

**CSA Notice and Request for Comment****Registered Firm Requirements Pertaining to an Independent Dispute  
Resolution Service****Proposed Amendments to National Instrument 31-103 *Registration  
Requirements, Exemptions and Ongoing Registrant Obligations*****Proposed Changes to Companion Policy 31-103CP *Registration Requirements,  
Exemptions and Ongoing Registrant Obligations***

**November 30, 2023**

**1. Introduction**

The Canadian Securities Administrators (**CSA or we**) are publishing for a **90-day comment period expiring February 28, 2024**, proposed amendments to certain complaint handling provisions of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), as well as proposed changes to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**31-103CP**).

The proposed amendments to NI 31-103 are referred to as the **proposed rule amendments** and the proposed changes to 31-103CP are referred to as the **proposed CP changes**.

The proposed rule amendments and proposed CP changes would form part of a new regulatory framework (the **proposed framework**) under which an independent dispute resolution service (**IDRS**) that is a not-for-profit entity and which has been designated or recognized by CSA jurisdictions (the **identified ombudservice**) would have the authority to issue binding final decisions.

The British Columbia Securities Commission (**BCSC**) supports the outcomes intended by this project, but is not participating in the proposal for comment of the rule amendments or proposed CP changes. British Columbia is considering legislative changes that may achieve the same outcomes as those intended by the proposed framework. The BCSC is interested in feedback on the proposed framework and will take comments into consideration.

In Québec, the Autorité des marchés financiers (**AMF**) provides, as per its governing legislation, conciliation and mediation services to consumers of financial products and services, including retail investors. The AMF is participating in the CSA consultation by proposing to maintain the exemption applicable to firms registered in Québec regarding the dispute resolution services requirements under NI 31-103. In this Notice, all references to outcomes sought by the CSA are therefore made by CSA members excluding Québec.

To provide context for the proposed rule amendments and to ensure meaningful participation in this consultation and in the further development and refinement of the proposed framework, this Notice also describes potential key structural elements of a proposed framework, the CSA's rationale for proposing these elements, and questions and matters for consideration where we encourage specific feedback to inform our continued work. We also welcome general comments on all components of this publication.

Currently, NI 31-103 provides for the Ombudsman for Banking Services and Investments (**OBSI**) as an independent service that resolves disputes, but OBSI does not have authority to make binding decisions. If implemented, the proposed rule amendments would modify the complaint handling process and require that firms (as defined below) comply with a final decision of the identified ombudservice.

The proposed framework is informed by the CSA's experience overseeing OBSI in its current form, as well as international best practices. If the proposed framework is implemented, we anticipate that OBSI would be the IDRS considered for designation or recognition by securities regulatory authorities.

Implementing a binding investment ombudservice regime in Canada would improve confidence in our markets and provide retail clients who are dissatisfied with their firm's response to a complaint and who take their dispute to OBSI for resolution (each, a **complainant**) with a fully effective system of redress that is final, fair and accessible. For example, internationally, a number of financial ombudservices that may be considered OBSI's peers have the authority to issue binding decisions.

In Canada, while most retail clients' complaints are resolved by firms, the CSA has observed historic refusals to pay complainants at all and patterns of settling disputes for less than OBSI recommends. This can have significant impacts on complainants and may discourage others from taking their case to OBSI. Making OBSI recommendations binding could improve investor protection and promote increased fairness for retail clients. In addition to impacting clients, these historically observed patterns and dynamics may also be inefficient for firms given that OBSI's services do not necessarily resolve a dispute, which potentially prolongs complaint resolution processes and consumes more resources to bring finality to them.

In developing the proposed framework, the CSA was also informed by the demonstrated fairness and efficiency of dispute resolution services currently available to parties through OBSI as an alternative to litigation, which can be complicated, expensive, and stressful for all parties. The CSA considered reports and consultations that considered the benefits of, and recommended that OBSI be granted binding authority, including those of the independent evaluators of OBSI and Ontario's Capital Markets Modernization Taskforce. The CSA also consulted OBSI and was informed by statements of regulatory priorities in CSA jurisdictions.

The CSA recognizes the importance of having an efficient system that resolves complaints fairly and effectively without creating undue burden for either party to a dispute. To promote a high degree of confidence for all parties using the dispute resolution services of an identified ombudservice, the proposed framework would incorporate OBSI's existing investigation and

recommendation processes while adding a subsequent optional review stage, the outcome of which is a final decision that binds firms and, in particular circumstances, complainants.

Legislative amendments in CSA jurisdictions will be required to enable the proposed framework. Accordingly, some CSA jurisdictions have suggested amendments to local statutes for consideration by their government. Any amendments to local acts would be proposed by governments. Proposed legislative amendments would only become law in a CSA jurisdiction if they were proclaimed and in force in that jurisdiction. Nothing in this Notice or the decision to publish the Notice should be considered as an indication of whether such legislative amendments will be made in any jurisdiction.

CSA jurisdictions other than British Columbia are issuing this Notice to solicit comments on the proposed rule amendments and the proposed CP changes that are part of the proposed framework. Although the BCSC is not publishing the proposed rule amendments and the proposed CP changes for comment, the BCSC is interested in the views expressed.

The text of the proposed rule amendments and the proposed CP changes are reflected in Annex B and Annex C of this Notice and is also available on the websites of certain CSA jurisdictions, including:

[lautorite.qc.ca](http://lautorite.qc.ca)

[www.asc.ca](http://www.asc.ca)

<https://nssc.novascotia.ca>

<https://fcnb.ca>

[www.osc.ca](http://www.osc.ca)

[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)

[www.mbsecurities.ca](http://www.mbsecurities.ca)

## 2. Substance and Purpose

Currently, Part 13, Division 5 of NI 31-103 sets out requirements that apply to a registered firm, except an investment fund manager acting in that capacity<sup>1</sup>(each, a **firm**), for handling and responding to complaints by retail clients, as well as requirements regarding making an independent dispute resolution or mediation service available to a retail client.<sup>2</sup>

If implemented, the proposed rule amendments would impose new requirements on firms in respect of a not-for-profit IDRS that has been designated or recognized by an order of the securities regulatory authority (each, a **harmonized order**). Harmonized orders would make the not-for-profit IDRS the identified ombudservice authorized to make binding final decisions, the services of which firms would be required to make available to their retail clients free of charge.

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<sup>1</sup> See subsection 13.14 (1) of NI 31-103, “This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.”

<sup>2</sup> Please note that, in Québec, pursuant to section 13.14 of NI 31-103, a registered firm is deemed to comply with Part 13, Division 5 of NI 31-103 if it complies with sections 168.1.1 to 168.1.4 of the Securities Act (RSQ, chapter V-1.1). The requirement to make available an independent dispute resolution or mediation service also does not apply in Québec.

Recognizing the impact binding decisions would have on all parties, the proposed framework contemplates that an identified ombudservice would have an initial investigation and recommendation stage based on OBSI's current practice. Additionally, the proposed framework contemplates an internal review stage where firms and complainants may raise specific concerns regarding the identified ombudservice's recommendation. In order to ensure that efficiency and proportionality are preserved, the internal review stage would require that the identified ombudservice use only procedures proportionate to the dispute in reviewing a recommendation. Once the identified ombudservice issues its final decision following the internal review stage, the final decision would be binding on a firm in all circumstances and would be binding on a complainant if the complainant objected to the recommendation and thus triggered the review. Implementing the proposed framework would enhance the accessibility and efficiency of dispute resolution through the identified ombudservice, provide fairness for both firms and complainants, and enhance investor protection and confidence in the investment services sector.

The proposed rule amendments would be necessary to implement key potential structural elements of the proposed framework in the jurisdictions publishing them for comment. The new provisions would require firms to, among other things, comply with a final decision of the identified ombudservice.

To reduce the risk of confusing the dispute resolution services of the identified ombudservice with a firm's internal complaint handling processes, the proposed rule amendments would also prohibit firms from using certain terminology for internal or affiliated services that implies independence, such as the title "ombudsman" or "ombudservice". This proposed prohibition on certain terminology would not prevent firms from offering complaint handling services or processes; it is intended to underscore the policy rationale of improving investor redress through the identified ombudservice.

The proposed framework would more closely reflect international best practices for financial dispute resolution services, including a two-stage process and binding decisions.

### **3. Background**

#### **(a) Binding authority and international financial ombudservices**

Financial ombudservices that provide dispute resolution services operate in many jurisdictions globally. While some ombudservices make only non-binding recommendations, some financial ombudservices – including examples in the United Kingdom,<sup>3</sup> Australia,<sup>4</sup> and Ireland,<sup>5</sup> jurisdictions which have similar legal systems to Canada's – have the authority to issue binding final decisions. In respect of the current dispute resolution process available through OBSI, Canada has not kept pace with these jurisdictions in implementing a binding ombudservice regime. This gap received international comment in the most recent International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP) review of Canada.<sup>6</sup>

<sup>3</sup> Financial Ombudsman Service (UK), How we make decisions, "Final Binding Decisions", accessed at <<https://www.financial-ombudsman.org.uk/who-we-are/make-decisions>>.

<sup>4</sup> Australian Financial Complaints Authority, What process we follow, "Determination (a binding decision)", accessed at <<https://www.afca.org.au/what-to-expect/the-process-we-follow>>.

<sup>5</sup> Financial Services and Pensions Ombudsman, How we deal with your complaint, "Formal complaint resolution", accessed at <<https://www.fspo.ie/our-services/>>.

<sup>6</sup> *Canada: Financial System Stability Assessment IMF Country Report No. 19/177*, June 2019 by the International

In addition to the IMF's international critique, the lack of binding authority has been identified as a concern domestically.<sup>7</sup> Three independent evaluations of OBSI, required by the CSA as part of the current oversight regime, have identified the lack of binding authority as a significant design flaw in Canada's investment dispute resolution system.<sup>8</sup>

The financial ombudservices of the United Kingdom, Australia and Ireland operate within regulatory frameworks which emphasize fairness and flexibility, and which share many elements with the proposed framework, including:

- a single ombudservice either created by legislation or recognized by a regulator
- oversight by financial service regulatory authorities
- no obligation for a complainant to use the ombudservice and preserving the complainant's ability to pursue their case in court instead
- the ombudservice's standard of decision making considers what is fair in all the circumstances between the complainant and financial services provider, having regard to relevant codes and good industry practices
- the ombudservice has latitude in determining its decision-making procedures, with a focus on procedural fairness, proportionality and efficiency
- a "first stage" investigator recommending compensation where facilitated settlement between the parties cannot be reached, followed by a binding decision made by a separate, more senior internal decision-maker if either party rejects the case handler's recommendation and elects to pursue a "second stage" binding process
- the ability to award monetary and non-monetary remedies
- enforceability of the ombudservice's final decision

Regarding which parties are bound by a final decision, Ireland's framework takes a different approach from the frameworks in the United Kingdom and in Australia. In Ireland, both the firm and the complainant are bound, whereas in the United Kingdom and Australia, only the firm is bound. However, under Ireland's framework, an appeal of a decision to the High Court is permitted, whereas no appeal is permitted under the frameworks in either the United Kingdom or Australia.

