



Canadian Securities
Administrators

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CSA Staff Notice 31-366

OBSI Joint Regulators Committee Annual Report for 2024

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INTRODUCTION

This notice is being published jointly by the Canadian Securities Administrators (**CSA**) and the Canadian Investment Regulatory Organization (**CIRO**) to serve as the Annual Report of the Joint Regulators Committee (**JRC**) of the Ombudsman for Banking Services and Investments (**OBSI**).

Members of the JRC are CSA designated representatives from the British Columbia Securities Commission, the Alberta Securities Commission, the Ontario Securities Commission, and the Autorité des marchés financiers, as well as representatives from CIRO.

The JRC believes that a fair and effective independent dispute resolution service is important for investor protection in Canada and is vital to the integrity and confidence of the capital markets. The JRC supports a fair, accessible and effective OBSI dispute resolution process. The JRC meets regularly with OBSI to discuss governance and operational matters and other significant issues that could influence the effectiveness of the dispute resolution system.

The purpose of this notice is to provide an overview of the JRC and to highlight major activities conducted or reviewed by the JRC during the 2024 calendar year. This notice refers to events that occurred early in 2025 where they provide appropriate context for JRC's 2024 activities.

Background to Establishment of the JRC

In May 2014, amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the **Amendments**) came into force requiring all registered dealers and advisers to make OBSI available to their clients as their dispute resolution service, except in Québec where the dispute resolution services administered by the Autorité des marchés financiers (**AMF**) would continue to apply. In Québec, the AMF provides dispute resolution services to those clients of all registered dealers and advisers who reside in Québec. The Québec regime remains unchanged, and firms registered in Québec must inform clients residing in Québec of the availability of the AMF's dispute resolution services. Investors in Québec are nevertheless entitled to use the services of OBSI for disputes that fall within OBSI's mandate, in lieu of the dispute resolution services provided by the AMF.

MEMORANDUM OF UNDERSTANDING / AMENDMENTS

In conjunction with the passing of the Amendments, the CSA and OBSI signed a Memorandum of Understanding (**MOU**) which provides an oversight framework intended to ensure that OBSI continues to meet the standards set by the CSA.¹ The MOU also provides a framework for the CSA members and OBSI to cooperate and communicate constructively.

In 2015, the MOU was amended to include the AMF as a signatory, with it joining all other CSA members.² The amended MOU also clarifies certain provisions, including those relating to information sharing and the requirement for an independent evaluation of OBSI.³

JRC MANDATE

The CSA jurisdictions, predecessor organizations to CIRO and OBSI agreed to form the JRC with a mandate to:

- facilitate a holistic approach to information sharing and monitor the dispute resolution process with an overall view to promoting investor protection and confidence in the external dispute resolution system;
- support fairness, accessibility and effectiveness of the dispute resolution process; and
- facilitate regular communication and consultation among JRC members and OBSI.

¹ The MOU sets out the standards that OBSI is expected to meet on: 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.

² The AMF became a party to the MOU effective as of December 1, 2015.

³ For a copy of the MOU, please see the [Amended and Restated Memorandum of Understanding concerning oversight of the Ombudsman for Banking Services and Investments among the Canadian Securities Administrators and OBSI](#).

Overview of JRC Activities in 2024

The JRC held regular meetings in March, June and October, met with OBSI's Board of Directors (the **OBSI Board**) in December, and engaged further with OBSI throughout the year, providing opportunities to discuss specific matters as contemplated by the MOU, including matters relating to OBSI's reporting to the JRC throughout the year. In October, the JRC also had opportunity to meet with representatives from the Australian Financial Complaints Authority (**AFCA**) while they were in Toronto to attend the annual conference of the International Network of Financial Services Ombudsman Schemes.

