

**13.1.3 IIROC Rules Notice – Request for Comments – Amendments to Complaint Handling Requirements - Client Complaint Handling Rule and Guidance Note and Amendments to Dealer Member Rules 19, 37 and 2500**

**AMENDMENTS TO COMPLAINT HANDLING REQUIREMENTS –  
CLIENT COMPLAINT HANDLING RULE AND GUIDANCE NOTE AND  
AMENDMENTS TO DEALER MEMBER RULES 19, 37 AND 2500**

**Summary of nature and purpose of proposed Rule**

The proposed amendments to the complaint handling requirements seek to establish an effective framework for the client complaint handling process. The proposed new rule sets out specific standards and timelines to be adhered to in acknowledging, investigating and responding to client complaints that allege misconduct relating to the handling of the client's account(s). The rule also requires the Dealer Member to adequately inform the client of all the subsequent options available to them should the client be dissatisfied with the final response from the Dealer Member. In addition to the new rule regarding complaint handling, the proposed amendments will repeal the current complaint handling requirements set out in IIROC Dealer Member Rule 2500, Section VIII, and replaced it with a general requirement that Dealer Members establish policies and procedures to deal effectively with all client complaints and respond to all written complaints.

***Current rules***

IIROC Dealer Member Rule 2500, Section VIII sets out general requirements for the handling of retail client complaints. The current rule requires Dealer Members to establish procedures to effectively deal with client complaints, including the following: the acknowledgement of all written complaints; the conveyance of the results of investigations to clients in due course; the requirement that sales practice complaints be in writing and signed by the client and then handled by sales supervisors or compliance staff; and the obligation that written complaint submissions be filed with the compliance department. In addition, there are complaint recordkeeping requirements and procedures that must be put in place for internal disciplinary action and the escalation of complaints to senior management when appropriate.

***Relevant history***

In May 2005, the Ontario Securities Commission (OSC) held an Investor Town Hall. A panel of representatives from the Investment Dealers Association (IDA), the Mutual Fund Dealers Association (MFDA), the Ombudsman for Banking Services and Investments (OBSI), the Small Investor Protection Association (SIPA) and the OSC listened to the concerns of retail investors. Investors emphasized what is essential in a regulatory regime - accountability, transparency, fairness, and effectiveness. A commitment to address these concerns resulted in the formation of a joint working committee of executives and senior management from the OSC, the OBSI, the MFDA, and the IDA to analyze the issues and develop solutions. One of the most significant concerns identified was complaint handling, both in terms of process transparency and timeliness.

To begin to address the concerns expressed with the complaint handling process, the IDA issued a Member Regulation Notice (MR0441) in December 2006. The objective of the notice was to detail the existing complaint handling rules and expectations of the IDA, and now IIROC, and to outline best practices that Dealer Member firms should consider adopting. The notice also indicated that the then IDA expected to submit to the OSC and other CSA jurisdictions, changes to its complaint handling rules which would include complaint handling timelines, a possible requirement to designate one or more individuals to oversee a Dealer Member's complaint handling process and further clarification of complaint handling standards.

The proposed amendments were developed in consultation with IIROC advisory committees and with public input from investors and other stakeholders. Two previous versions of these proposed amendments have been issued. The first version was approved at the October 2007 meeting of the IDA Board and was published for comment on November 9, 2007. A second version incorporated revisions that IIROC proposed to make to address comments that had been received. As these revisions were not material, IIROC determined that these proposed amendments did not need to be republished for public comment. The second version was adopted by the IIROC Board on July 16, 2008 and subsequently forwarded to the CSA and posted on IIROC's website.

On May 28, 2008, the CSA constituted a working group which developed a framework for harmonizing the complaint handling rules in each of the IIROC and MFDA proposals, and proposed National Instrument 31-103 – *Registration Requirements*. IIROC staff participated in the working group and the current proposed amendments reflect the revisions that IIROC staff has made to the previous IIROC proposal in light of the framework. It should be noted that harmonization of the IIROC and MFDA complaint handling proposals does not mean that the language of the two proposals will be the same, but rather that the respective proposals will be broadly consistent with each other and with the CSA's framework. The CSA has indicated that the framework will constitute the baseline for approval of the IIROC and MFDA proposals.

