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CSA Staff Notice 31-370

OBSI Joint Regulators Committee Annual Report for 2025

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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 2025 calendar year. This notice refers to events that occurred early in 2026 where they provide appropriate context for JRC's 2025 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 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 2025

The JRC held regular meetings in January, 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.

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 and 2026 independent evaluations:

The MOU requires that an independent evaluation of OBSI's operations and practices on the investment side of its mandate occur at least once every five years.

OBSI and the JRC continued to consult on OBSI's action plan to address recommendations made in the 2021 *Independent Evaluation of the Ombudsman for Banking Services and Investments Mandate* (**2021 Report**). OBSI also consulted with the JRC on its response to public comments received in connection with the public consultation OBSI conducted, as recommended in the 2021 Report, on its loss calculation methodology for exempt market product cases. The JRC will continue to engage with OBSI on the progress of OBSI's efforts to implement the planned enhancements outlined in the response.

The JRC supports other actions taken by OBSI in response to the 2021 Report, including operationalizing its enhanced governance model and the presentation in its 2025 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.

OBSI's next independent evaluation is taking place this year by an evaluator acceptable to the CSA in consultation with the JRC. Following the issuance of a mandate and terms of reference established in consultation with the CSA, OBSI announced the appointment of CRKhoury to conduct the 2026 independent evaluation.

2. CSA's project to strengthen OBSI:

The JRC continued to receive quarterly progress updates about the CSA's work to strengthen investor access to a fair, final and accessible system of redress. In July 2025, the CSA published a staff notice and request for comment[4] outlining a proposed approach to oversight of an independent ombudservice with binding decision-making authority, as well as proposed refinements to the regulatory framework originally published for comment on November 30, 2023. The JRC received an overview of stakeholder comments provided in response to the request for comment, and an update on the CSA's work relating to the publication of final rule amendments.

[4] CSA Notice and Request for Comment 25-314: *Proposed Approach to Oversight and Refinements to the Proposed Binding Authority Framework for an Identified Ombudservice*.

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 2025 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.[5] 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 2025 fiscal year. There were four low settlements, two of which involved compensation recommendations of over $100,000. The total settlement amount for these two cases was over $154,000 less than what OBSI recommended. Low settlements continue to be an area of concern for the JRC.

Overall, since OBSI's 2018 fiscal year, low settlements resulted in complainants receiving approximately $2.1 million less than what OBSI recommended. For OBSI's 2018 to 2025 fiscal years, 50 cases involving 28 firms resulted in low settlements. In the same period, 12 of the 28 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 58% of all low settlements involved recommendations of over $50,000. On average, low settlement cases settled for about 60% of OBSI's recommended compensation amount. In terms of the dollar amount, where OBSI made a recommendation for compensation of $50,000 or less, the complainant received an average of $8,903 less than what OBSI recommended. Where OBSI made a recommendation for compensation above $50,000, the complainant received an average of $65,502 less than what OBSI recommended.

The JRC recognizes the impact on complainants when firms refuse to compensate them in accordance 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.

[5] 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.

In 2025, OBSI reported a Systemic Issue to the JRC regarding a registered firm where know-your-client information was inaccurately recorded, documented risk tolerances were not adhered to, the risk of securities in client portfolios were understated, and internal controls were insufficient to prevent inappropriate practices. The matter was referred to the relevant regulator, whose investigation is ongoing.

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 2025 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 of these trends, and assisted with their identification.

In fiscal 2025, OBSI experienced an overall increase in opened complaints, with a 3% increase in the number of opened investment cases. There was a 19% increase in complaints related to investment dealers, a 16% increase in complaints related to mutual fund dealers, and a 41% increase in complaints related to portfolio managers. There was a 46% decline in complaints related to restricted dealers, a 45% decline in complaints related to scholarship plan dealers, and a 67% decline in complaints related to exempt market dealers.

OBSI also observed an upward trend in complaints pertaining to instructions not followed, service issues, transfer delays, and unauthorized transactions, while complaint volumes relating to investment suitability were lower than in recent years. Complaints relating to mutual funds and common shares both increased over last year.