The following matters were considered and advanced by the JRC, and include matters discussed with OBSI at regular meetings during the year:

1. **OBSI's 2021 independent evaluation:**

The MOU requires that an independent evaluation of OBSI's operations and practices on the investment side of its mandate commence every five years. The 2021 *Independent Evaluation of the Ombudsman for Banking Services and Investments (OBSI) Investments Mandate (Investments Report)* found that overall, OBSI met and exceeded its obligations under the MOU. In addition to these findings, the Investments Report includes 22 recommendations for improvements regarding governance, strategy, operations, additional value and awareness, and includes the recommendation that OBSI be empowered to make awards that are binding.

The JRC continued to receive written and verbal reporting from OBSI staff regarding OBSI's response to the recommendations made in the Investments Report.

Notably, as recommended in the Investments Report, OBSI published a consultation on its approach to loss calculation for complaints involving unsuitably sold illiquid exempt market securities and expects to publish its response in 2025. Having appropriate and transparent processes for developing core methodologies for dispute resolution is a standard set by the CSA in the MOU.

The JRC supports other completed actions taken by OBSI in response to the Investments Report, including operationalizing its enhanced governance model and the presentation in its 2024 Annual Report of data relating to disputes that settled below the compensation amount that OBSI recommended (**low settlements**). This data supplements the information the JRC provides below on low settlements.

2. **CSA's project to strengthen OBSI:**

The JRC continued to receive quarterly progress updates about the CSA's work to strengthen OBSI as an independent dispute resolution service. These updates included an overview of comments and key themes raised in response to the CSA's consultation on a proposed regulatory framework for an independent dispute resolution service, anticipated to be OBSI, whose decisions would be binding,⁴ as well as the CSA's efforts to develop an oversight regime to complement the proposed framework. In November, the CSA published a media advisory indicating that a further consultation is planned in the second half of 2025 that includes the CSA's proposed approach to overseeing the independent dispute resolution service.⁵

⁴ [Canadian securities regulators propose binding regime for investment-related disputes](#), November 30, 2023.

⁵ [CSA provides update on binding dispute resolution](#), November 7, 2024. The British Columbia Securities Commission did not participate in the media advisory due to publication restrictions related to the B.C. provincial election.

3. Continuous monitoring of OBSI quarterly reports, compensation refusals and low settlements:

The JRC continued to monitor data on investment-related complaints through the review of OBSI's reporting to the JRC pertaining to OBSI's 2024 fiscal year. The JRC believes this data can sometimes provide risk-based indications of potential problems with a firm's complaint handling practices or raise questions about whether a firm is participating in OBSI's services in good faith or consistently with the applicable standard of care.

If after investigating a complaint OBSI finds that a firm acted unfairly, made a mistake or gave poor advice, OBSI will recommend the firm compensate the investor for loss, damage or harm up to \$350,000.⁶ Over the years, the JRC has observed instances of firms refusing a compensation recommendation in its entirety (**compensation refusals**) and making low settlement offers to their clients.

There were no compensation refusals in OBSI's 2024 fiscal year. There were two low settlements, both of which involved compensation recommendations of over \$100,000. The total settlement amount for these two cases was over \$289,000 less than what OBSI recommended. Low settlements continue to be an area of concern for the JRC.

Overall, since OBSI's 2018 fiscal year, complainants received approximately \$1.91 million less than what OBSI recommended as a result of low settlements. For OBSI's 2018 to 2024 fiscal years, out of 1,236 cases that ended with monetary compensation, 46 cases (approximately 4%) involving 26 firms resulted in low settlements. In the same period, 12 of the 26 firms settled below OBSI's recommended amount more than once. After follow-up efforts by CSA jurisdictions and self-regulatory organizations regarding low settlement cases, 2 of these firms made additional payments on 3 cases in 2021 to align compensation amounts with OBSI's recommendations.

About 59% of all low settlement cases involved recommendations over \$50,000. On average, low settlement cases settled for about 60% of OBSI's recommended amount of compensation. In terms of the dollar amount, where OBSI made a recommendation for compensation of \$50,000 or less, the complainant received an average of \$8,745 less than what OBSI recommended. Where OBSI made a recommendation for compensation above \$50,000, the complainant received an average of \$64,617 less than what OBSI recommended.