Additional examples of financial ombudservices with binding decision-making authority include:

- Insurance and Financial Services Ombudsman Scheme (New Zealand)<sup>9</sup>
- Financial Ombudsman Institution (Taiwan)<sup>10</sup>
- Financial Industry Disputes Resolution Centre (FIDeC) (Singapore)<sup>11</sup>
- Dutch Institute for Financial Disputes (Kifid) (Netherlands)<sup>12</sup>

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Monetary Fund, at p 30.

<sup>7</sup> See, for example, Capital Markets Modernization Taskforce, *Modernizing Ontario's Capital Markets: Capital Markets Modernization Taskforce Final Report*, online: <Ontario.ca>, (January 2021) [<https://www.ontario.ca/document/capital-markets-modernization-taskforce-final-report-january-2021>].

<sup>8</sup> See, for example, Poonam Puri and Dina Milivovejic, *Independent Evaluation of the Canadian Ombudsman for Banking Services and Investments' (OBSI) Investment Mandate* (2022) at p 9.

<sup>9</sup> See [www.ifso.nz](http://www.ifso.nz)

<sup>10</sup> See [www.foi.org.tw](http://www.foi.org.tw)

<sup>11</sup> See [www.fidrec.com.sg](http://www.fidrec.com.sg)

<sup>12</sup> See [www.kifid.nl](http://www.kifid.nl)

- Office of the Ombud for Financial Services Providers (South Africa)<sup>13</sup>
- The Office of the Czech Financial Arbitrator (Czech Republic)<sup>14</sup>

Recently, Spain announced that it will create an independent administrative authority with the ability to make binding decisions, with the goal of strengthening the system of out-of-court settlement of complaints between institutions and customers of banking, securities and insurance products.<sup>15</sup>

### (b) Current investor redress through OBSI

OBSI is a federally incorporated not-for-profit organization that provides an independent service for resolving investment disputes between participating firms and their clients, at no cost to those clients and without the need for legal representation. OBSI’s services are available to complainants who want an independent and impartial third party to resolve a dispute about whether their firm has treated them fairly.<sup>16</sup> Currently, firms in Canada (except in Québec) must, under subsection 13.16(6) of NI 31-103, “take reasonable steps to ensure that OBSI will be the independent dispute resolution or mediation service that is made available to a client”.

In assessing complaints, OBSI applies a fairness standard whereby OBSI considers what would be fair to the parties in all the circumstances of a complaint.<sup>17</sup> In applying the fairness standard, OBSI “[takes] into account general principles of good financial services and business practice, law, regulatory policies and guidance, professional body standards and any relevant code of practice or conduct”.<sup>18</sup>

In applying the fairness standard, OBSI uses an inquisitorial process or method whereby an investigator, in an independent and impartial role, takes an active part in investigating the facts of the case before making a recommendation about the outcome of the dispute (**inquisitorial approach**). Under the inquisitorial approach, an OBSI investigator gathers evidence from the parties, identifies core issues, asks the parties follow-up questions, and makes a recommendation on the issues based on their findings. The inquisitorial approach is distinct from an adversarial process where each party presents their own facts and positions on issues. Overall, the adversarial process can be difficult for parties to navigate without a lawyer and specific industry expertise. In contrast, the inquisitorial approach allows parties to interact with OBSI without a lawyer and can provide a timely resolution for both firms and complainants.

The inquisitorial approach gives OBSI procedural flexibility to address the potential power imbalance between complainants and firms when determining the issues in dispute and gathering information. This approach also acknowledges that firms often have greater resources and specialized knowledge in relation to the substance of a complaint. OBSI’s inquisitorial approach

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<sup>13</sup> See [www.faisombud.co.za](http://www.faisombud.co.za)

<sup>14</sup> See [www.finarbitr.cz](http://www.finarbitr.cz)

<sup>15</sup> Reuters, “Spain to launch financial consumers’ protection authority”, online: <[reuters.com](https://www.reuters.com)>, (April 5, 2022) [<https://www.reuters.com/world/europe/spain-launch-financial-consumers-protection-authority-2022-04-05/>].

<sup>16</sup> Retail clients who are concerned that a firm has breached securities regulations or requirements may complain to the securities regulatory authority, or if the firm is a member, to CIRO.

<sup>17</sup> See OBSI Terms of Reference at section 13.2, “OBSI will make a recommendation or reject a complaint with reference to what is, in OBSI’s opinion, fair in all the circumstances to the Complainant and the Participating Firm”.

<sup>18</sup> *Ibid*, s. 8.1(a).

is crucial to making its services accessible to retail clients because it enables OBSI to apply only the processes that are necessary and proportionate to each complaint. OBSI's ability to control its own procedures enables OBSI to provide fair access to its services, maintain efficiency for all parties to a dispute, and minimize the chances that complainants will abandon the dispute resolution process due to complexity.

Currently, when OBSI investigates a complaint and determines that it would be fair for the firm to provide monetary compensation to a complainant, OBSI typically first attempts to facilitate a settlement between the complainant and the firm. If the parties do not arrive at a settlement, OBSI issues a non-binding recommendation for an amount up to the monetary compensation limit of \$350,000. In cases where OBSI recommends compensation, OBSI has no formal power or process to require a firm to pay the complainant.

Since firms are currently not required to comply with an OBSI recommendation, to encourage compliance, OBSI employs a 'name and shame' system under which OBSI publishes the names of only those firms which refuse to follow its recommendations in their entirety. However, historically, publication has not included the names of firms that settle a complaint at an amount lower than what OBSI recommended. Consequently, if a firm disagrees with an OBSI recommendation and the complainant accepts a settlement offer lower than OBSI's recommendation, then the firm's name will not be made public. As OBSI recommendations are not binding on a firm, complainants may feel compelled to accept a lower settlement offer or risk receiving nothing. While commencing a civil proceeding to seek full compensation is another option for the complainant, such proceedings can be time-consuming, expensive, and stressful.

The concerns about the current "name and shame" system were highlighted in both the 2016<sup>19</sup> and 2021<sup>20</sup> independent evaluations of OBSI's investment operations and processes. The evaluations criticized the current system for creating a power imbalance in favour of registered firms, with the result that firms can negotiate down the compensation paid to complainants.<sup>21</sup> Likewise, each of the 2011, 2016 and 2021 independent evaluations recommended that OBSI be given binding authority.<sup>22</sup> These recommendations were accompanied by favourable findings regarding OBSI's accessible investigative processes and OBSI's rates of case retention (as described below).

### **(c) Patterns Observed by the CSA**

The CSA's development of the proposed framework has been informed by a variety of concerns and observed patterns. As the independent evaluators of OBSI's investment operations and processes observed in their 2016 and 2021 reviews, the CSA has also recognized that low settlements may erode investor confidence in the fairness and effectiveness of the dispute resolution process.<sup>23</sup> Historically, patterns of refusals may have had a similar impact.

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<sup>19</sup> Deborah Battell and Nikki Pender, *Independent Evaluation of the Canadian Ombudsman for Banking Services and Investments' (OBSI) Investment Mandate* (2016) at p 1.

<sup>20</sup> Puri and Milivojevic, *supra*, at p 9.

<sup>21</sup> *Ibid*, for example at p 34.

<sup>22</sup> Battell and Pender, *supra* at p 7; Puri and Milivojevic, *supra* at p 9; Navigator Company, *Ombudsman for Banking Services and Investments, 2011 Independent Review* (2011), at p 9.

<sup>23</sup> CSA Staff Notice 31-362 *OBSI Joint Regulators Committee Annual Report for 2021* (November 3, 2022), at p 5.

The OBSI process for dispute resolution provides efficiency for firms and a helpful service for complainants, as shown by strong case retention rates.<sup>24</sup>

In developing the proposed framework, the CSA has sought to balance the need to address observed patterns, enhance fairness and improve efficiency for both firms and complainants that engage in the dispute resolution services of OBSI.

**(i) Low settlements**

Since OBSI's recommendations are currently not binding, CSA staff have observed that some firms offer a settlement amount that is less than the amount of compensation recommended by OBSI. The complainant's main alternatives to OBSI are initiating a civil proceeding against the firm or abandoning the complaint. Given limited alternatives available to complainants, once OBSI makes a recommendation, complainants may feel they must accept a settlement offer that is below OBSI's recommended amount or risk receiving nothing. This dynamic may dissuade some complainants from using OBSI's non-binding process.

Low settlements and settlement refusals may erode retail client confidence in the fairness and effectiveness of OBSI's dispute resolution services, the CSA's approach to independent dispute resolution generally, and in addition may contribute to reluctance to engage with firms or to invest in financial markets using the services of firms if there is no assurance of an effective dispute resolution service. Addressing the non-binding nature of OBSI recommendations is an opportunity to promote increased confidence in Canada's investment services sector and drive efficiencies for both parties to a financial services dispute.

Overall, since OBSI's fiscal year 2018, retail clients received approximately \$1.6 million less than what OBSI recommended at the conclusion of OBSI's investigation.<sup>25</sup> The CSA has observed that the percentage of cases that settle below OBSI's recommended amount (**low settlement cases**) increases as the value of the recommended monetary compensation increases.

Table 1 below shows case data provided by OBSI, including the percentage of cases where retail clients settled below OBSI's recommended amount from 2018-2022.