***Proposed rule***

*Complaint handling rule scope*

The proposed rule is targeted to the handling of retail client complaints alleging misconduct in the handling of their account or accounts. As such, a complaint subject to this rule:

- must be submitted by a client or a person authorized to act on behalf of a client;
- may be either a recorded expression of dissatisfaction or a verbal expression of dissatisfaction; and
- must allege misconduct in the handling of their account or accounts.

Alleged misconduct includes, but is not limited to, allegations of breach of confidentiality, theft, fraud, misappropriation or misuse of funds or securities, forgery, unsuitable investments, misrepresentation, unauthorized trading relating to the client's account(s), other inappropriate financial dealings with clients and engaging in securities-related activity outside of the Dealer Member.

*Designated Complaints Officer to oversee complaint handling process*

The proposed rule will require a Dealer Member to appoint a Designated Complaints Officer (DCO) with the knowledge, experience, and authority to manage the complaint handling process and to act as a liaison with IIROC. The DCO need not be a registered individual position. Dealer Members may choose to name the Chief Compliance Officer or the Ultimate Designated Person or an individual acting in a supervisory capacity over the complaints process for the DCO position.

*Specific standards and procedures handling timeline*

As part of the proposed rule, Dealer Members will be required to establish procedures and standards. In addition to having written complaint handling procedures in place, Dealer Members must facilitate client access to their complaint handling process by making available a written summary of the firms' complaint handling procedures (either on their website or by other means). The written summary must provide the contact information for complaint submission and the designated complaints officer.

Both the acknowledgement letter and the substantive response letter have several requirements that all firms must include in the respective correspondence. The acknowledgement letter must be sent to a client within five (5) business days of receipt of a complaint. The initial response to the client must consist of the following: the contact information of the individual handling the complaint; a statement that a client may contact the above noted individual for a status update; an explanation of the internal complaint handling process; a reference to an attached copy of an IIROC approved complaint handling process brochure and a reference to the statute of limitations contained in the document; a reference to the maximum 90 calendar days timeline to provide a substantive response; and a request for any information reasonably required to resolve the complaint.

The substantive response letter must be accompanied by an IIROC approved complaint handling process brochure and be sent to a client as soon as possible, but no later than 90 calendar days from the date of receipt by the firm. A Dealer Member is obligated to advise a client if a final response will not be sent within the stated timeline in addition to contacting IIROC with an explanation for the delay. The substantive response must comprise the following elements: a summary of the complaint; results of the investigation; the final decision with an explanation; and a statement delineating the options available if a client is unsatisfied with a Dealer Member's response.

There is also a duty to assist in client complaint resolution for both Approved Persons and Dealer Members. Approved Persons must co-operate after moving to a different firm and Dealer Members must do likewise if events relating to a complaint occurred at more than one Dealer Member or the Approved Person is an employee or agent of another firm.

*Settlement agreements*

Confidentiality restrictions in a settlement agreement must not restrict a client from initiating a complaint or continuing with any pending complaint in progress or participating in any further proceedings.

*Complaint record retention*

Record retention requirements stipulate the maintenance of files for a minimum of seven (7) years, and maintenance in a central, readily accessible place for two (2) years. Information to be retained includes the following: the complainant's name; the date of the complaint; the name of the individual who is the subject of the complaint; the security or services which are the subject of the complaint; the materials reviewed in the investigation; the name, title, and date individuals were interviewed for the investigation; and the date and conclusions of the decision.

Internal discipline

Procedures must be established to ensure appropriate internal disciplinary measures are applied for breaches of IROC rules and applicable securities legislation.

