

January 31, 2023

Delivered By Email: publicaffairs@obsi.ca

Mr. Mark Wright
Director, Communications and Stakeholder Relations
Ombudsman for Banking and Investments
20 Queen Street West, Suite 2400
P.O. Box 8
Toronto, ON
M5H 3R3

Dear Mr. Wright:

RE: OBSI Governance Review

The Investment Industry Association of Canada (the “IIAC”) appreciates the opportunity to comment on the Ombudsman for Banking Services and Investments (“OBSI”) Governance Review consultation (the “Consultation”).

The IIAC is the national association representing investment firms that provide products and services to Canadian retail and institutional investors. The IIAC represents financial services firms, and registration categories, of every size and type, operating in Canadian and global capital markets. The IIAC represents members that manufacture and distribute a variety of securities including mutual funds and other managed equity and fixed income funds and provide a diverse array of portfolio management, advisory and non-advisory services.

Our recommendations are as follows:

- 1. The OBSI maintain its current requirement to have designated board positions for both industry and consumer interest directors.***

The OBSI recognizes that board members must have “a deep knowledge of these (industry and consumer) perspectives” in order to “fulfill its mission of helping to ensure a fair, effective and trusted financial services sector”¹. Maintaining designated board positions provides individuals who hold senior leadership

¹ OBSI Governance Review – request for public comment, https://www.obsi.ca/en/news-and-publications/resources/Public-Consultations/OBSI-2022-governance-review-consultation-paper_EN_update1.pdf, OBSI, November 1, 2022

roles in industry to bring an understanding of the current issues impacting investors and industry to board discussions on an ongoing basis. OBSI Bylaws should therefore also be amended to provide that the number of Consumer Interest Directors should be at least one but no more than the number of Industry Director positions.

Amending the board skills matrix and maintaining designated board positions are not mutually exclusive considerations as nominees for designed board positions should contribute to the board's overall matrix requirements.

2. The number of industry designated positions for the securities industry reflect the importance of these members to the OBSI.

OBSI data indicates that New SRO (formerly MFDA and IIROC) dealer members represent over 52% of cases and approximately 73% of OBSI revenues in fiscal 2021. Maintaining two designated board positions for these dealer members is appropriate given the volume of issues brought before the OBSI. In addition, because most integrated dealers have multiple distribution channels with individuals registered in different categories, including Portfolio Managers, their designated board members represent a cross section of registrants and associated issues.

Additional industry director positions are needed to represent multiple registration categories and retail wealth distribution models (e.g., EMDs, Scholarship Plan Dealers, and PMs) on a two-year term rotational basis.

3. The selection process for industry directors is enhanced.

We agree that all directors, regardless of affiliation, should be selected based on the board's skills matrix such that the board has the skills and knowledge to effectively perform its oversight role.

Currently, the CBA, an industry association, identifies and nominates the bank director taking into consideration the skills matrix and other information provided by OBSI. In contrast, each of the MFDA and IIROC, as regulators, nominate candidates for the board, with OBSI making the final selections based on the nominations.

In the interest of consistency and fairness, the IIAC recommends that nominations for both the banking and securities designated directors be submitted directly to the Governance & Human Resources Committee of the Board by individuals who wish to apply. The Board would then consider applicants relative to its skills matrix. This process would eliminate the current inconsistency and the need for both industry associations and regulators to be involved in the nomination process.

Additional recommendations:

OBSI's current practice of meeting with representatives of the various industry associations on a semi-annual basis should be maintained, however, the associations should be provided with the opportunity to contribute to the meeting agenda. In 2022, the agenda was established by OBSI alone. Providing the associations with the opportunity to request topics for discussion would add to the information base available to the OBSI and assist in the fulfillment of its mandate.

The IIAC recommends that the CIAC be replaced with issue specific roundtable meetings as necessary. Targeted roundtable discussions involving stakeholders with appropriate knowledge and experience would be more effective and provide the board and management with current, informed perspectives.

The IIAC would be pleased to discuss any questions you may have regarding our submission.

Sincerely,

The Investment Industry Association of Canada