**Table 1 – 2018-2022 Investment Cases Settled Below OBSI's Recommended Amount**

OBSI Recommended Amount	% of Cases settled below OBSI's recommended amount	# of Cases Closed with monetary compensation recommendations
\$1 to \$9,999	1%	384
\$10,000 to \$49,999	13%	113
\$50,000 to \$99,999	46%	26
\$100,000 to \$199,999	43%	14
\$200,000 to \$350,000	67%	9

<sup>24</sup> See case retention rate discussion at page 9 of this Notice.

<sup>25</sup> CSA Staff Notice 31-364 *OBSI Joint Regulators Committee Annual Report for 2022* (October 2023), at p 4.

While compliance with OBSI recommendations is generally strong where the recommended monetary compensation is below \$50,000, the percentage of low settlements increases where the recommended compensation exceeds \$50,000. In terms of the dollar amount, where OBSI made a recommendation for compensation of \$50,000 or less, the complainant received an average of \$8,373 less than what OBSI recommended.<sup>26</sup> Where OBSI made a recommendation for compensation above \$50,000, the complainant received an average of \$59,373 less than what OBSI recommended.<sup>27</sup> On average, low settlement cases settled for 60% of OBSI’s recommended amount of compensation.<sup>28</sup> This observed pattern can be problematic, given that complainants who have received a greater monetary compensation recommendation are likely to be those who have suffered greater harm.

Providing an identified ombudservice with binding authority would give complainants more certainty that they would receive fair redress that reflects the harm suffered, if the identified ombudservice determines that compensation is warranted. In turn, this may also improve investor confidence in OBSI, as the potential identified ombudservice, prompting more retail clients to take their disputes to OBSI.

#### (ii) Case retention

Case retention at OBSI – that is, whether a complainant engages in OBSI’s processes until OBSI concludes its investigation and determines whether to recommend compensation – provides some guidance as to how parties, particularly complainants given that they have the power to withdraw or abandon their complaint before OBSI, view the OBSI dispute resolution process.

Table 2 below set outs OBSI’s case retention from its fiscal years 2018 – 2022.

**Table 2 – 2018to 2022 Case Data – Investments Only**

OBSI Fiscal Year	# of Cases Closed by OBSI	# of Closed Cases Withdrawn or Abandoned	% of Closed Cases Withdrawn or Abandoned
2018	327	21	6%
2019	387	6	2%
2020	405	11	3%
2021	567	9	2%
2022	444	6	1%

The data above shows that overall, OBSI has low case withdrawal rates, and suggests that the current process used by OBSI in considering a complaint is one that complainants may generally find to be helpful or accessible. It appears that complainants choose to remain engaged instead of pursuing other forms of dispute resolution or abandoning their case. A complainant’s willingness to have their complaint assessed by OBSI is likewise positive for firms as they will not have to

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.*

delegate additional resources to defending legal proceedings. Given the general indicia that complainants are content with having their complaints investigated and resolved by OBSI, and the positive impact this also has for firms, the CSA is of the view that the inquisitorial approach currently used by OBSI should be maintained in the proposed framework.

**(d) Design of Proposed Framework – Improving Investor Redress**

The proposed framework being developed by the CSA would be a binding authority regime that is intended to be fair, efficient, accessible for all parties, and ultimately to improve access to redress for retail clients. To achieve this, dispute resolution under the proposed framework would include enhanced procedures for both firms and complainants.

Under the proposed framework, a not-for-profit IDRS would be designated or recognized by securities regulatory authorities, making it the identified ombudservice. The identified ombudservice would be subject to coordinated oversight by CSA jurisdictions, including through harmonized orders that would include terms and conditions on the identified ombudservice. Harmonized orders governing the identified ombudservice, an enhanced CSA oversight program, and prior CSA approval of certain identified ombudservice procedures and documents, including changes to them, would apply. As discussed below, we anticipate that OBSI would be the identified ombudservice.

The CSA pursued its work informed by international comparators and multi-year patterns of firms' engagement with OBSI that raised concerns about investor protection and fairness for complainants. Our work to date in developing the proposed framework has also been informed by the demonstrated efficiency of the dispute resolution mechanism currently available to parties through OBSI.

To address observed patterns and key concerns, the proposed framework would include binding authority for the identified ombudservice, while preserving OBSI's existing investigative processes. The proposed framework would achieve this by adding an optional review stage with a flexible and proportionate process applied by the identified ombudservice in reaching a binding final decision that provides certainty and finality to the parties. The two stages used by the identified ombudservice – investigation and review – would enhance fairness and confidence for both parties to a complaint. In addition, the proportionate processes applied by the identified ombudservice under the proposed framework may help to preserve the firm's relationship with the complainant following resolution of the dispute, a prospect which may be less likely following recourse through litigation which is adversarial in nature.

**4. Key Elements of the proposed framework**

This part of the Notice describes key elements of the proposed framework, including dispute resolution through the services of the identified ombudservice, the regulatory regime required to implement the proposed framework, and CSA oversight.

**(a) Overview of Regulatory Regime**

To create a regulatory regime that would implement the proposed framework, the proposed rule amendments would require the adoption of legislation in local jurisdictions. Below, we provide an overview of key elements of the overarching regulatory regime that would implement the proposed

framework.

**(i) Legislation**

Existing or new legislation in local jurisdictions that would be required to implement the proposed framework could include the following:

- Authorizing the securities regulatory authority to recognize or designate an IDRS (i.e., the identified ombudservice);
- Authorizing the securities regulatory authority to make decisions with respect to the manner in which an IDRS carries on business or any by-law, rule, regulation, policy, procedure, interpretation or practice of an IDRS;
- Authorizing the securities regulatory authority to make rules regarding a recognized or designated IDRS, including with respect to oversight and governance;
- Authorizing the securities regulatory authority to require firms to be a member of the identified ombudservice and to comply with binding final decisions of the identified ombudservice (discussed below);
- Authorizing the identified ombudservice to issue binding final decisions that include financial compensation;
- Establishing that either the identified ombudservice or a complainant may file a final decision of the identified ombudservice with the court, making the decision enforceable as if it were an order of the court;
- Setting out that the identified ombudservice must apply the fairness standard and proportionate processes (discussed below)

In addition, to support the identified ombudservice and its unique role as an efficient and fair dispute resolution service provider, it is contemplated that the identified ombudservice would be excluded from arbitration acts and if necessary, other legislation that sets out procedural requirements for tribunals. This would facilitate procedural and adjudicative flexibility for the identified ombudservice under CSA oversight, furthering its ability to act as an alternative to litigation as a dispute resolution service.

Nothing in this Notice or the decision to publish the Notice should be considered as an indication of whether such legislative amendments will be made in any jurisdiction.

**(ii) NI 31-103**

The proposed rule amendments would include certain requirements, including that firms be members or maintain membership in the identified ombudservice, cooperate with the identified ombudservice in respect of its investigation and review of complaints by not withholding, destroying or concealing any information or documents, and comply with final decisions of the identified ombudservice.

In addition, to address the potential for retail investor confusion, the proposed rule amendments would prohibit the firm's use of certain terms when referring to their internal complaint handling procedures or to their internal complaint handling department or service (such as "ombudsman", "internal ombudservice" or a term that is substantially similar).

**(iii) 31-103CP**

The proposed CP changes set out the CSA's interpretation of the requirements within the proposed rule amendments and provides guidance for complying with these requirements. This includes additional discussion of complaint handling with respect to complaints lodged with a firm verbally, as well as when OBSI may be notified about a complaint.

**(b) OBSI as the Potential Identified Ombudservice**

Under the proposed framework, it is anticipated that OBSI would be considered for designation or recognition by CSA jurisdictions as the identified ombudservice under NI 31-103. The identified ombudservice would be subject to coordinated oversight by CSA jurisdictions, which the CSA continues to develop, and which is expected to reflect certain existing oversight regimes such as those in place for self-regulatory organizations (SROs), clearing agencies and exchanges. Oversight is anticipated to include purview over governance and organizational aspects of the identified ombudservice.

The identified ombudservice would continue to function as an alternative dispute resolution service, with its processes and binding decision power designed to address the potential power imbalances referenced above. Use of the identified ombudservice's dispute resolution services would remain optional for complainants.

The proposed rule amendments would require firms to be members of the identified ombudservice, cooperate with the identified ombudservice in the dispute resolution process, and to comply with the final decision of the identified ombudservice, or the recommendation once it has been deemed a final decision, which may require payment of monetary compensation or potentially the performance of certain specified corrective actions.

Consultation Question

1. The CSA contemplates that under the proposed framework, an IDRS would be authorized to issue binding decisions in circumstances where it is designated or recognized in a jurisdiction as the identified ombudservice. It is possible that some CSA jurisdictions may not designate or recognize OBSI as the identified ombudservice at the same time, resulting in the status quo (e.g., OBSI making non-binding recommendations only) applying in those jurisdictions until OBSI were designated or recognized as the identified ombudservice. If jurisdictions designate or recognize OBSI as the identified ombudservice at different times, what operational impacts, if any, would you anticipate from an IDRS being designated or recognized in some but not all jurisdictions? How can these impacts best be managed?

**(c) Investigation and Review of a Complaint Before the Identified Ombudservice**

*A flowchart of the dispute resolution process through the identified ombudservice under the proposed framework is included at Annex D.*

The proposed framework contemplates that the identified ombudservice would preserve as much of the investigative processes currently used by OBSI as possible, the integrity and fairness of which has been reviewed and endorsed through multiple independent reviews, while adding a new binding decision stage.

The proposed framework contemplates that, within harmonized orders, the identified ombudservice would have two stages as part of its dispute resolution process:

- *Investigation and settlement or recommendation (investigation and recommendation stage)*
- *Review and decision (review and decision stage)*

The investigation and recommendation stage of an identified ombudservice would carry forward OBSI's current investigative processes, while the review and decision stage would be the new stage under which an identified ombudservice would issue binding final decisions. Adding the review and decision stage would preserve as much of OBSI's current inquisitorial approach as possible while equipping the identified ombudservice with appropriate expanded procedural tools in order to issue a binding final decision without adding undue burden to the parties.

#### (i) **The Investigation and Recommendation Stage**

Under the proposed framework, the investigation and recommendation stage would commence when a retail client notifies the identified ombudservice of a complaint that was not resolved through the firm's internal complaint handling processes, and which the complainant wishes the identified ombudservice to consider.