While OBSI observed a reduction in crypto asset-related complaint volumes in fiscal 2025, instances of crypto asset fraud continued to be common. The JRC discussed a growing trend of fraudsters impersonating regulators in communications with victims of fraud to lend legitimacy to claims of recovering funds lost to fraud, often for a fee. Throughout the year, CSA jurisdictions, CIRO, and OBSI continued to release publications, including investor warnings and alerts, and engage in outreach advising investors of the risk of fraudulent activity involving crypto assets and alerting them to impersonation schemes. The JRC also discussed the objectives of Operation Avalanche, a collaborative effort involving the CSA jurisdictions represented on the JRC, law enforcement agencies and registered crypto trading platforms to identify and contact potential victims of crypto asset investment fraud.

6. OBSI's 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. Throughout the year, OBSI kept the JRC apprised of its efforts to efficiently address related implications such as significant increases in overall case volumes and changes to its operating environment. OBSI noted that the increase in banking cases had exceeded expectations, necessitating an expansion of its staffing resources to manage unprecedented demand for its services. OBSI and JRC discussed various initiatives OBSI undertook or progressed during the year to further enhance its operational efficiency, including in support of its investment mandate.

7. OBSI Operational Initiatives:

Throughout the year, OBSI provided ongoing updates to the JRC on a range of initiatives, both proposed and implemented.

OBSI consulted with the JRC on fee considerations relating to participating firms primarily engaged in crypto asset trading services or offering crypto products (**crypto firms**), and specifically that the pattern of disproportionately high complaint volumes relating to crypto firms since 2022 raised fairness concerns regarding fees for the broader industry sector that crypto firms are part of for OBSI's fee calculation purposes. OBSI and the JRC discussed considerations relating to OBSI potentially creating a distinct crypto firm sector for fee setting purposes to allow OBSI to allocate its revenue needs in proportion to the number and complexity of cases opened in respect of crypto firms. Issues concerning the expected transition of crypto firms to CIRO membership, proposed fee allocation methodology, potential alternative approaches and further data analysis were canvassed.

The JRC and OBSI also discussed and shared knowledge with respect to OBSI's deployment of virtual agent technologies, including the importance of verifying the accuracy of outputs generated by artificial intelligence and of safeguarding information. The JRC will keep apprised of OBSI's efforts to enhance case handling efficiency and administrative processes through technology.

The JRC also engaged with OBSI regarding the pilot of OBSI's Proactive Resolution initiative designed to encourage firms to engage in early complaint resolution. The JRC and OBSI discussed concerns around incentivizing unintended outcomes, such as investors feeling pressured to settle early and for amounts lower than OBSI would have recommended. The JRC will continue to monitor OBSI's evaluation of the pilot, including the results of consumer satisfaction surveys, and will be alert to indications of concern regarding registered firms' complaint handling practices.

8. 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 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.

9. **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, together with an overview of comments received.

   CIRO also provided updates to the JRC on the progress of its consultation to distribute funds disgorged and collected through disciplinary proceedings to harmed investors, as well as an overview of comments received. Joining certain CSA members that have adopted disgorgement frameworks, CIRO's Disgorgement Distribution Program became effective on April 1, 2026.

   The JRC also noted CIRO's work to enhance timely and efficient account transfers. Like OBSI, as noted at section 5, CIRO has observed an upward trend in complaints related to account transfer delays and obstacles hindering a smooth transfer of client accounts. The JRC is supportive of modernizing, streamlining and standardizing the account transfer process.

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 9, 2025. 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; OBSI's transition to the new single ECB for the banking industry; and the completion of OBSI's 2021 independent evaluation and preparations for the commencement of its 2026 independent evaluation.

OBSI ANNUAL REPORT

For additional information on OBSI, readers may wish to review OBSI's Annual Report for its fiscal year ending October 31, 2025.

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

Please refer your questions regarding this CSA Staff Notice to any of the following CSA staff:

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