

THE 12TH ANNUAL GLOBE AND MAIL ONLINE BROKERS SURVEY

Qtrade Takes Top Spot Again in Globe's Annual Survey

For the fifth straight year, Vancouver-based online broker deemed to offer the best all-around package



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Clear winners are emerging in the online brokerage price war.

Investors, for one. They've been paying less to buy stocks and bonds since commissions began to decline this fall.

Some online brokers are winning, too. Take Qtrade Investor, for example. A few well-timed price cuts helped this independent Vancouver-based firm lock up its fifth straight victory in The Globe and Mail's annual ranking of online brokers.

Qtrade is the great imitator – whatever smart moves the competition makes, it quickly follows. That's how it came to offer the best all-around package, including low fees.

The Ranking Criteria

Costs: Stock-trading commissions dominate, but mutual fund fees and administrative and inactivity fees are considered as well.

Trading: How clean and easy to use is the platform for trading stocks, as well as for trading bonds and funds?

Customer Satisfaction: Results are based on 1,279 replies to a survey last month by users of Globeinvestor.com and ReportonBusiness.com who invest online.

Tools: How good is a broker at helping clients choose investments and develop an overall plan? Online brokers are strictly prohibited from offering advice, but they can provide the means for clients to make their own decisions.

Account Information: Not enough brokers provide it, but personalized long-term performance reporting is essential for clients to assess how well they're doing in meeting their investing goals. The importance of this category has been increased this year.

Website: Security and website utility are the focus here. It's a given that all brokers in this ranking are members of the Canadian Investor Protection Fund, which protects client assets in case a firm goes bankrupt for amounts up to \$1-million.



The Winner

Qtrade
Investor

Hardly an innovation has been introduced to online investing that Qtrade hasn't jumped on.

Rank	Broker	Costs (/25)	Trading (/25)	Tools (/20)	Account Info (/15)	Customer Satisf. (/10)	Website (/5)	2010 Score	2009 Score
1	Qtrade Investor	20.5	20	14	13.5	9.6	3.5	81.1	77.4
2	RBC Direct Investing	17	16	17	14	8.3	3	75.3	70.8
3	BMO InvestorLine	14	16	13	15	8.5	4	70.5	74.1
4	TD Waterhouse	15	17	17	8	9.1	4	70.1	70
5	Credential Direct	18.5	14	11.5	13.5	8.5	4	70	74.8
6	Scotia iTrade	22	16	8.5	7	8	4.5	66	71.6
7	Questrade	22	15	8	4	9	1	59	58.6
8	CIBC Investor's Edge	19	14.5	11	4.5	6.8	3	58.8	60.3
9	Disnat (Classic)	13.5	14	12	7.5	9.2	2	58.2	66.1
10	National Bank Direct Brokerage	10	11	8	11	8.3	4	52.3	62.7
11	ScotiaMcLeod Direct Investing	11.5	10	12	5	8	2	48.5	58.6
12	HSBC InvestDirect	13	13	7	2.5	6.5	3	45	56.2
13	Virtual Brokers	21	11	5	5	n/a	3.5	Incomplete	n/a

1. Qtrade Investor

qtrade.ca/investor

Ownership: Privately held

Comments: Here's an insight into why Qtrade has nailed top spot for five straight years in this ranking. A few days after Scotia iTrade and TD Waterhouse announced their price cuts last month, Qtrade dropped me a line announcing it would meet or beat those offers. "You know how we don't like to be left out," Qtrade CEO Scott Gibner said in an e-mail. So true. Hardly an innovation has been introduced to online investing that Qtrade hasn't jumped on. Personalized rates of return - got 'em. U.S.-dollar RRSPs - got 'em. The website's a little washed out, and electronic communications network (ECN) fees may apply to some stock trades, but Qtrade nails it for the most part.

2. RBC Direct Investing

rbcdirectinvesting.com

Owner: Royal Bank of Canada

Comments: Of the big bank-owned online brokers, this is the one trying the hardest right now to provide a better experience for clients. State-of-the-art tools have been introduced for analysing your account to see how well it's performing. Practice accounts are available for newbies and you can reduce foreign exchange costs drastically by holding U.S. stocks in a U.S.-dollar RRSP. RBC now needs to find a way to improve customer satisfaction numbers that were a touch

lower than for its peers in our survey. Oh, and discount bond trading would be great.

3. BMO InvestorLine

bmoinvestorline.com

Ownership: Bank of Montreal

Comments: Newcomers to do-it-yourself investing, BMO's got your back. This is a broker that understands more than most that clients need tools to plan, build and monitor their portfolios. There's a useful Getting Started page, tonnes of educational material and a feature called MyLink that keeps you in touch with the securities in your account. Two negatives: InvestorLine is stingy with analyst research on stocks, and it has yet to set a date for adding U.S.-dollar RRSPs.

4. TDWaterhouse

tdwaterhouse.ca

Owner: Toronto-Dominion Bank

Comments: Thanks, TD, for making sub-\$10 online stock-trading commissions more accessible. Very quickly, Qtrade, RBC DI and BMO InvestorLine moved to copy your recent commission cut. Now, about your shortcomings. First, better tools are needed to help clients monitor the long-term results they're getting in their accounts. Second, U.S.-dollar RRSPs are needed to provide relief for investors buying U.S.-listed stocks. Online global stock market trading was recently added, but U.S.-dollar RRSPs are more important.