During this stage, the identified ombudservice would use the same inquisitorial approach currently used by OBSI to obtain relevant information to either facilitate a settlement between the parties in the course of preparing a recommendation or to make a recommendation to resolve the dispute. As is currently the case under OBSI's processes, the investigation and recommendation stage would be concerned with resolving a dispute fairly and addressing power imbalances which may exist between the parties because of potentially limited resources or lack of sophistication on the part of the complainant, as compared to the firm. In doing so, the identified ombudservice would act independently and impartially to gather and consider relevant information while applying the fairness standard.

The investigation and recommendation stage would result in a recommendation by the identified ombudservice. Following a recommendation, the firm and the complainant would both have the opportunity to object to the identified ombudservice's recommendation, in whole or in part, in which case the review and decision stage described below would begin.

A recommendation by the identified ombudservice would become binding on firms and deemed to be a final decision if neither the firm nor the complainant object to the recommendation within the time period specified by the identified ombudservice in its rules and the complainant has not withdrawn from the dispute resolution process either through commencing a separate legal proceeding or otherwise.<sup>29</sup>

#### (ii) **The Review and Decision Stage**

Either the complainant or the firm could trigger the review and decision stage by submitting a

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<sup>29</sup> The firm would not be required to comply with a recommendation while the recommendation is subject to a review.

written objection to the identified ombudservice regarding its recommendation.

During the review and decision stage, a senior decision-maker of the identified ombudservice who was not involved in the investigation and recommendation stage would consider the party's formal objection to the recommendation. The scope of the decision-maker's review would be limited to the specific objections raised by the parties and the decision-maker would apply the fairness standard. The decision-maker would not engage in facilitated settlement.

In conducting its review, the identified ombudservice would adopt a process that is proportionate to the complaint. The identified ombudservice would achieve a proportionate process by following a procedural threshold test under which the identified ombudservice would engage only in processes essential to achieving as efficient, quick, and understandable a process as possible in resolving disputes in a fair manner (the **essential process test**). We contemplate that the essential process test would be set out in legislative amendments in local jurisdictions. During the review and decision stage, the essential process test would enable the identified ombudservice to use processes that range from inquisitorial to adversarial, if they are essential to achieving a proportionate process for both parties to resolve a dispute fairly. The identified ombudservice would decide which procedural tools to apply in each review. In all scenarios, the identified ombudservice would apply processes that achieve procedural fairness for both the firm and the complainant and that do not create disproportionate burden on the parties. The use of procedural tools that are more commonly found within the adversarial system during the review and decision stage is anticipated to be infrequent and would be limited to circumstances that meet the essential process test.

Once the identified ombudservice has completed its review, it would issue a decision. If only the firm had objected to the outcome from the investigation and recommendation stage, the complainant would have an opportunity to reject the decision within a specified period. If the complainant does not reject the decision and has not otherwise withdrawn from the process in a manner authorized by the identified ombudservice, the decision would become final and binding on the parties. Parties may also be able to apply for judicial review of the decision, where available.

We anticipate that additional details regarding the processes of the identified ombudservice would be set out in either the identified ombudservice's governance documents or within harmonized orders – including in respect of when a recommendation is deemed to be a final decision as well as the circumstances in which a complainant would not be permitted to either abandon the dispute resolution process or commence litigation following the issuance of a final decision. We also anticipate that CSA member approval of those processes, and any changes to those processes as proposed by the identified ombudservice, would be required under the proposed legislative framework and harmonized orders.

We contemplate that the identified ombudservice would publish materials and communications to reflect its processes under the proposed framework, and to develop appropriate forms and notices to ensure that all participants in the dispute resolution process through the identified ombudservice understand the process and their rights and responsibilities.

### (iii) Final decisions of the identified ombudservice

A final decision of the identified ombudservice may require the firm to provide monetary compensation to a complainant or to take a specific type of corrective action, as appropriate in the circumstances. A complainant would be bound by the outcome of the review and decision stage, if they object to the identified ombudservice's recommendation. If only the firm objects to the recommendation and seeks a review, then the complainant could reject the dispute resolution process, including after they receive the decision, and instead pursue a civil proceeding against the firm regarding their complaint.

A characteristic in the proposed framework that distinguishes it from international financial ombudservices is that the complainant would always be bound by a final decision made by the identified ombudservice, where the complainant triggered the review and decision stage. In contrast, in both the United Kingdom and Australia the complainant is bound by a final decision of the ombudservice only where the complainant formally accepts it. In these jurisdictions, if the complainant does not accept the ombudservice's final decision, the complainant may still seek resolution in another forum (such as a court). The CSA is of the view that, to promote finality, efficiency and fairness to both parties, binding complainants where the complainant sought a final decision of the identified ombudservice is an appropriate and balanced outcome and provides both parties to the dispute with a fair and final resolution of the matter.

The proposed framework contemplates that the maximum monetary compensation that could be awarded by the identified ombudservice would be \$350,000, which is the current maximum monetary compensation that can be awarded by OBSI. Our view is that the maximum monetary compensation could be subject to review and increased in the future. The proposed framework also contemplates that the identified ombudservice may direct the firm to take specified corrective action, such as requiring a firm to return documents or to correct erroneous information where the firm's error was harmful to the complainant.

Additionally, once a final decision is rendered by the identified ombudservice at the conclusion of the review and decision stage, the complainant or the identified ombudservice would be able to file the identified ombudservice's decision with a superior court as an order of the court, making it enforceable.

### Consultation Questions

2. The proposed rule amendments include a new provision requiring compliance with a final decision of the identified ombudservice. Under the proposed framework, we contemplate that both a recommendation or decision of the identified ombudservice could become a final decision that will be binding on the firm under certain circumstances. Specifically:
  - a. With respect to a recommendation made by the identified ombudservice following the investigation and the recommendation stage, we contemplate the recommendation becoming a final decision where (i) a specified period of time has passed since the date of the recommendation, (ii) neither the firm nor the complainant has objected to the recommendation, and (iii) the complainant has not otherwise withdrawn from the process in a manner authorized by the identified ombudservice (the **deeming**

- provision**). What are your general thoughts about the deeming provisions and the circumstances that trigger it? Please also comment on whether 30, 60, 90 days would be an appropriate length of time to be specified for a recommendation to be deemed a final decision under the deeming provision.
- b. With respect to the decision made by the identified ombudservice following the review and decision stage, we contemplate the decision becoming final where (i) a specified period of time has passed since the date of the decision (the **post-decision period**), and if the complainant did not trigger the review and decision stage, (ii) the complainant has not rejected the decision and has not otherwise withdrawn from the process in a manner authorized by the identified ombudservice. Please comment on the provision of this post-decision period and whether 30, 60 or 90 days would be the appropriate length for the post-decision period.
3. The proposed framework contemplates that complainants could not reject a decision of the identified ombudservice if they initiated the second-stage review of the recommendation by objecting to it. What are your views on this approach?
  4. Please provide any comments on maintaining the compensation limit amount of \$350,000.

**(iv) No statutory right of appeal**

The proposed framework does not contemplate a statutory right of appeal to an external body, such as a securities tribunal or to a court. However, it does contemplate the availability of judicial review in appropriate circumstances.

In proposing no statutory appeal right, we carefully considered historic commentary on this point, including comments received from stakeholders which raised questions about how to ensure accountability in a scenario where OBSI is granted binding authority, suggesting that an appeal right may be helpful in this regard.

We consider that the availability of an appeal right to either a court or to a CSA member tribunal may undermine a principal policy goal of this project. Namely, a right of appeal may re-introduce a power imbalance as between a complainant and a firm, with firms likely being in a better-resourced position to pursue appeals from a final decision of the identified ombudservice. While appeals to an external body could provide an additional opportunity to be heard or to consider the procedures and concepts applied by an identified ombudservice, appeals have costs. Appeals would increase expense, delay and complexity for the parties. Since securities tribunals and courts use adversarial processes, appeals to them could, over time, move the identified ombudservice towards an adversarial process, negating the benefits of the inquisitorial approach highlighted above. While appeal through a CSA member tribunal is potentially less costly to appellants, complainants may be at a disadvantage to firms in determining on what grounds they are permitted to make an appeal and to navigating the overall system without the assistance of legal counsel.

It is our view that the introduction of the essential process test, along with robust CSA oversight of the identified ombudservice, would sufficiently address concerns relating to procedural fairness. Parties may, where available, pursue the option of judicial review.

The proposed framework also does not include any statutory privative clause to restrict or limit rights to judicial review. We consider that judicial review, where available,<sup>30</sup> together with the enhanced regulatory oversight regime the CSA is developing that would be applicable to the identified ombudservice, will ensure strong and efficient accountability over a decision-maker authorized to deliver binding decisions.

A judicial review takes another look at a decision or order made by an administrative body to ensure the decision or order is fair, reasonable, and lawful. The availability of judicial review is anticipated to provide parties to a complaint with a venue in which to raise concerns about procedural fairness in respect of the identified ombudservice's decision-making processes. Judicial review would also permit parties to raise concerns with a superior court regarding the substance of a final decision issued by the identified ombudservice.

Because judicial review would not generally consider the case afresh but instead focus on procedural and substantive aspects at issue, we anticipate that judicial review will be an effective means for parties to raise concerns with the identified ombudservice's final decisions.

Ultimately, we anticipate that judicial review will be an additional means of ensuring fairness in the decision-making process.

Availability of judicial review will be determined by the superior court that receives an application for review.

### Consultation Questions

5. The proposed framework does not contemplate an appeal of a final decision to either a securities tribunal, or a statutory right of appeal to the courts (although parties could still seek judicial review of a final decision). What impact, if any, do you think the absence of an appeal mechanism will have on the fairness and effectiveness of the framework for parties to a dispute?
6. Should the proposed framework include a statutory right of appeal to the courts or another alternative independent third-party procedure for disputes involving amounts above a certain monetary threshold (for example, above \$100,000)? If so, please explain why.

#### **(d) CSA Oversight**

The CSA considers appropriate and effective oversight of an IDRS that offers binding dispute resolution services to retail clients to be of paramount importance.

At this time, the CSA continues to develop an oversight regime for the identified ombudservice that would complement the proposed framework by balancing independence of the IDRS with a need for robust monitoring and response by securities regulatory authorities. We welcome comments in respect of an appropriate oversight regime for the identified ombudservice.

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<sup>30</sup> Common law rights and legislative provisions providing for judicial review by the superior courts may vary among Canadian jurisdictions.

