Robertson-Devir
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Via Email: governance@obsi.ca July 30, 2013

Tyler Fleming, Director, Stakeholder Relations and Communications
401 Bay St. Suite 1505,
P.O. Box 5, Toronto
ON M5H 2Y4

Dear Mr. Fleming;

Re: Comment on OBSI Consultation Paper

I refer to OBSI's Proposed Changes to Terms of Reference. With respect to the proposed changes, I have the following comments:

1. The proposal to discontinue the investigation of systemic issues on the investment side of OBSI's mandate should be reconsidered. This information could be useful to regulators, firms and investors. OBSI is well positioned to provide oversight on issues that reoccur within a firm or that affect a number of firms. At a minimum, OBSI should retain the same responsibility it is proposing to retain on the banking side, which is to identify and report systemic issues. On the investment side OBSI would presumably report to the firms and the regulator.

2. The proposed extension of the three year evaluation period to five years should be reconsidered. Given the frequent changes in the industry and to OBSI's mandate, a minimum three year evaluation period should continue to be implemented. Consideration should be given to mandating that a different evaluator be used each cycle, to avoid the appearance of conflict of interest.

3. According to the OBSI Consultation Paper, OBSI intends to "refer the investigation and analysis of segregated funds to the Ombudsman for Life &

Health Insurance (OLHI) even if the fund forms part of a larger portfolio". However, according to Section 16 of the proposed Terms of Reference it seems that while OBSI may "refer the investigation and analysis" of the segregated fund to an insurance ombudservice, OBSI intends to retain principal oversight of any complaint and will in fact work co-operatively with the insurance ombudservice to make a joint recommendation. Section 16 needs greater clarification as there seems to be some confusion among your constituents as to how this will be handled.

According to Advocis', letter dated February 20, 2013 regarding Best Duty Standards, Section V:

> Financial advisors help consumers develop comprehensive financial plans and recommend products to help achieve those plans. To best accomplish this, Advocis' advisors are typically dual licensed, since both the securities and insurance sectors offer products with unique attributes that complement each other in a well thought-out plan. This seamless, one-stop access to products is convenient for clients and allows advisors to gain a complete perspective of their client's financial situation, thereby providing more tailored recommendations.

The letter continues;

> Even though insurance and securities products are offered to clients at one uniform point of sale, in most provinces, they are regulated by different entities. Consumers are generally unaware of this distinction and do not think of their investments as being in different "silos" depending on whether, for example, the product is a mutual fund or a segregated fund; they expect to receive quality advice based on the merits of the product, regardless of the product's governing regulatory regime.

Advocis' observations seem valid. It would be potentially unfair to firms, where advisors are developing "comprehensive plans" for clients, where as part of that plan a segregated investment may be suitable, but viewed alone may be considered unsuitable. An investment needs to be considered in the context of the entire portfolio, especially if the KYC indicates split risk parameters (i.e. 20% high risk, 80% medium risk) or if the complaint is about suitability. As well, it would seem that making consumers use a different ombudservice to deal with a segregated product may be very inefficient, cumbersome and confusing for the customer. Therefore, it would be best for OBSI to retain primary responsibility for the oversight of complaints involving segregated products and to work with OLHI jointly to resolve any complaint.

4. Section 27, which relates to Recommendations and Rejections of Complaints, still remains vague. It is often the process of negotiating the proposed recommendation with the firm and sometimes with the client or waiting for comments from the firm that creates the significant delays in rendering a final recommendation for compensation. Even after the final recommendation is rendered, the process for publishing a "refused" recommendation seems to take a long time. A definitive process and timeline needs to be indicated in the Terms of Reference for the benefit of both firms and clients.

I appreciate the opportunity to comment.

Yours truly,

Joanna Robertson

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