



July 28, 2009

Dr. Peggy-Anne Brown, Chair
Ombudsman for Banking Services and Investments
P. O. Box 896
Station Adelaide
Toronto, ON
M5C 2K3

Dear Dr. Brown:

Thank you again for the opportunity for our representatives to meet with your Board last month to discuss our suggestions for increased transparency and better communications between OBSI and industry stakeholders. We were pleased that we could have such a dialogue and appreciated the Board's openness to our suggestions.

At the meeting, you asked us to provide you with more detailed suggestions for how the proposed Industry Council and formal stakeholder consultations could work. We are pleased to provide you with the attached description that sets out a proposed mandate, composition and administration for an Industry Council, along with some initial subjects on which an Industry Counsel might provide helpful input. The document provides suggestions for a formal consultation process, along with a more descriptive example of how the strategic plan and budget consultation might work.

We hope that the attached assists with understanding the nature of our proposals for greater communication with and involvement by your industry stakeholders in OBSI matters that so directly affect our member firms. We look forward to further discussions about implementing these important initiatives.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'T. Campbell'.

Terry Campbell
Vice-President, Policy
Canadian Bankers
Association

A handwritten signature in black ink, appearing to read 'S. Copland'.

Susan Copland
Director
Investment Industry
Association of Canada

A handwritten signature in black ink, appearing to read 'J. Cockerline'.

Jon Cockerline
Director, Policy-Dealer Issues
Investment Funds Institute
of Canada

cc: D. Melville, Acting Ombudsman

CBA/IIAC/IFIC Proposal for Implementing an OBSI Industry Council and a Formal Stakeholder Consultation Process

Industry Council

Purpose and Mandate

1. Provide a forum for the OBSI Board to obtain informal input from an industry perspective for consideration by the OBSI Board when making its decisions – decisions always rest with the Board
2. Provide the OBSI Board with a sounding board where OBSI can identify issues involving member firms (not individual complaints) and seek input and feedback on potential approaches that take into account member firm perspectives, e.g.
 - a. Statistical reporting has been criticized as not meeting firms' needs. Present the problem to the group for suggestions for changes and/or run a proposal by the group for preliminary feedback.
 - b. Escalating complaint volumes is an emerging challenge – seek suggestions from the group on how OBSI might balance client service with budget constraints. Member firms are also working internally to deal with increasing volumes and may have suggestions that would help OBSI.
 - c. Substantive changes to budgets, strategic plans, *Terms of Reference*, etc. could be considered by the group, and problems and potential alternatives discussed to strengthen OBSI's proposal and assist OBSI to respond to member firms' concerns during formal consultations.
3. Serve as a forum where industry representatives can raise concerns (but not about specific Ombudsman decisions) and make constructive suggestions for resolution of the concern for OBSI's consideration
4. Give OBSI advance warning of emerging issues such as increasing volumes, product problems, market developments
5. The group is not intended to be a substitute for full industry consultation, nor is it intended to represent any other stakeholders' views. OBSI may decide to consult with other stakeholders, but that is not this Council's intended mandate.
6. The group is not intended to replace existing communication with individual member firms or sectors (e.g., quarterly meetings with bank ombudsmen) where information is shared and operational issues are discussed with broader industry representation.

Composition

1. Similar to the delegation that met with the Board on June 2, 2009, the group would have a combination of industry association staff and individual firm representatives
2. Maximum of six to seven members (subject to review if other types of industry participants join OBSI)

Administration

1. Minimum of one meeting each year with the Board of OBSI, ideally in conjunction with the OBSI Board's June meeting to allow for input in advance of budget development and approval
2. Additional meetings with the Board or with OBSI senior staff on an as-needed basis and hosted by industry associations to minimize OBSI's costs
3. IIAC has volunteered to manage the Council – ensuring continuing representation and participation, organizing meetings and hosting, managing communications and, where appropriate, consolidating feedback

4. Between meetings OBSI could approach IIAC with the request for input on a specific issue and provide background information; IIAC would organize the most appropriate form of consultation and feedback

Formal Stakeholder Consultations

General Process

OBSI should initiate formal industry consultations for its annual strategic plans and budgets, changes to bylaws and *Terms of Reference*, policies establishing new ways of implementing OBSI's mandate, changes in investigative processes, reviews of funding formulas, amendments to statistical reporting, plans for implementing the recommendations of third party reviews, and other substantive changes to OBSI's operation that would affect member firms. We encourage OBSI to engage other stakeholder groups in consultations as appropriate.

OBSI should also engage in consultations with the industry, collectively or with individual industries as appropriate, on request of one or more of the stakeholder industry associations.

The consultation process should include the following steps:

1. (Optional) OBSI consults with Industry Council as needed
2. OBSI meets with member firms to outline and obtain feedback on its proposed plans and any resultant impact on budget and member firm assessments – one meeting with all associations and their members could be arranged to minimize OBSI time commitments
3. Following Board approval of the draft plan/proposal for formal consultation, OBSI provides industry associations with the proposal and posts it on the OBSI website, ideally for a 60-day consultation period (this would work for one-off consultations, but may need to be a shorter time frame for recurring consultations on strategic plans and budgets)
4. OBSI assesses all stakeholder input, engages in any further bilateral consultations with stakeholders to clarify concerns or determine if potential changes would address concerns
5. OBSI summarizes all stakeholder concerns and suggestions and provides summary to Board along with report on staff/committee rationale for acceptance or rejection of stakeholder input and its recommendation for Board approval
6. Following Board approval of the plan or proposed changes, OBSI provides stakeholders who provided input with the approved plan/amended document along with the report on stakeholder input and rationale for OBSI decisions on stakeholder input. OBSI posts both its report on stakeholder input and its final approved document on the OBSI website.

Budget Examples

For greater clarity, we use the consultations on strategic plans and budgets to provide two examples of how the proposed consultations could work, first for the strategic plan and budget process for 2010 and subsequent years, then an abbreviated process for 2009 since we are starting this process midway through the year.

Ongoing process

January	OBSI meets with industry stakeholders to outline trends and challenges that will affect OBSI operations for the coming year along with potential directions for its strategic plan, so that member firms have an opportunity to provide input and suggestions to the development of the strategic plan
February	Consultation draft strategic plan provided to stakeholders and posted on website for comments within 30 days

March	OBSI provides stakeholder input and its rationale for accepting or rejecting concerns and suggestions to the Board; Board approves strategic plan; OBSI provides approved plan and rationale to stakeholders and posts both on website.
May	Draft budget provided to stakeholders (to industry stakeholders via associations) and posted on OBSI website for input within 30 days
June	OBSI assesses stakeholder input, meets with industry stakeholders to discuss input
June – August	OBSI summarizes all stakeholder concerns and suggestions and provides to Independent Directors Committee/Board along with report on staff/committee rationale for acceptance or rejection of stakeholder input and its recommendation for Board approval
September	Board approves budget; OBSI provides stakeholders with approved budget and rationale for acceptance or rejection of stakeholder input and posts budget and rationale on OBSI website

Abbreviated 2009 Process

July	OBSI provides industry stakeholders with draft budget and approved strategic plan
Late July/early August	OBSI meets with industry stakeholders to discuss concerns and suggestions
August – mid-September	OBSI assesses stakeholder input, summarizes stakeholder concerns and suggestions and provides to Independent Directors Committee/Board along with report on staff/committee rationale for acceptance or rejection of stakeholder input and its recommendation for Board approval
September 22 – 30	Board approves budget; OBSI provides industry stakeholders with approved budget and rationale for acceptance or rejection of all stakeholder input and posts budget and rationale on OBSI website