The CSA and OBSI entered into a Memorandum of Understanding (**MOU**) which provides a framework for oversight of and engagement with OBSI. Currently, the MOU sets out certain standards for OBSI, including those regarding governance, independence and standard of fairness, processes to perform functions on a timely and fair basis, fees and costs, resources, accessibility, systems and controls, core methodologies, information sharing, and transparency. The MOU also provides a framework for cooperation and communication between OBSI and the CSA and requires that OBSI undergo an independent evaluation at least once every five years.

We are of the view that a more comprehensive oversight regime should be developed for the identified ombudservice under the proposed framework, since it would be authorized to issue binding final decisions. This enhanced oversight regime would apply to OBSI if it were designated or recognized as the identified ombudservice. Upon implementation of the proposed framework, the CSA anticipates that oversight of the identified ombudservice would be enhanced and broadly follow the approach for oversight of SROs, clearing agencies, and exchanges. For example, similar to SROs, statutory authority in some jurisdictions could authorize the securities regulatory authority to make decisions with respect to the manner in which an identified ombudservice carries on business or any by-law, rule, regulation, policy, procedure, interpretation or practice of an identified ombudservice.

As the CSA has done for SROs, CSA oversight of the identified ombudservice would include oversight through harmonized orders setting out the terms and conditions on the identified ombudservice's recognition or designation. At the highest level, recognition or designation as the identified ombudservice would include a public interest requirement. Additionally, the harmonized orders would likely include obligations and requirements pertaining to risk identification, organizational structure and governance, including appropriate expertise and representation, fees, capacity building, reporting, and public transparency through publication of anonymized reasons. CSA jurisdictions would have approval powers over the identified ombudservice's key materials, which may include the Terms of Reference, procedural rules and written guidance.

Operationally, CSA oversight of the identified ombudservice is anticipated to include co-ordinated compliance examinations and monitoring of the identified ombudservice's reporting under a new MOU among the CSA jurisdictions. In advance of implementation of the proposed framework, we will develop oversight practices tailored to the identified ombudservice.

#### Consultation Questions

7. Are there elements of oversight, whether mentioned in this Notice or not, that you consider to be of particular importance in ensuring the objectives of the proposed framework are met? If so, please explain your rationale.
8. Do you consider oversight, together with the other aspects of the proposed framework discussed in this Notice, to be sufficient to ensure that the identified ombudservice remains accountable?

#### **5. Summary of the proposed rule amendments and the proposed CP changes**

The proposed rule amendments and the proposed CP changes are important components of the

proposed framework and as such, are necessary to implement the proposed framework.

We welcome comments on all aspects of the proposed rule amendments and the proposed CP changes, as well as the proposed framework.

**(a) Proposed Rule Amendments**

The proposed rule amendments would amend the definition of “complaint” for the purposes of sections 13.16 and 13.16.1 of NI 31-103 in order to clarify that a complaint concerns an “expression of dissatisfaction” that relates to a trading or advising activity of a firm or a representative of a firm.

The proposed rule amendments would require firms to make available the identified ombudservice for purposes of the requirement under subsection 13.16(4) of NI 31-103, be members of an identified ombudservice, cooperate with the identified ombudservice in respect of its investigation and review of complaints, and comply with final decisions of the identified ombudservice. We expect that under the proposed framework the identified ombudservice would have the authority to decide to make a financial award or direct the firm to take a specified corrective action, such as correcting erroneous information a firm provided to a credit bureau or the Canada Revenue Agency regarding a complainant.

The proposed framework would require a firm to comply with the identified ombudservice’s recommendation if neither party objects to the recommendation within a specified period. In these circumstances, a non-binding recommendation would be deemed to be a binding final decision of the identified ombudservice.

A party objecting to the recommendation would trigger a review of that recommendation and that review could result in the issuance of a binding final decision by the identified ombudservice. The proposed rule amendments would require a firm to comply with the identified ombudservice’s decision, unless the complainant has rejected the decision or withdrawn from the dispute resolution process in a manner authorized by the rules of the identified ombudservice.

Section 13.16.1 would apply to a firm if a not-for-profit IDRS has been designated or recognized, making it the identified ombudservice in the jurisdiction. Section 13.16.1 would impose requirements on a firm regarding membership, cooperation, and compliance with a final decision as noted above.

If a CSA jurisdiction has not designated or recognized an identified ombudservice, the status quo is expected to apply in that jurisdiction, such that section 13.16 would continue to apply, and OBSI would continue to be authorized to issue non-binding recommendations.

Finally, the proposed rule amendments include a prohibition on firms using certain terminology that could be misleading or confusing to a retail investor (such as “ombudsman”, “internal ombudservice” or a term that is substantially similar) when referring to a firm’s complaint handling procedures or to an internal department or service that engages in complaint handling. The proposed prohibition on firms using certain terminology is consistent with Joint CSA Staff Notice 31-351 *Complying with requirements regarding OBSI* which indicates the general view that if an

“internal ombudsman” is included in a registered firm’s complaint-handling system, there is a potential for clients to confuse or conflate the firm’s internal service with OBSI.<sup>31</sup> A similar prohibition can also be found at subsection 627.43(2) of the *Bank Act*,<sup>32</sup> which is applicable to the banking sector.

### Consultation Question

9. Please provide your views on the anticipated effectiveness of prohibiting the use of certain terminology for internal or affiliated complaint-handling services that implies independence, such as “ombudsman” or “ombudservice”, to mitigate investor confusion.

#### **(b) Proposed Changes to 31-103CP**

The proposed CP changes align complaint handling guidance with the requirements in NI 31-103. This includes additional discussion of complaint handling with respect to complaints lodged with a firm verbally, as well as when OBSI may be notified about a complaint. Additionally, it clarifies the CSA’s expectation that for purposes of a firm’s complaint handling obligations under NI 31-103, a complaint regarding trading or advising activity can include a complaint about client information, trading authority or suitability, and that consequently, CSA expects a firm to respond substantively and in writing.

The proposed CP changes also provide guidance regarding the proposed rule amendments, particularly the requirements they impose on firms. This includes discussion of when a firm is subject to the requirements of an identified ombudservice, when existing requirements would continue to apply, as well as membership and cooperation requirements with respect to an identified ombudservice.

### **6. Other matters**

#### **(a) Alternatives considered to the proposed rule amendments and the proposed framework**

The CSA has considered maintaining the status quo, under which OBSI would continue to make non-binding recommendations after its review of a complaint. The CSA is of the view that not proceeding with binding authority for a designated or recognized IDRS would prevent potential improvements to investor protection and potential enhancements to fairness, efficiency, and confidence in the investment services sector. As discussed above, the CSA has also considered adjustments to various elements of the proposed framework. While the proposed framework represents the CSA’s view at this time, we welcome further comments on these elements. Please see section 7 below.

#### **(b) Local Matters**

Where applicable, Annex E provides additional information required by the local securities legislation.

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<sup>31</sup> Joint CSA Staff Notice 31-351, IIROC Notice 17-0229, MFDA Bulletin #0736-M – *Complying with requirements regarding the Ombudsman for Banking Services and Investments*, (December 2017) 30 OSCB 9651 at pp 4-5.

<sup>32</sup> SC 1991, c 46.

## 7. Request for Comments

### (a) Consolidated Questions

We welcome your comments on all aspects of the proposed rule amendments, the proposed CP changes, and the proposed framework. In addition to considering local regulators' statements of regulatory priorities and the reports of OBSI's independent evaluators, the CSA has consulted with OBSI regarding its processes and practices. The CSA also noted consultations by Ontario's Capital Markets Modernization Taskforce as well as by others, where relevant.

In addition to any general comments you may have, we also invite comments on the specific questions included throughout this Notice, which are reproduced in the following consolidated list for ease of review:

1. The CSA contemplates that under the proposed framework, an IDRS would be authorized to issue binding decisions in circumstances where it is designated or recognized in a jurisdiction as the identified ombudservice. It is possible that some CSA jurisdictions may not designate or recognize OBSI as the identified ombudservice at the same time, resulting in the status quo (e.g., OBSI making non-binding recommendations only) applying in those jurisdictions until OBSI were designated or recognized as the identified ombudservice. If jurisdictions designate or recognize OBSI as the identified ombudservice at different times, what operational impacts, if any, would you anticipate from an IDRS being designated or recognized in some but not all jurisdictions? How can these impacts best be managed?
2. The proposed rule amendments include a new provision requiring compliance with a final decision of the identified ombudservice. Under the proposed framework, we contemplate that both a recommendation or decision of the identified ombudservice could become a final decision that will be binding on the firm under certain circumstances. Specifically:
  - (a) With respect to a recommendation made by the identified ombudservice following the investigation and the recommendation stage, we contemplate the recommendation becoming a final decision where (i) a specified period of time has passed since the date of the recommendation, (ii) neither the firm nor the complainant has objected to the recommendation, and (iii) the complainant has not otherwise withdrawn from the process in a manner authorized by the identified ombudservice (the **deeming provision**). What are your general thoughts about the deeming provisions and the circumstances that trigger it? Please also comment on whether 30, 60, 90 days would be an appropriate length of time to be specified for a recommendation to be deemed a final decision under the deeming provision.
  - (b) With respect to the decision made by the identified ombudservice following the review and decision stage, we contemplate the decision becoming final where (i) a specified period of time has passed since the date of the decision (the **post-decision period**), and if the complainant did not trigger the review and decision stage, (ii) the complainant has not rejected the decision and has not otherwise withdrawn from the process in a manner authorized by the identified ombudservice. Please comment

on the provision of this post-decision period and whether 30, 60 or 90 days would be the appropriate length for the post-decision period.

3. The proposed framework contemplates that complainants could not reject a decision of the identified ombudservice if they initiated the second-stage review of the recommendation by objecting to it. What are your views on this approach?
4. Please provide any comments on maintaining the compensation limit amount of \$350,000.
5. The proposed framework does not contemplate an appeal of a final decision to either a securities tribunal, or a statutory right of appeal to the courts (although parties could still seek judicial review of a final decision). What impact, if any, do you think the absence of an appeal mechanism will have on the fairness and effectiveness of the framework for parties to a dispute?
6. Should the proposed framework include a statutory right of appeal to the courts or another alternative independent third-party procedure for disputes involving amounts above a certain monetary threshold (for example, above \$100,000)? If so, please explain why.
7. Are there elements of oversight, whether mentioned in this Notice or not, that you consider to be of particular importance in ensuring the objectives of the proposed framework are met? If so, please explain your rationale.
8. Do you consider oversight, together with the other aspects of the proposed framework discussed in this Notice, to be sufficient to ensure that the identified ombudservice remains accountable?
9. Please provide your views on the anticipated effectiveness of prohibiting the use of certain terminology for internal or affiliated complaint-handling services that implies independence, such as “ombudsman” or “ombudservice”, to mitigate investor confusion.