The JRC recognizes the impact on complainants when firms refuse to compensate them consistent with OBSI's recommendations or offer lower amounts than recommended by OBSI. As OBSI's recommendations are not binding on firms, 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. This dynamic may dissuade some complainants from using OBSI's non-binding process.

Low settlements and compensation refusals may erode retail investor confidence in the fairness and effectiveness of OBSI's dispute resolution services and in the CSA's approach to independent dispute resolution generally. Reduced confidence may make investors reluctant to engage with firms or to invest in financial markets using the services of firms if there is no assurance of redress when expected standards of conduct are not observed.

The JRC continues to monitor low settlements and compensation refusals, and supports the ongoing work of the CSA to provide OBSI with the authority to make binding awards.

⁶ OBSI's [approaches](#) help investors and firms better understand how OBSI reaches decisions on complaints about products, services or issues.

4. Systemic issues:

Under the MOU, the Chair of the OBSI Board is to inform the CSA Designates of any issues that appear likely to have significant regulatory implications, including issues that appear to affect multiple clients of one or more firms (referred to as **Systemic Issues**). In 2015, the JRC finalized with OBSI a protocol to define potential Systemic Issues and to set out a regulatory approach to address these issues when reported by OBSI under the MOU. Information sharing about individual complaints relating to Systemic Issues allows for evaluation of whether a systemic issue exists and assessment of its impact on the applicable registrant, the registrant category and/or investors. Please see [OBSI and JRC Protocol for Handling Systemic Issues](#) for further information.

The JRC continued to receive updates on the CSA's response to a potential Systemic Issue OBSI reported to the JRC in 2023 regarding observed instances of mutual funds reducing risk ratings on the basis of the ten-year standard deviation and of relatively few funds increasing or maintaining them by using upward discretion.

CSA staff conducted continuous disclosure reviews of 45 investment fund managers to determine their use of discretion under the CSA investment risk classification methodology (the **CSA Methodology**). The CSA's findings are summarized in CSA Staff Notice 81-338 *Guidance on the Use of Discretion Under the CSA Investment Risk Classification Methodology* published on April 16, 2025. In addition to providing related guidance, the Staff Notice strongly encourages all investment fund managers to adopt policies and procedures to determine the appropriateness of using discretion to increase a fund's investment risk level under the CSA Methodology.

5. Emerging and ongoing complaint trends:

The JRC engages productively, openly and continuously with OBSI to identify and monitor emerging and ongoing trends in complaint volumes, and the nature of complaints received. OBSI provided the JRC with detailed aggregate data for each of its 2024 fiscal quarters relating to products, issues and outcomes, as well as anonymized case outcomes and summaries, which formed the basis of information sharing and monitoring, and assisted with the identification, of these trends.

In fiscal 2024, OBSI experienced an overall increase in opened complaints, though it observed a 2% decrease in the number of opened investment cases. The JRC received regular updates from OBSI on steps taken to respond to record-setting case levels, including its significant recruitment and training efforts, enhanced productivity and operational improvements. These initiatives made a notable impact on the rate that OBSI was able to close investment cases in 2024, and in its second quarter, OBSI advised the JRC that it had resumed meeting all timeliness benchmarks for assigning investment cases to its investigators. JRC observed that in fiscal 2024, OBSI closed 24% more cases than it did in fiscal 2023.

OBSI also observed an upward trend in closed cases pertaining to investment suitability, service issues, and fee disclosure, while complaint volumes relating to product information disclosure and transfer delays were lower than in recent years. Complaints relating to mutual funds were also lower than they were last year, while an increase in complaints relating to common shares was observed.

While OBSI observed a moderation in crypto asset related complaint volumes in fiscal 2024, instances of crypto asset fraud continue to be common. Throughout the year, CSA jurisdictions, CIRO and OBSI have each continued to release publications and engage in outreach advising investors of the risk of fraudulent activity involving crypto assets. The JRC continues to monitor this trend and act on opportunities for risk reduction, including with OBSI, internally within their jurisdictions and with CSA counterparts.

