

**Highlights of Minutes of a Meeting of the Board of Directors of the  
Ombudsman for Banking Services and Investments/Ombudsman des  
services bancaires et d'investissement (the "Corporation") held at Suite  
2400, Bay Adelaide Centre, 333 Bay Street, Toronto, Ontario on the 14<sup>th</sup> day  
of September, 2010 at 12:20 p.m.**

There were present in person:

Dr. Peggy-Anne Brown, Chair of the Board  
Adrian Burns  
Angela Ferrante  
Len Flett  
Daniel F. Gallivan  
Edgar Legzdins  
Kerry Peacock  
Luc Papineau

Present by invitation:

Douglas Melville, Ombudsman for Banking Services and Investments  
Rob Paddick, Deputy Ombudsman, Investments  
Tom Goodbody, Deputy Ombudsman, Banking Services  
Tyler Fleming, Director, Stakeholder Relations and Communications  
Prof. James R. Savary  
Marvin Mikhail, Associate, Fasken Martineau DuMoulin LLP

Dr. Peggy-Anne Brown, the Chair of the Board, acted as chair of the meeting and Mr. Mikhail acted as secretary of the meeting.

All of the members of the Board having received notice of the meeting and a quorum of the directors being present in person, the Chair declared the meeting to be duly convened and regularly constituted for the transaction of business.

**Prof. Savary**

While presenting a token of the Board's appreciation, the Chair noted that Prof. Savary's term on the board had ended and thanked Prof. Savary for his long and distinguished service to OBSI and its mission and valuable contributions in a variety of Board capacities.

**CEO Report**

*Ottawa Update*

Mr. Melville stated that the Department of Finance has confirmed that its current priority is the implementation of the new debit code governing merchant acquiring transactions, followed by regulations governing internal firm complaint handling, then regulations governing the external dispute resolution providers (including OBSI).

### *IIROC Arbitration Program*

Mr. Melville stated that IIROC staff released their response to the numerous submissions made in response to their public consultation on the IIROC arbitration program. The staff recommendation was consistent with the Corporation's submission. Several of the Corporation's participating investment firms made submissions that the Corporation's recommendation limit should be dropped to \$100,000 but IIROC staff rejected that suggestion.

### *Funding Allocation*

Mr. Melville stated that the Working Group completed its work and a new funding formula was unanimously approved by all three industry stakeholder groups (CBA, IIAC, and IFIC) and was being presented to the Board with management's recommendation and approval. The Board approved the new funding formula for implementation as of November 1, 2010.

### **Report of the Pension Committee**

Sun Life provided an information session to staff on the Corporation's pension investment portfolio.

### **Statistics**

Board members reviewed the Quarterly Statistics presented in a new format that provided more information on Time Metrics. A better understanding of the choke points in the process will help determine what needs to be done to close files in a timely manner.

### **Appointment of Chair and Other Officers**

On the recommendation of the Independent Directors' Committee:

1. Dr. Peggy-Anne Brown be appointed as Chair of the Board to hold such office for one year from the date of her appointment or until her successor is appointed; and
2. the following persons be appointed to the offices set out opposite their respective names to hold such offices for one year from the date of their appointments or until their successors are appointed:

Douglas Melville	Chief Executive Officer
Jay Lewis	Treasurer
Robert Elliott	Secretary

### **External Review**

A letter from Mr. David Wild, Chair DR Committee endorsed once again retaining Mr. Phil Khoury and the Navigator Company (Mr. Khoury's company) to conduct the external review and that this review should be conducted against the Framework

Guidelines. The Chair was directed to prepare a Letter of Engagement to retain Mr. Khoury's services to conduct this second external review beginning in December 2010.

### **Complaint Letter**

The Chair referred the Board to a letter attempting to address a complainant's concerns alleging an inherent bias in an organization with such close ties (in particular dependence for funding) to industry.

### **Report of the Audit Committee**

#### *Unaudited Financial Statements for the Third Quarter 2010*

The Audit Committee had reviewed the revenues, expenses and budget variances for the third quarter. The major positive variance from budget related to higher than budgeted legal expenditures relating to consultations with industry on suitability, conflict of interest and class action issues as well as funding formula tax issues.

#### *Directors' and Officers' Liability Insurance Renewal*

The Audit Committee recommended to the Board that the offer of the GAIC directors' and officers' liability insurance policy be accepted subject to an endorsement on the order of payment being accepted by GAIC.

#### *Fiscal 2010-2011 Budget*

Mr. Melville discussed the budget items where a significant increase has been contemplated.

Mr. Melville stated that there is an overall impact to the budget due to the implementation of the HST which is estimated at about 4%. The most significant component to be affected by the HST is rent. There has been an increase in the cost of employee benefits (i.e., premiums) although there were no additional benefits for staff. There was a 56% increase associated with stakeholder communications attributable to the Corporation's enhanced focus on transparency and outreach. Mr. Melville did caution Board members that while the percentage increase may be large, the budget allocation may be relatively small – for instance, translation costs show an increase of 100% but the total budget allocation was only \$15,000. There was an increase in meeting expenses given the increase in multi-stakeholder meetings.

Mr. Melville stated that when projected to year end, the number of case files handled by OBSI investigators is projected to be roughly the same or slightly higher than in 2009. Mr. Melville stated that the levels of complaints are no longer growing at the rapid rates seen in the last couple of years but appear to be levelling off at a new historically high level. He also stated that when looking at the budget as a whole, removing the impact of the HST, there is virtually no increase in the operating budget.

A Director noted that the dilemma for the Board and management is that to exercise its mandate, the Corporation requires adequate resources and that it was important to note that initiatives such as consumer engagement, transparency come at a price. For

example, a new budget allocation was approved for the establishment of a Consumer and Investor Advisory Council which would provide input to the Board of Directors. He noted that the Independent Directors' Committee conducted their due diligence on the budget and it was decided not to include the fairness and efficiency projects and to forego an increase in directors' compensation.

After extensive discussion, it was resolved that, on the recommendation of the Audit and Independent Directors' Committees, the budget proposal for fiscal 2010-2011 as presented be and is hereby approved. A dissenting vote from one industry director was recorded. The approved budget included an operating budget of \$7,600,359, a one-time project budget of \$880,000, and a capital budget of \$92,500. The budget is to be reviewed at the end of the second quarter of the fiscal year.

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Peggy-Anne Brown, Chair

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Marvin Mikhail, Acting Secretary