**(b) Comment Process**

Please submit your comments in writing by February 28, 2024.

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. In addition, all comments received will be posted on the websites of each of the Alberta Securities Commission at [www.asc.ca](http://www.asc.ca), the Autorité des marchés financiers at [lautorite.qc.ca](http://lautorite.qc.ca) and the Ontario Securities Commission at [www.osc.ca](http://www.osc.ca). Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Thank you in advance for your comments.

Please address your comments to all of the CSA as follows:

Alberta Securities Commission  
 Autorité des marchés financiers  
 British Columbia Securities Commission  
 Financial and Consumer Services Commission (New Brunswick)  
 Financial and Consumer Affairs Authority of Saskatchewan  
 Manitoba Securities Commission  
 Nova Scotia Securities Commission  
 Nunavut Securities Office  
 Office of the Superintendent of Securities, Newfoundland and Labrador  
 Office of the Superintendent of Securities, Northwest Territories  
 Office of the Yukon Superintendent of Securities  
 Ontario Securities Commission  
 Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Please deliver your comments only to the addresses that follow. Your comments will be forwarded to the remaining jurisdictions:

Meg Tassie  
 Senior Advisor, Legal Services, Capital Markets Regulation  
 British Columbia Securities Commission  
 1200 - 701 West Georgia Street  
 P.O. Box 10142, Pacific Centre  
 Vancouver, British Columbia V7Y 1L2  
 Fax: 604 899-6506  
[mtassie@bcsc.bc.ca](mailto:mtassie@bcsc.bc.ca)

The Secretary  
 Ontario Securities Commission  
 20 Queen Street West, 22<sup>nd</sup> Floor, Box 55  
 Toronto, Ontario M5H 3S8  
 Fax: 416 593-2318  
[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Me Philippe Lebel  
 Corporate Secretary and Executive Director, Legal Affairs  
 Autorité des marchés financiers  
 Place de la Cité, tour Cominar  
 2640, boulevard Laurier, bureau 400  
 Québec (Québec) G1V 5C1  
 Fax : 514 864-8381  
[consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

## *Contents of Annexes*

This Notice contains the following annexes:

- Annex A – Proposed rule amendments to NI 31-103
- Annex B – Blackline showing proposed rule amendments to NI 31-103
- Annex C – Blackline showing proposed CP changes to 31-103CP
- Annex D – Overview and Flowchart of Identified Ombudservice Processes under Proposed Framework
- Annex E – Local Matters

## *Questions*

Please refer your questions to any of:

British Columbia Securities Commission  
 Meg Tassie  
 Senior Advisor  
 Capital Markets Regulation  
 (604) 899-6819  
[mtassie@bcsc.bc.ca](mailto:mtassie@bcsc.bc.ca)

Isaac Filate  
 Senior Legal Counsel  
 Capital Markets Regulation  
 (604) 899-6573  
[ifilate@bcsc.bc.ca](mailto:ifilate@bcsc.bc.ca)

Alberta Securities Commission  
 Eniko Molnar  
 Senior Legal Counsel  
 Market Regulation  
 (403) 297-4890  
[eniko.molnar@asc.ca](mailto:eniko.molnar@asc.ca)

Financial and Consumer Affairs Authority of  
 Saskatchewan  
 Mobolanle Depo-Fajumo  
 Legal Counsel  
 Securities Division  
 (306) 798-3381  
[mobolanle.depofajumo2@gov.sk.ca](mailto:mobolanle.depofajumo2@gov.sk.ca)

Ontario Securities Commission  
 Adrian Molder  
 Senior Legal Counsel  
 Investor Office  
 (416) 593-2389  
 Toll Free: 1-877-785-1555  
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Distribution Practices and SROs  
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(514) 395-0337, ext. 4482  
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Financial and Consumer Services  
Commission (New Brunswick)  
Clayton Mitchell  
Registration and Compliance Manager  
(506) 658-5476  
[clayton.mitchell@fcnb.ca](mailto:clayton.mitchell@fcnb.ca)

Nova Scotia Securities Commission  
Doug Harris  
General Counsel, Director of Market  
Regulation and Policy and Secretary  
[Doug.Harris@novascotia.ca](mailto:Doug.Harris@novascotia.ca)

## ANNEX A

**PROPOSED AMENDMENTS TO  
NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS  
AND ONGOING REGISTRANT OBLIGATIONS***

1. *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.*
2. *Subsection 13.14(2) is amended by replacing “168.1.3” with “168.1.4”.*
3. *The Instrument is amended by adding the following sections:*

**13.15.1 Prohibited terminology**

- (1) A registered firm must not describe the complaint handling procedures, officers or employees of the registered firm or an affiliate of the registered firm, in a manner that could lead a reasonable client to conclude that the procedures, officers or employees are independent of the registered firm.
- (2) For greater certainty, and without limiting subsection (1), a registered firm must not refer to a department or service of the registered firm or an affiliate that engages in complaint handling with respect to complaints of the registered firm as independent, or as an ombudsman, internal ombudservice, or a term that is substantially similar.

**13.16.01 Definitions – complaint handling**

In sections 13.16 and 13.16.1,

“complaint” means an expression of dissatisfaction by a client that

- (a) relates to a trading or advising activity of a registered firm or a representative of the firm, and
- (b) is received by the firm within 6 years of the day when the client first knew or reasonably ought to have known of an act or omission that is a cause of or contributed to the client’s expression of dissatisfaction;

“identified ombudservice” means an independent dispute resolution service that is incorporated as a not-for-profit entity and is designated or recognized by the securities regulatory authority.

“OBSI” means the Ombudsman for Banking Services and Investments or any successor entity that resolves disputes involving registrants and their clients..

4. ***Section 13.16 is amended:***

- (a) ***by repealing subsection (1),***
- (b) ***in paragraph (2)(a) by deleting “this” and adding “13.16 and if applicable, subsections 13.16.1(1) and (2)” after “section”,***
- (c) ***in paragraphs (2)(b) and (c) by replacing “under” with “pursuant to”,***
- (d) ***by adding the following subsection:***
  - (6.1) Despite subsection (6), if there is an identified ombudservice, the registered firm must make the identified ombudservice available to the client for the purposes of the requirement to make available an independent dispute resolution or mediation service under subsection (4)., ***and***
- (e) ***in subsection (7) by replacing “Subsection (6) does” with “Subsections (6) and (6.1) do”.***

5. ***The Instrument is amended by adding the following section:***

**13.16.1 Firm obligations relating to an identified ombudservice**

- (1) If there is an identified ombudservice, a registered firm must
    - (a) be a member of the identified ombudservice;
    - (b) not withhold, destroy or conceal any information or documents or otherwise fail to cooperate with a reasonable request made by the identified ombudservice in respect of its investigation and review of a complaint;
    - (c) promptly comply with a final decision of the identified ombudservice.
  - (2) Paragraphs (1)(b) and (1)(c) do not apply unless the client agrees that any amount the client will claim for the purpose of the identified ombudservice’s consideration of the complaint will be no greater than \$350,000.
  - (3) This section does not apply in respect of a complaint made by a permitted client that is not an individual..
6. The provisions of Division 5 of Part 13 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, as amended by this Instrument, do not apply to a complaint received by the firm prior to the effective date of this Instrument.

7. A firm must comply with Division 5 of Part 13 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* as it read on [●] with respect to complaints received by the firm prior to the effective date of this Instrument.
8.
  - (1) This Instrument comes into force on [●].
  - (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [●], this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

## ANNEX B

**BLACKLINE SHOWING PROPOSED AMENDMENTS TO  
NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS,  
EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS***

*Division 5      Complaints*

**13.14 Application of this ~~division~~Division**

- (1) This Division does not apply to an investment fund manager in respect of its activities as an investment fund manager.
- (2) In Québec, a registered firm is deemed to comply with this Division if it complies with sections 168.1.1 to ~~168.1.3~~168.1.4 of the *Securities Act* (Québec).

~~13.15~~13.15 **Handling complaints**

A registered firm must document and, in a manner that a reasonable investor would consider fair and effective, respond to each complaint made to the registered firm about any product or service offered by the firm or a representative of the firm.

~~13.16~~ **Dispute resolution service**

13.15.1 Prohibited terminology

- (1) A registered firm must not describe the complaint handling procedures, officers or employees of the registered firm or an affiliate of the registered firm, in a manner that could lead a reasonable client to conclude that the procedures, officers or employees are independent of the registered firm.
- (2) For greater certainty, and without limiting subsection (1), a registered firm must not refer to a department or service of the registered firm or an affiliate that engages in complaint handling with respect to complaints of the registered firm as independent, or as an ombudsman, internal ombudservice, or a term that is substantially similar.

13.16.01 Definitions – complaint handling

~~(1)~~ ~~In this section,~~ In sections 13.16 and 13.16.1,

“complaint” means ~~a complaint~~ an expression of dissatisfaction by a client that

- (a) relates to a trading or advising activity of a registered firm or a representative of the firm, and
- (b) is received by the firm within 6 years of the day when the client first knew or reasonably ought to have known of an act or omission that is a cause of or contributed to the ~~complaint~~client's expression of dissatisfaction;

“identified ombudservice” means an independent dispute resolution service that is incorporated as a not-for-profit entity and is designated or recognized by the securities regulatory authority.

“OBSI” means the Ombudsman for Banking Services and Investments or any successor entity that resolves disputes involving registrants and their clients.