In March 2024, the CSA, CIRO and OBSI published a joint Investor Alert⁷ reminding investors that it is not necessary to use a claims management company to interact with them in a claim or complaint process, and to exercise caution if investors decide to use claim management companies. This publication followed discussion with OBSI regarding concern around the volume of complaints received from companies engaged in activities such as advising, investigating, and managing complaints on behalf of investors for an often-significant fee that is either charged upfront or taken as a percentage of any money that may be recovered through the claim or complaint process.

6. OBSI assumes expanded mandate as the sole banking complaints ombudsman:

On November 1, 2024, OBSI assumed responsibilities as the sole external complaints body (ECB) for the banking industry. Ahead of this transition, OBSI regularly and proactively kept the JRC apprised of its efforts to respond efficiently to related implications such as increases in overall case volumes and significant organizational growth. As noted, despite an increase in overall case volumes contributing to a delay in assigning investment cases to investigators in late 2023, OBSI successfully adapted to the increased demand and resumed meeting benchmarks in 2024.

7. Review and consideration of stakeholder feedback:

The JRC receives stakeholder feedback predominantly through its dedicated inbox (ContactJRC-CMOR@acvm-csa.ca). The JRC regularly discusses the feedback, considers opportunities to enhance the effectiveness of its oversight in accordance with its mandate, and implements changes where appropriate. Where feedback falls outside of the JRC's mandate and areas of oversight, it is referred to OBSI, the relevant CSA project or committee, or the relevant jurisdiction or to CIRO for consideration.

8. Consultations regarding CIRO programs:

CIRO shared with other JRC members and with OBSI developments regarding its consultation published in October 2024 proposing to modernize its Arbitration Program and its view that the Program continues to offer a unique dispute resolution mechanism as an alternative to civil litigation.

The JRC continued to discuss issues engaged by the consultation, such as the Arbitration Program's coexistence with other dispute resolution options available to investors, particularly the services provided by OBSI. JRC discussion noted that the consultation raised the consideration that limiting the availability of the Arbitration Program to claims above OBSI's compensation limit could alleviate concerns regarding investor confusion and possible impact on investor decision-making in the case of overlap between claims that can be pursued through either OBSI or the Arbitration Program. JRC discussion also acknowledged OBSI's concerns raised in response to CIRO's consultation, including with respect to making the Arbitration Program available to investors who abandon or withdraw from OBSI's dispute resolution process.

⁷ [Investor Alert: Investors are not required to use claims management companies to communicate with the CSA, CIRO or OBSI](#), March 19, 2024.

CIRO also shared developments regarding its consultation to distribute funds disgorged and collected through disciplinary proceedings to harmed investors, also published for comment in October 2024. The JRC acknowledged CIRO's efforts to establish a mechanism for the distribution of collected disgorged funds to harmed investors.

9. Meeting with representatives from the AFCA:

The JRC appreciated the opportunity to meet with representatives from AFCA to discuss matters of shared interest, including emerging issues, risks and challenges in dispute resolution, common complaint types, and effective information sharing mechanisms, including with respect to systemic issues, between regulators and ombudservices.

JRC Meeting with OBSI's Board of Directors

As set out by the MOU, an annual meeting of the JRC with the OBSI Board was held on December 12, 2024. In addition to broader discussions on operating and governance issues and the effectiveness of OBSI's processes, discussion focused on the CSA's continued work to introduce binding authority for and commensurate oversight of an independent dispute resolution service whose decisions would be binding, and OBSI's transition to the new single ECB system for the banking industry.

OBSI ANNUAL REPORT

For additional information on OBSI, readers may wish to review [OBSI's Annual Report for its fiscal year ending October 31, 2024](#).

COMMENTS

We appreciate the feedback received on previous annual reports from various stakeholders and welcome comments on this annual report and any matter relating to the JRC's oversight of OBSI. Please send your comments to ContactJRC-CMOR@acvm-csa.ca.

QUESTIONS

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