Corollary amendments to IROC Dealer Member Rules 19, 37 and 2500, Section VIII

As a result of the proposed rule, some corollary amendments must be made as follows:

- The repeal of IROC Dealer Member Rule 19.4 (formerly IDA By-law No. 19.4), a requirement to maintain for twenty-four (24) months an up-to-date record of all written complaints in a central, readily accessible place. This requirement is now contained within the proposed rule.
- The repeal of IROC Dealer Member Rule 37.3 (formerly IDA By-law No. 37.3), a requirement to provide the client with a copy of the IROC approved complaint handling process brochure at the time of account opening or when the client submits a complaint. This requirement is now contained within the proposed rule and has been expanded to also require that the client be provided with a copy of the IROC approved complaint handling process brochure when the substantive response is provided to a client regarding a complaint they have submitted.
- The repeal and replacement of IROC Dealer Member Rule 2500, Section VIII (formerly IDA Policy No. 2, Section VIII), which sets out the current complaint handling requirements, with a general requirement that Dealer Members establish policies and procedures to deal effectively with client complaints, including complaints falling outside the scope of the proposed rule (such as service complaints), and respond to all written complaints.

The proposed rule does not duplicate certain requirements that are currently set out in IROC Dealer Member Rule 3100 (formerly IDA Policy No. 8) relating to the handling of complaints and therefore will be applied in conjunction with the requirements set out IROC Dealer Member Rule 3100.

**Issues and alternatives considered**

During our consultations with the Compliance and Legal Section (CLS), a concern was raised that the scope of the complaint definition was too broad so as to permit anyone to file a complaint of any nature which would require investigation. To address this concern, IROC staff have agreed to restrict the definition of "complaint" for the purposes of the proposed rule to expressions of dissatisfaction by a client or a person authorized to act on behalf of the client relating to the handling of their account(s). The requirements set out in IROC Dealer Member Rule 3100 will continue to apply to a broader range of complaints and other matters such as registration and civil claims.

In drafting the newly created position of Designated Complaints Officer (DCO), IROC staff considered mandating registration of the position. After much consideration, it was deemed unnecessary as the objective of the rule is to name an individual with the knowledge, experience, and authority to manage complaint handling, not to hold the DCO exclusively responsible for complaint handling; the proper handling of complaints is an overall firm responsibility.

The issue of what processes would be considered internal processes under the rule was also discussed. Specifically, a number of financial institution groups offer a centralized internal ombudsman process to clients of all institutions within the financial institution group. Offering this internal process to clients of Dealer Members is not regulatory requirement. However, because the process is offered centrally to clients of all institutions within a number of financial institution groups, the affected Dealer Members indicated that they did not have control over the time taken by the internal ombudsman process and therefore argued that this process should not be included in determining compliance with the proposed maximum complaint handling timeline.

As a result, as part of its consideration of the October 2007 proposal, the IDA Board of Directors considered two options:

- (1) The original proposal to set a maximum six (6) months<sup>1</sup> timeline for the completion of all internal complaint handling processes (**including** any internal ombudsman process offered by the firm or its affiliates); or
- (2) A proposal to set a maximum ninety (90) day timeline for the completion of all internal complaint handling processes (**excluding** any internal ombudsman process offered by an affiliate of the firm)

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<sup>1</sup> As Dealer Members currently send a substantive response to clients within six (6) months 83.6% of the time, it was concluded that this time frame was an appropriate starting point. There was an intention if this option was pursued of shortening this timeline over time.

The Board has decided to propose the second option provided:

- (1) Where an affiliate of a Dealer Member offers an internal ombudsman process, the client is informed when the substantive response letter is issued:
  - (a) that the use of the internal ombudsman process is not mandatory;
  - (b) the estimated / maximum time the process is expected to take; and
  - (c) that the selection of the internal ombudsman process by the client may leave little remaining time in the statute of limitation period.

and:

- (2) Where after ninety (90) days, either a substantive response has not been issued or the complaint is still being considered within an affiliate-offered internal ombudsman process, the client is informed that the option of the Ombudsman for Banking Services and Investments (OBSI) considering their complaint is now available.