### 13.16 Dispute resolution service offered to clients

- (1) [Repealed]
- (2) If a registered firm receives a complaint from a client, the firm must, as soon as possible, provide the client with a written acknowledgement of the complaint that includes the following:
  - (a) a description of the firm's obligations under ~~this~~ section 13.16 and if applicable, subsections 13.16.1(1) and (2);
  - (b) the steps that the client must take in order for an independent dispute resolution or mediation service to be made available to the client ~~under~~pursuant to subsection (4);
  - (c) the name of the independent dispute resolution or mediation service that will be made available to the client ~~under~~pursuant to subsection (4) and contact information for the service.
- (3) If a registered firm decides to reject a complaint or to make an offer to resolve a complaint, the firm must, as soon as possible, provide the client with written notice of the decision and include the information referred to in subsection (2).
- (4) A registered firm must as soon as possible ensure that an independent dispute resolution or mediation service is made available to a client at the firm's expense with respect to a complaint if either of the following apply:

- (a) after 90 days of the firm's receipt of the complaint, the firm has not given the client written notice of a decision under subsection (3), and the client has notified the independent dispute resolution or mediation service specified under paragraph (2)(c) that the client wishes to have the complaint considered by the service;
  - (b) within 180 days of the client's receipt of written notice of the firm's decision under subsection (3), the client has notified the independent dispute resolution or mediation service specified under paragraph (2)(c) that the client wishes to have the complaint considered by the service.
- (5) Subsection (4) does not apply unless the client agrees that any amount the client will claim for the purpose of the independent dispute resolution or mediation service's consideration of the complaint will be no greater than \$350,000.
- (6) For the purposes of the requirement to make available an independent dispute resolution or mediation service under subsection (4), a registered firm must take reasonable steps to ensure that OBSI will be the service that is made available to the client;
- (6.1) Despite subsection (6), if there is an identified ombudservice, the registered firm must make the identified ombudservice available to the client for the purposes of the requirement to make available an independent dispute resolution or mediation service under subsection (4);
- (7) Subsections (6) and (6.1) do not apply in Québec.
- ~~(7) Subsection (6)~~
- (8) This section does not apply in Québec-respect of a complaint made by a permitted client that is not an individual.

### 13.16.1 Firm obligations relating to an identified ombudservice

- (1) If there is an identified ombudservice, a registered firm must
- (a) be a member of the identified ombudservice;
  - (b) not withhold, destroy or conceal any information or documents or otherwise fail to cooperate with a reasonable request made by the identified ombudservice in respect of its investigation and review of

a complaint;

(c) promptly comply with a final decision of the identified ombudservice.

(2) Paragraphs (1)(b) and (1)(c) do not apply unless the client agrees that any amount the client will claim for the purpose of the identified ombudservice's consideration of the complaint will be no greater than \$350,000.

(3) ~~(8)~~ This section does not apply in respect of a complaint made by a permitted client that is not an individual.

## ANNEX C

**BLACKLINE SHOWING PROPOSED CHANGES TO COMPANION POLICY  
31-103 REGISTRATION REQUIREMENTS,  
EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS**

*Division 5 Complaints*

**13.14 Application of this Division**

Division 5 applies to registered firms that are registered dealers and registered advisers. Investment fund managers are only subject to Division 5 if they also operate under a dealer or adviser registration, in which case the requirements in this Division apply in respect of the activities conducted under their dealer or adviser registration. Furthermore, since sections 13.16(8) and 13.16.1(4) exclude from sections 13.16 and 13.16.1 a complaint made by a permitted client that is not an individual, we would not expect a registered firm that only has such clients to maintain membership in OBSI or an identified ombudservice.

In Québec, a registered firm is deemed to comply with this Division if it complies with sections 168.1.1 to ~~168.1.3~~168.1.4 of the Québec Securities Act, ~~which provides a substantially similar regime for complaint handling.~~

The guidance in Division 5 of this Companion Policy applies to registered firms registered in any jurisdiction ~~including Québec.~~

However, ~~section 168.1.3 of~~ the Québec Securities Act, includes requirements with respect to dispute resolution ~~or mediation~~ services that are different than those set out in section 13.16 of NI 31-103. In Québec, registrants must, in accordance with the Québec Securities Act, inform each complainant, ~~in writing and without delay, that if the complainant is dissatisfied with how the complaint is handled or with the outcome, they may of their right to~~ request the ~~registrant to forward a copy~~examination of ~~the~~their complaint ~~file to~~record by the Autorité des marchés financiers ~~if they are dissatisfied with the registered firms' processing of their complaint or the outcome.~~ The registrant must forward a copy of the complaint file to the Autorité des marchés financiers, ~~which will examine the complaint for examination.~~ The Autorité des marchés financiers may, with the parties' consent, act as ~~a conciliator or mediator if it considers it appropriate to do so and the parties agree~~or designate a person to act as such.

## 13.15 Handling complaints

### General duty to document and respond to complaints

Under Section 13.15 ~~requires~~, registered firms ~~to~~must document ~~complaints, and to~~ effectively, in a manner that a reasonable investor would consider fair and ~~fairly~~effective, respond to ~~them~~each complaint made to the registered firm about any product or service offered by the registered firm or a representative of the firm. We are of the view that ~~registered firms should document and respond to all~~this includes complaints received from a client, a former client or a prospective client who has dealt with the registered firm (complainant), regardless of whether the method used to initiate the complaint was verbal or written.

~~Firms~~Registered firms are reminded that under paragraph 11.5(2)(m) they are required to maintain records which demonstrate compliance with complaint handling requirements under paragraph 11.5(2)(m).

### Complaint handling policies

An effective complaint ~~system~~handling policy should deal with all formal and informal complaints or disputes in a timely and fair manner. To achieve ~~the objective of handling complaints fairly~~these objectives, the firm's complaint ~~system~~handling policy should include standards ~~allowing~~ for objective factual investigation and analysis of the matters specific to the complaint.

We take the view that registered firms should take ~~a~~an objective and balanced approach to the gathering of facts

~~that objectively considers~~, including concerning the ~~interests~~actions of

- the complainant
- the registered representative, and
- the firm

Registered firms should not limit their consideration and handling of complaints to those relating to possible violations of securities legislation.

### Complaint monitoring

The registered firm's complaint handling policy should provide for specific procedures for reporting ~~the~~ complaints to superiors; in order to allow the detection of frequent and repetitive complaints made with respect to the same matter which may, on a cumulative

basis, indicate a serious problem. ~~Firms~~[Registered firms](#) should take appropriate measures to deal with such problems as they arise.

## **Responding to complaints**

### ***Types of complaints***

All complaints relating to one of the following matters should be responded to by the firm by providing an initial and substantive response, both in writing and within a reasonable time:

- a trading or advising activity, [including regarding client information, trading authority, and suitability](#)
- a breach of client confidentiality
- theft, fraud, misappropriation, or forgery
- misrepresentation
- an undisclosed or prohibited conflict of interest, or
- personal financial dealings with a client

Firms may determine that a complaint relating to matters other than the matters listed above is nevertheless of a sufficiently serious nature to be responded to in the manner described below. This determination should be made, in all cases, by considering if an investor, acting reasonably, would expect a written response to their complaint.

### ***When complaints are not made in writing***

We would not expect that complaints relating to matters other than those listed above, when made verbally and when not otherwise considered serious based on an investor's reasonable expectations, would need to be responded to in writing. However, we do expect that verbal complaints be given as much attention as written complaints. If a complaint is made verbally and is not clearly expressed, the firm may request the complainant to put the complaint in writing and we expect firms to offer reasonable assistance to do so.

Firms are entitled to expect the complainant to put unclear verbal issues into written format in order to try to resolve confusion about the nature of the issue. If the verbal complaint is clearly frivolous, we do not expect firms to offer assistance to put the complaint in writing.

The firm may nonetheless ask the complainant to put the complaint in writing on his or her own.

### *Timeline for responding to complaints*

Firms should

- promptly send an initial written response to a complainant: we consider that an initial response should be provided to the complainant within five business days of receipt of the complaint
- provide a substantive response to all complaints relating to the matters listed under “Types of complaints” above, indicating the firm’s decision on the complaint

A firm may also wish to use its initial response to seek clarification or additional information from the client. Requirements for providing information about the availability of dispute resolution or mediation services paid for by the firm are discussed below.

We encourage firms to resolve complaints relating to the matters listed above within 90 days.

#### 13.15.1 Prohibited terminology

Section 13.15.1 is intended to reduce the risk of investors confusing an independent not-for-profit ombudservice such as OBSI with a department or affiliate of a registered firm.

#### **13.16 Dispute resolution service offered to clients**

~~Section 13.15 requires a registered firm to document and respond to each complaint made to it about any product or service that is offered by the firm or one of its representatives. Section 13.16 provides for recourse to an independent dispute resolution or mediation service at a registered firm's expense for specified complaints where the firm's internal complaint handling process has not produced a timely decision that is satisfactory to the client.~~

~~Registered firms may be required to make an independent dispute resolution or mediation service paid for by the firm available to a client in respect of a complaint that~~

Under section 13.16, registered firms are required to make an independent dispute resolution or mediation service available to a client in respect of a complaint where the

firm's internal complaint handling process has not produced a timely decision that is satisfactory to the client.

- ~~relates to a trading or advising activity of the firm or its representatives, and~~
- ~~is raised within six years of the date when the client knew or reasonably ought to have known of the act or omission that is a cause of or contributed to the complaint~~

Where there is an identified ombudservice in the jurisdiction, the requirements in subsection 13.16(6.1) apply instead of the requirements in subsection 13.16(6). In these circumstances, a registered firm must make the identified ombudservice available to a client.

As soon as possible after a client makes a complaint (for example, when sending its acknowledgment or initial response to the complaint), and again when the firm informs the client of its decision in respect of the complaint, a registered firm must provide a client with information about

- a description of the firm's obligations under section 13.16, and if applicable, subsections 13.16.1(1) and (2),
- the steps the client must take for an independent dispute resolution or mediation service to be made available to the client at the firm's expense, and
- the name of the independent dispute resolution or mediation service, that will be made available to the client ~~(outside of Québec, this will normally be the Ombudsman for Banking Services and Investments (OBSI), as discussed below)~~ and how to contact it and contact information for the independent dispute resolution or mediation service.

### *Registrants who do business in other sectors*

Some registrants are also registered or licensed to do business in other sectors, such as insurance. If there is a complaint about a registrant, then a registrant should inform their client that the services of the independent dispute resolution service or identified ombudservice are limited to complaints concerning registerable activities.