Other top names this time around include the fast-improving RBC Direct Investing as well as BMO InvestorLine and TD Waterhouse.

TD got the price war rolling in mid-October by making flat \$9.99 trades available to clients with as little as \$50,000 in assets, down from \$100,000. Scotia iTrade followed with the introduction of discount bond trading – believe it or not, it didn't exist before – and then Qtrade stepped into the fray by matching or beating both offers.

Next in line were:

- CIBC Investor's Edge, which under cut its big-bank competitors with a limited \$6.95 commission offer that takes effect Jan. 1.
- BMO InvestorLine, which will match TD's offer on Dec. 1.
- RBC Direct Investing, which will match TD on Dec. 22.

These commission cuts are aimed straight at mainstream investors, a group that is increasingly becoming a focus for online brokers. That's also the audience for this ranking.

Each of the 13 firms included in this ranking (a newcomer this year is Virtual Brokers) have been evaluated on how well they serve the needs of investors who may want bonds, GICs and mutual funds in addition to stocks, and who also need proper tools to help them plan their portfolios and then monitor how they're doing. The mainstream focus dictates that brokers offer registered retirement accounts, as well as registered education savings plans and tax-free savings accounts.

5. Credential Direct

credentialdirect.com

Owner: The credit union movement

Comments: Credential is a good-guy firm that takes the high road in many areas, including fee transparency and simplicity. The problem is that Credential has been a spectator through recent and earlier rounds of price-cutting. Most clients will pay a minimum of \$19 to trade stocks online, which would be justifiable if the Credential investing experience was exceptional. It's not. In fact, aside from the lamentable ScotiaMcLeod Direct Investing, this could be the broker most in need of a website refreshing.

6. Scotia iTrade

Scotiaitrade.com

Owner: Bank of Nova Scotia

Comments: Scotia iTrade has the cost side of things covered off well, and that's no small thing for a bank-owned firm. You can trade for \$9.99 flat with \$50,000 in assets, bonds are sold with small transparent commissions instead of a bloated markup and mutual funds are a virtually fee-free proposition. Otherwise, this firm is falling behind. The website's getting stale, proper financial planning tools are lacking and you're totally on your own trying to figure out how well your portfolio is doing. The coming merger with sister firm ScotiaMcLeod Direct Investing is a great chance to improve things.

7. Questrade

questrade.com

Owner: Privately held

Comments: Fast-growing and scrappy, Questrade is the king of low-cost investing. You pay as little as \$4.95 to trade stocks, bonds are sold commission-free (by phone only), U.S.-dollar RRSPs are offered and the gnat-like account fees you find at other firms are virtually non-existent. The price you pay for low fees is a lack of resources for helping you plan and monitor your investments. Questrade has made small strides in this area, but more is required if it's to rise in this ranking.

8. CIBC Investor's Edge

investorsedge.cibc.com

Owner: Canadian Imperial Bank of Commerce

Comments: The do-nothing days are over at this firm, which now offers one of the most innovative pricing plans around. If you have \$100,000 worth of business with CIBC, including mortgages, loans and deposits, you'll pay a \$6.95 per trade. No need to worry about how much money is in your brokerage accounts or how often you trade. CIBC is also kind to mutual fund investors (no fees to speak of) and it offers reams of CIBC World Markets research. Add the new pricing and you have a good enough package to keep CIBC banking clients from looking elsewhere to open an online brokerage account.

9. Disnat (Classic)

disnat.com

Owner: Groupe Desjardins

Comments: Disnat did well in our customer satisfaction rankings, and it has for two years been ranked by J.D. Power & Associates as providing the highest customer satisfaction among online brokers. Over all, it's a steadily improving player that for this year has added an ETF centre and trimmed some fees.

10. National Bank Direct Brokerage

nbdb.ca

Owner: National Bank of Canada

Comments: Nothing to wow customers here, but NBDB does offer lots of research for clients from National Bank Financial, a select list of mutual funds and some good tools for analyzing your portfolio to see what it holds and how it's doing. Costs for trading stocks and many good fund families are on the high side.

11. Scotia McLeod Direct Investing

scotiamcleoddirect.com

Owner: Bank of Nova Scotia

Comments: SMDI, a perennial dud in the ranking, will be merged in to Scotiaitrade in the months ahead. Title this story Nobody Waved Goodbye.

12. HSBC InvestDirect

investdirect.hsbc.ca

Owner: HSBC Group

Comments: This firm's main edge has long been that it offers online trading on the Hong Kong, London, Paris and Frankfurt stock markets. You can now get that from TD Waterhouse, which you'll find near the top of this ranking as opposed to the bottom.

13. Virtual Brokers

virtualbrokers.com

Owner: BBS Securities

Comments: Virtual Brokers is a service for serious traders that is hoping to entice mainstream investors with its low fees. You can trade stocks for as little as \$5 per transaction, there are zero fees for mutual funds (you have to buy over the phone) and there are no annual administration fees for RRSPs and TFSA accounts. The website is light on tools for clients, but it's strikingly easy to navigate. Note: The overall mark is incomplete because we didn't get enough data to create a proper customer satisfaction score.