### **Comparison with similar provisions in other jurisdictions**

#### ***United Kingdom***

The Financial Services Authority (FSA) has rules relating to the handling of complaints by firms and licensees, including the procedures which a firm must put in place; the time limits within which a firm must deal with a complaint; the forwarding of complaints; the records of a complaint which a firm must make and retain; and the requirements on a firm to report information to the FSA. These requirements ensure that complaints are handled fairly, effectively, and promptly, and resolved at the earliest possible opportunity, minimizing the number of unresolved complaints which need to be referred to the Financial Ombudsman Service. This purpose is consistent with the FSA's statutory objective of consumer protection.

The FSA mandates that a firm have effective and transparent procedures in place for the reasonable and prompt handling of complaints. A complaint is defined as any oral or written expression of dissatisfaction, whether justified or not, from or on behalf of a person about the provision of, or failure to provide, a financial service, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.

A firm must send a written acknowledgement to the complainant promptly upon receipt of a complaint and keep complainants informed of progress on their complaints thereafter. Firms should attempt to resolve complaints at the earliest possible stage. At the end of eight (8) weeks after receipt of a complaint, a firm must send either a final response or a written response that explains why the firm is still not in a position to provide a final response, along with an estimate of when it expects to be able to provide a final response. If a final response is not sent within eight (8) weeks, clients must be advised that they need not wait to refer their complaint to the Financial Ombudsman Service. A complainant may decide to give a firm more time before exercising any right to refer a complaint to the Financial Ombudsman Service. When a firm sends its final response, clients must be informed that if dissatisfied, they have six (6) months to refer a complaint to the Financial Ombudsman Services. In the case of both a final response and an interim response sent within eight (8) weeks, a copy of the Financial Ombudsman Service's standard explanatory leaflet must be enclosed in the correspondence. Complaints that are resolved within one (1) business day are exempt from these timelines.

#### ***United States***

The complaint related rules of the Financial Industry Regulatory Authority (FINRA) direct clients towards arbitration and/or mediation processes. Critics in the U.S. are demanding an overhaul of the system to allow clients to seek redress in a court of law.

FINRA advises that the first course of action should be to report a discrepancy or a disagreement to the broker's manager. Management may take steps that will resolve the problem quickly. If the brokerage firm's management does not resolve a complaint within a reasonable period, it is suggested that a client seek legal advice. Mediation should be the first step in the dispute resolution process. If efforts to settle a dispute are unsuccessful, arbitration should be a consideration. The new account agreement may contain a clause that requires a client to use the arbitration process. Therefore, access to courts may be limited. It should be noted that arbitration decisions are final. Arbitrators cannot reconsider decisions even if new evidence is found. Although an arbitration decision may be challenged in court, decisions are rarely reversed.

### **Proposed Rule classification**

IIROC has determined that the proposed rule is a Public Comment Rule.

Statements have been made elsewhere as to the nature and effects of the proposed rule, as well as analysis. The purposes of the proposed rule are to:

- ensure compliance with securities laws;
- prevent fraudulent and manipulative acts and practices;
- promote just and equitable principles of trade and the duty to act fairly, honestly and in good faith;
- foster fair, equitable and ethical business standards and practices; and
- promote the protection of investors.

It is believed that the proposed rules and amendments will be effective in facilitating improvements to the Dealer Member's complaint handling processes to ensure that clients are aware of the process they should follow should they have a complaint and to ensure the fair and prompt handling of complaints. Further, it is believed that Dealer Member adherence to a common complaint handling framework will lead to greater complaint handling consistency from one Dealer Member to the next and, ultimately, enhanced client confidence in the integrity and fairness of the compliant resolution process within the industry. As a result, the Board has determined that the proposed amendments are in the public interest.

**Effects of the proposed Rule on market structure, Dealer Members, non-Dealer Members, competition and costs of compliance**

The proposed amendments do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives. They do not impose costs or restrictions on the activities of market participants (including Dealer Members and non-Dealer Members) that are disproportionate to the goals of the regulatory objectives sought to be realized.

