

NEWS RELEASE

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IIROC announces changes to Arbitration Program

January 14, 2011 (Toronto, ON) – The Investment Industry Regulatory Organization of Canada (IIROC) Board of Directors has approved two significant changes to the IIROC Arbitration Program. Following consultation with stakeholders, IIROC is amending the Program by:

- Increasing the award limit to \$500,000 from the previous limit of \$100,000; and
- Giving investors the option to eliminate the arbitrator’s discretion to award costs against a party, under certain conditions.

These changes are effective immediately for new cases.

“We believe that the higher award limit will make arbitration a more viable option for investors,” said IIROC President and CEO Susan Wolburgh Jenah. “Clients of IIROC-regulated firms have access to a number of dispute resolution alternatives and can select the option which best suits their specific needs and circumstances.”

During the consultations, concerns were raised that the potential for adverse legal cost awards against investors could deter them from choosing arbitration as a means of dispute resolution with IIROC-regulated firms. Under the new rules of procedure, investors can now opt at the commencement of a proceeding to eliminate cost awards, with each party then being responsible for its own legal costs. The arbitrator can, however, still award costs against a party where he or she finds that a party has acted in manner that may be characterized as unfair, vexatious, improper or in bad faith, or where the party’s actions have unnecessarily and unreasonably prolonged proceedings.

Firms and individuals involved in the Arbitration Program are also generally equally responsible for arbitration fees, which include costs of the arbitrator’s services and administrative costs.

Arbitration is one of four options available to clients of IIROC-regulated firms to resolve disputes with their firm or advisor. The others are:

- the free Ombudsman for Banking Services and Investments (OBSI), which can recommend compensation of up to \$350,000;
- the free voluntary mediation service offered to residents of Quebec by the Autorité des marchés financiers (AMF), in which participation is voluntary for both firm and individual; and
- legal action through the courts.

IIROC will continue to monitor the effectiveness of the Program and the award limit on a periodic basis.

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Background

The changes are the culmination of a comprehensive review and evaluation of the Arbitration Program that IIROC began in 2008. As part of this initiative, IIROC has already made a number of administrative changes to improve the Program's operations and enhance statistical reporting.

IIROC initiated the first public comment period in December 2009, seeking feedback on the viability of the Program, including suggestions on how to improve it and comments on the proposal to increase the award limit beyond \$100,000. The changes announced today were included in a revised [proposal](#) issued for public comment on August 24, 2010.

The Arbitration Program is available to any client of an IIROC-regulated firm. Depending on where the clients live, they can use one of two independent arbitration organizations designated by the IIROC Board under Dealer Member Rule 37.1 for resolution of disputes between clients and their IIROC-regulated firms. IIROC rules require IIROC-regulated firms to participate and comply with the Program's procedures.

Each of the designated arbitration organizations has an established fee schedule for arbitrations dealing with IIROC-regulated firms, for which IIROC has negotiated preferential hourly rates. A sole arbitrator guides the proceedings, reviews the arguments of each party and arrives at a binding decision.

In the case of Arbitration or OBSI, the firm is required to participate if the client chooses one of these options. Investors are encouraged to learn more about their dispute resolution options by visiting the [Investors](#) section of the IIROC website where they can access brochures, a video guide to the complaints process and other resources, or by phoning IIROC's Info/Complaint Line at 1-877-442-4322.

A more detailed discussion of the changes to the Arbitration Program and summaries of the public comments received are available in the IIROC Rules [Notice](#) issued today.

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IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. Created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc., IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian equity marketplaces.