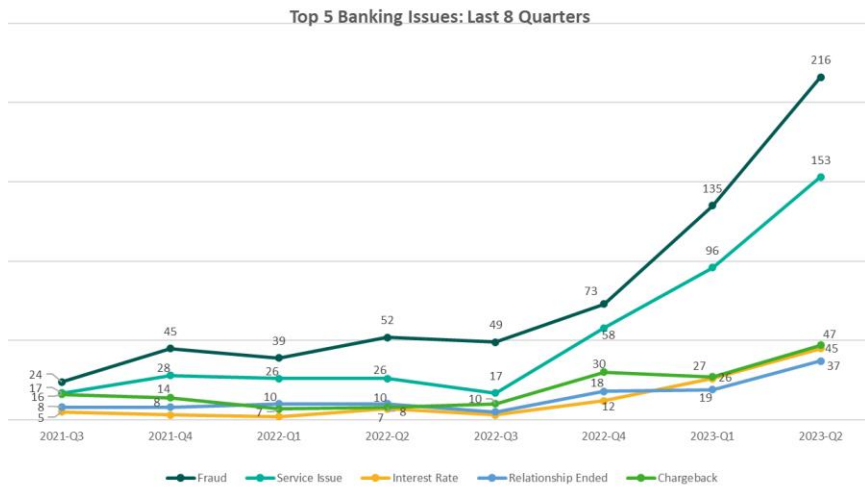
- Turning to banking products, all the top five products reached new eight-quarter highs
- Credit cards – the top line in the chart – continued to be the leading product complaint among banking consumers. We had 252 credit card related cases opened this quarter compared to 29 in Q2 last year
- E-transfers were the second most common concern with 115 cases, an increase of over 325% from Q2 last year, and up more than 70% from Q1
- Complaints related to personal savings and chequing accounts are up 275% compared to the same quarter last year-- we had 25 cases in Q2 last year and 93 this past quarter
- Mortgage complaints continued to grow as well, up 30% from Q1 and almost triple case volumes from last year. Wire transfer complaints remain high but flat compared to the previous quarter

Top 5 Banking Products: Last 8 Quarters



Top 5 banking issues

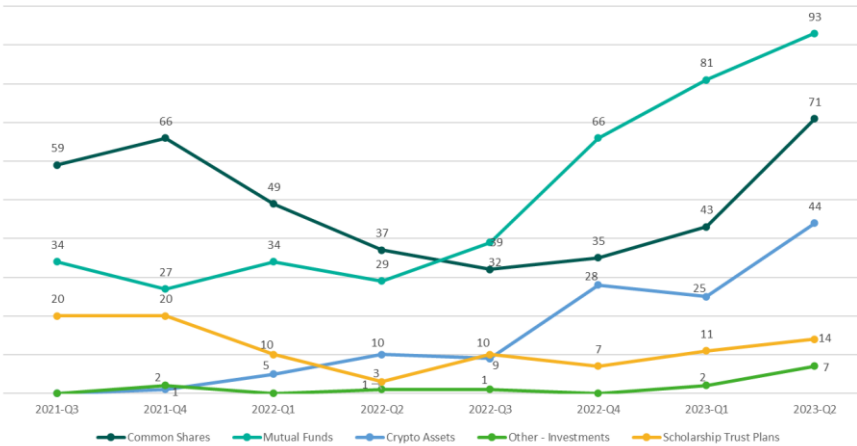
- Most banking issues reached all-time highs in Q2 of 2023
- Fraud – the black line on the chart – remained the most reported issue among banking consumers. It has more than quadrupled year over year and is up 60% from Q1
- Next is service issue complaints, which are almost up 500% compared to Q2 last year, and up 60% from the previous quarter
- Complaints related to charge backs, interest rates, and relationship ended are all up this quarter



Top 5 investment products

- Turning to the leading investment products for investment cases opened, mutual funds continued an upward trend and remained the top product for investor concerns
- Mutual fund cases are up over 220% this quarter compared to the same quarter last year, and 15% from the previous quarter
- Cases related to common shares also rose significantly in the quarter, up 65% from the previous quarter and almost double year over year. Crypto asset complaints rose again reaching new eight quarter highs

Top 5 Investment Products: Last 8 Quarters



Top 5 investment issues

- Finally, leading investment issues, investment suitability continued to surge and reached another eight-quarter high
- Next was fraud – here in green – up 50% from Q1 – driven by crypto asset complaints
- Service issues – the black line – increase 65% from Q1
- Inappropriate advice and investment strategy - the blue line - saw a solid jump in Q2 with cases opened roughly in line with transfer delay complaints

Top 5 Investment Issues: Last 8 Quarters