**Technological implications and implementation plan**

It is not expected that there will be a major systems impact on Dealer Members as a result of the proposed amendments. To meet the timelines set out in the proposed rule, Dealer Members must be aware of complaint aging. It is anticipated that Dealer Members may use the Complaints and Settlement Reporting System (ComSet) to track the aging of complaints that are in process.

The proposed amendments will be made effective on a date determined by IIROC staff after approval is received from IIROC's recognizing regulators. IIROC anticipates that there will be either a requirement for immediate implementation or a short implementation period once the rule is made effective. Dealer Members should consider using this time prior to approval of the rule to prepare for the ninety (90) days timeline. Once these proposed amendments are approved and implemented, IIROC will monitor compliance with the new framework and will determine if any changes are necessary to address practical issues or potential enhancements that become apparent.

**Request for public comment**

Comments are sought on the proposed amendments. Comments should be made in writing. Two copies of each comment letter should be delivered by March 16, 2009 (30 days from the publication date of this notice). One copy should be addressed to the attention of:

Jamie Bulnes  
Director, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Suite 1600, 121 King Street West  
Toronto, ON  
M5H 3T9

The second copy should be addressed to the attention of:

Manager of Market Regulation  
Ontario Securities Commission  
19th Floor, Box 55  
20 Queen Street West  
Toronto, ON M5H 3S8  
[marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

## **SRO Notices and Disciplinary Proceedings**

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Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website ([www.iiroc.ca](http://www.iiroc.ca) under the heading "IIROC Rulebook - Dealer Member Rules - Policy Proposals and Comment Letters Received").

Questions may be referred to:

Jamie Bulnes  
Director, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
416-943-6928  
[jbulnes@iiroc.ca](mailto:jbulnes@iiroc.ca)

### **Attachments**

Attachment A – Proposed Amendments enacting a new Dealer Member Rule and Guidance Note on client complaint handling and amending IIROC Dealer Member Rules 19, 37 and 2500

## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO COMPLAINT HANDLING REQUIREMENTS –  
CLIENT COMPLAINT HANDLING RULE AND GUIDANCE NOTE AND  
AMENDMENTS TO DEALER MEMBER RULES 19, 37 AND 2500

## PROPOSED AMENDMENTS

1. A new Dealer Member Rule and Guidance Note<sup>1</sup> on the complaint handling process are enacted as follows:

## “RULE XXXX

## Client Complaint Handling

**1. Introduction**

This rule establishes minimum requirements for the client complaint handling process including timely complaint resolution, record retention, and internal discipline. Clients who are considered to be institutional clients pursuant to Rule 2700 are not subject to this rule. There are additional requirements set out in Rule 3100 that are also applicable to the processes of handling client complaints.

**2. General**

A “complaint” subject to this rule must be submitted by a client or a person authorized to act on behalf of a client and is deemed to include:

- A recorded expression of dissatisfaction with a Dealer Member or employee or agent alleging misconduct; and
- A verbal expression of dissatisfaction with a Dealer Member or employee or agent alleging misconduct that would reasonably necessitate an investigation based on the circumstances of the complainant, or the nature or severity of the alleged misconduct.

Alleged misconduct includes, but is not limited to, allegations of breach of confidentiality, theft, fraud, misappropriation or misuse of funds or securities, forgery, unsuitable investments, misrepresentation, unauthorized trading relating to the client’s account(s), other inappropriate financial dealings with clients and engaging in securities related activities outside of the Dealer Member.

Complaints are to be handled by sales supervisors or compliance staff (or the equivalent) and a copy must be filed with the compliance department / function (or the equivalent) of the Dealer Member.

A matter which is the subject of litigation is not considered a “complaint” for the purposes of this Rule.

**3. Designated complaints officer**

The Dealer Member must appoint an individual to act as the designated complaints officer. The individual must have the requisite experience and authority to oversee the complaint handling process and to act as a liaison with the Corporation.