### *Taking a complaint to the independent dispute resolution or mediation service*

A client may ~~escalate an eligible~~ take a complaint to the independent dispute resolution or mediation service made available by the registered firm in either of two circumstances:

- If the firm fails to give the client notice of its decision within 90 days of receiving the complaint (~~telling, then the client that the firm plans to take more than 90 days to make its decision does not 'stop the clock'~~). The client is ~~then~~ entitled to ~~escalate~~take the complaint to the ~~independent~~ service immediately ~~or at any later date until the firm has notified the client of its decision~~.
- If the firm has given the client notice of its decision about the complaint (~~whether it does so within 90 days or after a longer period~~) and the client is not satisfied with the decision, the ~~client~~complainant then has 180 days ~~in which~~ to ~~escalate~~take the complaint to the ~~independent~~ service for consideration.

~~In either instance, the client may escalate the complaint by directly contacting the independent service.~~

~~We think that it may sometimes be appropriate for the independent service, the firm and the client involved in a complaint to agree to longer notice periods than the prescribed 90 and 180 day periods as a matter of fairness. We recognize that where a client does not cooperate with reasonable requests for information relating to a complaint, a firm may have difficulty making a timely decision in respect of the complaint. We expect that this would be relevant to any subsequent determination or recommendation made by an independent service about that complaint~~

If a registered firm's complaint handling process takes longer than 90 days, a firm communicating to the complainant that the firm plans to take more than 90 days to make its decision does not 'stop the clock'. In addition, we note that the prescribed 90- and 180-day periods for a complainant to take a dispute to the independent dispute resolution or mediation service, as set out in section 13.16(4), apply respectively to when a registered firm first receives a complaint from a client and to the period after the client receives written notice of the firm's decision. The 90-day period applies to all internal complaint handling processes that may be pursued by the registered firm prior to providing the client written notice of a decision. If a client receives a written notice of the registered firm's decision, then the client has 180 days to notify the independent dispute resolution or mediation service that the client wishes to have their complaint considered. If a registered firm's complaint handling policy includes a secondary complaint handling department that can be engaged following the firm's initial handling of the complaint, then a complainant may take a dispute to the independent dispute resolution or mediation service before the secondary complaint handling department is engaged, as long as the conditions in section 13.16(4) are met.

The client must agree that the amount of any recommendation or decision by the independent dispute resolution or mediation service for monetary compensation will not exceed the compensation limit, that is \$350,000. This limit applies only to the amount that ~~can~~ may be ~~recommended. Until it is escalated to~~ recommend or awarded, so outside the processes of the independent dispute resolution or mediation service, a complaint ~~made to~~ regarding a registered firm may include a claim for a larger amount.

~~Except in Québec~~

~~We would regard it as a serious compliance issue if a registered firm misrepresented the services of the independent dispute resolution or mediation service, or exerted pressure on a client to not engage in that service.~~

~~Nothing in section 13.16 affects a client's right to choose to seek other recourse, including through the courts. If a client does not make use of the service, or if a client abandons a complaint that is under consideration by the service, the registered firm is not obligated to provide another service at the firm's expense.~~

### Membership

Where there is an identified ombudservice in the jurisdiction, registered firms must be members of the identified ombudservice.

In jurisdictions without an identified ombudservice, a registered firm must take reasonable steps to ensure that the dispute resolution and mediation service that is made available to its clients ~~for these purposes~~ under subsection 13.16(4) will be OBSI (except in Québec). The reasonable steps we expect a firm to take include maintaining ongoing membership in OBSI as a “Participating Firm” and, with respect to each complaint, participating in the dispute resolution process in a manner consistent with the firm's obligation to deal fairly, honestly and in good faith with its client. This would include entering into consent agreements with clients contemplated under OBSI's procedures.

~~Since section 13.16 does not apply in respect of a complaint made by a permitted client that is not an individual, we would not expect a firm that only has clients of that kind to maintain membership in OBSI.~~

~~A~~

### Alternative service offerings

Except in Québec, a registered firm should not make an alternative independent dispute resolution or mediation service available to a client for the purposes of the requirement in

subsection 13.16(6) at the same time as it makes OBSI available. Such a parallel offering would not be consistent with the requirement to take reasonable steps to ensure that OBSI will be the independent service that is made available to the client. ~~Except in Québec, we expect that alternative service providers will only be used for purposes of section 13.16 in exceptional circumstances.~~

Similarly, a parallel offering would not be consistent with the requirement to make the identified ombudservice available under subsection 13.16(6.1).

### **13.16.1 Registered firm obligations relating to an identified ombudservice**

In a jurisdiction where there is an identified ombudservice, section 13.16.1 sets out the obligations of a registered firm regarding a complaint being investigated or reviewed by an identified ombudservice.

Use of the identified ombudservice is optional for complainants, but participation in the identified ombudservices process by a registered firm is mandatory where a complainant has taken a complaint to the identified ombudservice.

#### **Background regarding the identified ombudservice's process**

The following guidance outlines the processes which may be followed by the identified ombudservice and clarifies the nature of a final decision of the identified ombudservice for the purposes of section 13.16.1. The identified ombudservice may issue either a recommendation or a decision in resolving a complaint. Both a recommendation and a decision may become a final decision that will be binding on a registered firm. A complainant may reject a final decision, whether it is a deemed final decision after the recommendation stage or a decision from the review stage, as long as only the firm and not the complainant objects to the recommendation of the identified ombudservice (see below). However, if the complainant also makes a written objection to the recommendation, then the complainant will also be bound by the final decision. A final decision of the identified ombudservice may require the firm to provide monetary compensation to a complainant or to take a specific type of corrective action, as appropriate in the circumstances.

~~We would regard it as a serious compliance issue if a firm misrepresented OBSI's services or exerted pressure on a client to refuse OBSI's services.~~

~~If a client declines to make use of OBSI in respect of a complaint, or if a client abandons a complaint that is under consideration by OBSI, the registered firm is not obligated to provide another service at the firm's expense. A firm is only required to make one dispute resolution or mediation service available at its expense for each complaint.~~

~~Nothing in section 13.16 affects a client's right to choose to seek other recourse, including through the courts.~~

~~Registrants that are members of an SRO, including those that are registered in Québec, must also comply with their SRO's requirements with respect to the provision of independent dispute resolution or mediation services.~~

### ~~Registrants who do business in other sectors~~

~~Some registrants are also registered or licensed to do business in other sectors, such as insurance. These registrants should inform their clients of the complaint mechanisms for each sector in which they do business and how to use them.~~

Once a complaint is brought to the identified ombudservice and is determined to be within the identified ombudservice's mandate, the identified ombudservice will commence its investigation of the complaint. During its investigation, the identified ombudservice may request documents and information that are relevant to its assessment of the complaint. We will consider it a failure to cooperate with an investigation of an identified ombudservice if a firm takes any action which may frustrate the identified ombudservice's investigation. This may include, for example, being unresponsive to the identified ombudservice's requests for documentation or information.

Once the investigation stage has been concluded, the identified ombudservice will issue a recommendation. This recommendation will be deemed a final decision once a specified period of time has elapsed where: (i) neither the registered firm nor the complainant has submitted a written objection to the identified ombudservice regarding the recommendation; and (ii) the complainant has not rejected the recommendation or otherwise withdrawn from the dispute resolution process in a manner authorized by the identified ombudservice by the time that the identified ombudservice concludes its investigation and provides the parties with its written recommendation.

If either the registered firm or the complainant makes a written objection to the recommendation, then the identified ombudservice will conduct an independent review of the complaint and issue a decision at the conclusion of its review. If only the registered firm requested the review, the decision will become final once: (i) a specified period of time has passed since the date of the decision; and (ii) the complainant has not rejected the decision or otherwise withdrawn from the dispute resolution process in a manner authorized by the identified ombudservice. If the complainant has requested the review of

the recommendation, they will not be able to reject a decision (once issued) or otherwise withdraw from the dispute resolution process.

NI 31-103 does not provide for partial compliance with a final decision of the identified ombudservice. However, firms may also seek to negotiate a settlement with a complainant at any time.

**Overview and Flowchart of Identified Ombudservice Processes under Proposed Framework**

*How a complaint will flow through the identified ombudservice's process*

Pre-identified ombudservice

Client complains to firm about trading or advising activity of the firm or its representative

Firm does not provide written notice of decision to client within 90 days

Client is not satisfied within 180 days of receiving written notice of decision from firm

Client (**complainant**) opts to have identified ombudservice consider the complaint

Investigation and recommendation stage

Identified ombudservice investigator investigates the complaint using inquisitorial process, including to identify issues, and applies the fairness standard

Identified ombudservice investigator provides the parties with a recommendation in draft form

Either party (or both) raise objections, if any, to the draft recommendation

Identified ombudservice attempts to facilitate a settlement between the parties

If settlement is reached, then file is closed

If no settlement, then identified ombudservice investigator finalizes the recommendation, which is non-binding (**final recommendation**), including addressing any objections to the extent possible

If parties accept the final recommendation, then file is closed

Assuming complainant does not opt out and there is no formal objection, if a set period of time elapses without either party taking specified action, then the recommendation is deemed to be a final decision of the identified ombudservice

(continues on next page)

### Review and decision stage

Formal objection by either (or both) parties to the final recommendation, objecting to specific points in the recommendation and seeking both a review and a binding decision (**formal objection**)

More senior decision-maker of identified ombudservice considers objections raised by parties during the review and decision stage, applying the fairness standard and the essential process test

Either party may request a particular process, but identified ombudservice's decision-maker decides what process is essential.

Following the review process, identified ombudservice issues decision taking into account the final recommendation, any objections raised by parties, and any issues not addressed in the final recommendation (**final decision**)

Final decision may include compensation awards up to \$350,000 and may also direct some corrective actions.

Unless they are a party that objects to the final recommendation, a complainant may abandon the process or commence litigation during or after the review and decision stage

A final recommendation is deemed to be a final decision where neither party objects to the final recommendation within a certain length of time.

If parties accept final decision, then file is closed

If a firm refuses to comply with the final decision of an identified ombudservice, then either the identified ombudservice or a complainant may file the final decision as an order of the court.

### Post-final decision

No appeal mechanism included under the proposed framework, but a complainant may consider litigation where they were not a party that objected to the final recommendation. A firm is always bound by a final decision unless the complainant either abandons the process or commences litigation. Parties may also be able to apply for judicial review of the decision, where available.

**ANNEX E**  
**LOCAL MATTERS**

There are no local matters for Alberta to consider at this time.