**4. Complaint procedures / standards****Establish written procedures for dealing with complaints**

Dealer Members must have written policies and procedures to ensure that complaints are dealt with effectively, fairly and expeditiously.

Each Dealer Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

<sup>1</sup> IIROC is in the midst of a project to rewrite its Rule Book. Should these proposals be made effective prior to the implementation of the new Rule Book format, the rule and the guidance note will be implemented on an interim basis using the existing rule numbering approach.

Each Dealer Member must put procedures in place so that its senior management is made aware of complaints of serious alleged misconduct and of all legal actions.

Dealer Members must have policies and procedures in place to monitor the general nature of complaints. When a Dealer Member reasonably determines that the number and / or severity of complaints is significant, or when a Dealer Member detects frequent and repetitive complaints made with respect to the same matter which may on a cumulative basis indicate a serious problem, then internal procedures and practices must be reviewed, with recommendations to be submitted to the appropriate management level.

#### **Client access to complaint process**

At time of account opening, Dealer Members must provide new clients with:

- a written summary of the Dealer Member's complaint handling procedures, which is clear and can be easily understood by clients; and
- a copy of a Corporation approved complaint handling process brochure.

On an ongoing basis, Dealer Members must make available to their clients (either on their website or by other means) a written summary of the Dealer Member's complaint handling procedures, so that clients can stay informed on how to submit a complaint.

#### **Complaint acknowledgement letter**

The Dealer Member must send an acknowledgement letter to the complainant within five (5) business days of receipt of a complaint.

The acknowledgement letter must include the following:

- (a) The name, job title, and full contact information of the individual at the Dealer Member handling the complaint;
- (b) A statement indicating that the client should contact the individual at the Dealer Member handling the complaint if he / she would like to inquire about the status of the complaint;
- (c) An explanation of the Dealer Member's internal complaint handling process, including but not limited to the role of the designated complaints officer;
- (d) A reference to an attached copy of a Corporation approved complaint handling process brochure and a reference to the statutes of limitations contained in the document;
- (e) The ninety (90) calendar days timeline to provide a substantive response to complaints; and
- (f) A request for any information reasonably required to investigate the complaint.

#### **Complaint substantive response letter**

The Dealer Member must send a substantive response letter to the complainant. The substantive response letter must be accompanied by a copy of a Corporation approved complaint handling process brochure.

Dealer Members must respond to client complaints as soon as possible and no later than ninety (90) calendar days from the date of receipt by the firm. The ninety (90) days timeline must include all internal processes (with the exception of any internal ombudsman processes offered by an affiliate of the firm) of the Dealer Member that are made available to the client. The client must be advised if he / she is not to receive a final response within the ninety (90) days time frame accompanied by reasons for the delay and the new estimated time of completion.

The Dealer Member is required to advise the Corporation if it is unable to meet the ninety (90) days timeline and must provide reasons for the delay.

The substantive response to the client must include the following information:

- (a) A summary of the complaint;

- (b) The results of the Dealer Member's investigation;
- (c) The Dealer Member's final decision on the complaint, including an explanation; and
- (d) A statement describing to the client the options available if the client is not satisfied with the Dealer Member's response, including:
  - (i) arbitration;
  - (ii) if a request is made within 180 days from the date of the Dealer Member's final response, the ombudsperson service (i.e. the Ombudsman for Banking Services and Investments);
  - (iii) submitting a regulatory complaint to the Corporation for an assessment of whether disciplinary action is warranted;
  - (iv) litigation / civil action; and
  - (v) other applicable options.

In addition, where an internal ombudsman process is offered by an affiliate of the Dealer Member, the Dealer Member must disclose in the substantive response letter:

- (a) that the use of the internal ombudsman process is not mandatory; and
- (b) the estimated length of time the process is expected to take based on historical data.

**Duty to assist in client complaint resolution**

Approved Persons must co-operate with Dealer Members where they were employed or acted as agent when moving to a different firm after events or activities resulted in a client complaint.

Dealer Members must co-operate with each other if events relating to a complaint took place at more than one Dealer Member or the Approved Person is an employee or agent of another Dealer Member.

**5. Settlement agreements**

A release entered into between a Dealer Member and a client may not impose confidentiality or similar restrictions aimed at preventing a client from initiating a complaint to the securities regulatory authorities, self regulatory organizations or other enforcement authorities, or continuing with any pending complaint in progress, or participating in any further proceedings by such authorities.

**6. Complaint record retention**

The complaint file must be maintained for seven (7) years and retrievable within a reasonable period of time.

Each Dealer Member must keep an up-to-date record in a central, readily accessible place of all recorded submissions and follow-up documentation received by it relating to the conduct, business, and affairs of the Dealer Member, or an employee or agent of the Dealer Member for a period of two (2) years from the date of receipt of the complaint.

The following information must be retained for each complaint:

- (a) The complainant's name;
- (b) The date of the complaint;
- (c) The nature of the complaint;
- (d) The name of the individual who is the subject of the complaint;
- (e) The security or services which are the subject of the complaint;
- (f) The materials reviewed in the investigation;

- (g) The name, title, and date individuals were interviewed for the investigation; and
- (h) The date and conclusions of the decision rendered in connection with the complaint.

**7. Internal Discipline**

Each Dealer Member must establish procedures to ensure that breaches of the Rules of the Corporation as well as applicable securities legislation are subjected to appropriate internal disciplinary measures.

## GUIDANCE NOTE XXXX

### Client Complaint Handling

#### COMPLAINTS GENERALLY

The fair and timely handling of client complaints is vital to the overall integrity of the investment industry. Dealer Members should regard the handling of all client complaints as an essential element of the proper servicing of client accounts generally. Addressing client complaints fairly and on a timely basis demonstrates to clients that their issues are dealt with seriously and enhances investor confidence in the industry. An effective framework for dealing with client complaints is in keeping with appropriate standards of professionalism for the industry.

As a result, it is important that Dealer Members establish policies and procedures to deal effectively with client complaints. Such policies and procedures must address the general requirements of Rule 2500, Section VIII, and the specific requirements of Rule XXXX regarding client complaint handling. Rule 2500, Section VIII, requires Dealer Members to provide a written response to all complaints made in writing. Further, where a written complaint does not relate to a matter within the scope of Rule XXXX, Rule 2500, Section VIII also requires that the Dealer Member resolve and respond to the complaint within a reasonable time frame.

#### COMPLAINTS SUBJECT TO THE REQUIREMENTS OF RULE XXXX

##### GENERAL

##### Recorded expression of dissatisfaction

A recorded expression of dissatisfaction includes any written submission, electronic communication, or verbal recording.

##### Verbal expression of dissatisfaction

As set out in the Rule, verbal expressions of dissatisfaction alleging misconduct are to be treated as a complaint subject to the Rule. Where the client has provided a clear verbal expression of dissatisfaction alleging misconduct, the complaint should be treated in the same manner as if it were a recorded expression of dissatisfaction, provided that prior to the issuance of a substantive response letter, the Dealer Member may require that the client document the complaint in a recorded form.

If a verbal expression of dissatisfaction is unclear, a sales supervisor / compliance staff or the equivalent is expected to exercise professional judgment in deciding if the verbal expression of dissatisfaction relates to alleged misconduct that requires an investigation. Where a preliminary investigation of a verbal expression of dissatisfaction has been performed and the Dealer Member determines:

1. That there is evidence to indicate that the client complaint may have merit, the complaint should be treated in the same manner as a recorded expression of dissatisfaction, provided that prior to the issuance of a substantive response letter, the Dealer Member may require that the client document the complaint in a recorded form.
2. That the nature of the client complaint is unclear or there is no evidence to indicate that the client complaint has merit, the Dealer Member shall request that the client document and submit the complaint in a recorded form. Where the client:
  - (a) Documents and submits the complaint in recorded form, the complaint should be treated in the same manner as if it had originally been submitted as a recorded expression of dissatisfaction; or
  - (b) Fails to document and submit the complaint in recorded form, the Dealer Member may exercise their professional judgment and terminate their investigation of the complaint.

##### Decision to not investigate a complaint or to terminate an investigation of a complaint

A sales supervisor / compliance staff or the equivalent may exercise their professional judgment in deciding whether a complaint requires an investigation. In assessing whether a complaint should be investigated, Dealer Members must consider whether the client would have a reasonable expectation that the complaint should be handled through the process outlined in the Rule. Complaints made by individuals who are not clients of the Dealer Member are not subject

to the Rule. The decision and reason not to commence an investigation of a complaint must be fully documented and maintained in accordance with the complaint record retention requirements.

#### **DESIGNATED COMPLAINTS OFFICER**

The designated complaints officer is not a registered individual position. The purpose of the position is to ensure that the Dealer Member has someone with the requisite knowledge, experience and authority in place to manage the proper handling of complaints.

Dealer Members may choose to name the Ultimate Designated Person or Chief Compliance Officer or an individual acting in a supervisory capacity over the complaints process for the position of designated complaints officer.

Dealer Members are encouraged to make available to the designated complaints officer and their staff specific training relating to dispute resolution.

#### **COMPLAINT PROCEDURES / STANDARDS**

##### **Client access**

The information provided to clients on an ongoing basis would include the first point of contact in submitting a complaint and the contact information for the designated complaints officer. The information provided may include the stipulation that the designated complaints officer should generally only be contacted when a complaint had been submitted and the client wishes to express concerns with the handling of the complaint.

##### **Complaint substantive response letter – timelines**

The ninety (90) calendar days timeline to provide a substantive response to clients must include all internal processes (with the exception of any internal ombudsman processes offered by an affiliate of the firm) of the Dealer Member that are made available to the client that involve but are not limited to the supervisory function / branch management, the compliance function, and legal review.

##### **Complaint substantive response letter – OBSI information**

Member firms must inform clients that OBSI will consider a client complaint at the earlier of:

- (i) the date the complaint substantive response is provided to the client; or
- (ii) ninety (90) days after the receipt of the complaint.

This can be done, depending upon the status of the complaint, either as part of the substantive response letter or as part of any letter informing the client that the complaint will not be resolved within ninety (90) days.

##### **Duty to assist clients in documenting complaints**

Dealer Members should be prepared to assist clients in submitting a complaint, in particular if the client is handicapped in any way, is a senior with special needs or a language or a literacy issue is involved.

#### **COMPLAINT RECORD RETENTION**

Records in a central, readily accessible place must be retrievable within two (2) business days and documents kept for an extended period of time must be retrievable within five (5) business days unless there are reasonable, extenuating circumstances.

2. Dealer Member Rule 19 is amended by repealing section 19.4 as follows:

“Each Dealer Member shall keep an up-to-date record in a central place of all written complaints received by it relating to the conduct, business and affairs of the Dealer Member, any registered representative, investment representative, branch manager, assistant or co-branch manager, sales manager, partner, director or officer, or any person employed by the Dealer Member, for a period of 24 months from the date of receipt of the complaint.”

3. Dealer Member Rule 37 is amended by repealing section 37.3 as follows:

“Each Dealer Member shall provide to new clients, and to clients who submit written complaints to the Dealer Member, a copy of the written material approved by the Corporation which describes the arbitration programme or organization approved by the Board of Directors pursuant to Rule 37.1 and the ombudsperson service approved by the Board of Directors pursuant to Rule 37.2.”

4. Dealer Member Rule 2500, Section VIII is repealed and replaced as follows:

“Each Dealer Member must establish policies and procedures to deal effectively with client complaints. Such policies and procedures must comply with Rule XXXX regarding client complaint handling, and also address complaints that may fall outside the scope of Rule XXXX. All complaints made in writing must be provided with a written response from Dealer Members.”