

THE 13TH ANNUAL GLOBE AND MAIL ONLINE BROKERS SURVEY

Rob Carrick

The financial world's best bargain by far is getting even cheaper.

Online brokerages were inexpensive to use before, but now some of them are darn close to free. How about buying and selling dozens of exchange-traded funds at no cost, period? Or buying 100 shares of a stock for \$1, with no fine print or surcharges?

The brokers leading the cost-cutting trend have been well rewarded in The Globe and Mail's 13th annual ranking of online brokers. But there's more to a top score than keeping costs low. This year, there's a stronger emphasis on how effectively brokers help clients monitor their personal rates of return. And, for the first time, brokers are graded on whether they're innovators or followers who keep their clients waiting to benefit from new industry developments.

The broker that comes out on top is the one that has achieved the No. 1 ranking for six straight years now. It's **Qtrade Investor**, the Vancouver-based independent outfit that gives you the best tradeoff between low costs and plentiful amenities.

The low-cost leader used to be Questrade, but that distinction now goes to second-ranked Virtual Brokers. VB is tiny, but it has made quantum improvements this year that are aimed directly at the middle-of-the-road retail investors for whom this ranking is designed. Foremost among them is a commission schedule offering a trio of online pricing plans, including a 1-cent-per-share deal with a 99-cent minimum charge.

Other top names include BMO InvestorLine, the broker that seems most interested in being a helpful partner to its clients; and Scotia iTrade, an oddity in that it's a bank-owned firm that scores very well on price. In fact, it introduced commission-free ETF trading to the Canadian market.

In all, a dozen firms were graded. Gone is ScotiaMcLeod Direct Investing, a longtime underachiever that will be merged into Scotia iTrade in the months ahead. Brokers are considered for inclusion if they cater to the mainstream by offering a full range of registered accounts, as well as research and planning tools and access to bonds, guaranteed investment certificates and mutual funds. Only online services are covered in this ranking.

Breaking Down The Brokers

Rank	Broker	Costs (/25)	Trading (/25)	Tools (/20)	Account Info (/20)	Innovation (/10)	Total (/100)
1	Qtrade Investor	16	21	15	18	7	77
2	Virtual Brokers	23.5	18.5	11	10	8	71
3	BMO InvestorLine	10	16.5	16.5	18.5	6.5	68
4	Scotia iTrade	18	16.5	13	13	7	67.5
5	RBC Direct Investing	10	17.5	18	16	5	66.5
6	Credential Direct	12.5	16	14.5	18	5	66
7	TD Waterhouse	10	17	18	11	4.5	60.5
8	CIBC Investor's Edge	14.5	13.5	15	8	6	57
9	Disnat (Classic)	10.5	11.5	15	15	3.5	55.5
10	Questrade	16	13.5	10.5	9	6.5	55.5
11	National Bank Direct Brokerage	8.5	10.5	14	16.5	3.5	53
12	HSBC InvestDirect	10	13	6	10	1	40

1. Qtrade Investor

qtrade.ca/investor

Ownership: Privately held

Comments:

When Scotia iTrade began offering commission-free ETF trading in September, the other bank-owned brokers took their usual wait-and-see approach. How did Qtrade respond? By doing what it does best – copying the best ideas of other firms without delay. And so we have a list of 60 ETFs (iTrade has 46) you can trade with no commissions. Qtrade's not just cost friendly – it provides tools for monitoring your personal returns, it offers trading on your smartphone and it keeps increasing the amount of research it offers. Why has Qtrade won for six straight years? Relentless improvement. Other brokers should try it.

2. Virtual Brokers

virtualbrokers.com

Ownership: BBS Securities

Comments:

Here comes trouble – for online brokerage firms that aren't competitive on commissions and fees. With a 99-cent minimum stock trading commissions (no additional network fees), zero-cost trading of 100 ETFs and wholesale bond pricing, VB aced the all-important cost portion of this ranking. Do you give up much to get those low costs? VB is light on research and financial planning tools, and it's not yet in the game for proper account reporting. But it has a freshly redesigned website with a nifty interface that looks like nothing else out there. Now, can they make any money with commissions this low?

The survey

3.

BMO InvestorLine

bmoinvestorline.com

Ownership: Bank of Montreal

Comments:

Rarely out of the top four in this ranking over the years, InvestorLine is no price leader. Where it excels is in empowering clients to be smart managers of their own investments. An example is the MyLink feature, which is a secure inbox where you can receive information specific to your investments and privately route questions to InvestorLine staff. BMO was early on the theme of enhanced reporting of client returns, and in the past year it has addressed deficiencies in its research offering. One surprise is that BMO, with its own family of exchange-traded funds, has not jumped on commission-free ETF trading.

4.

Scotia iTrade

scotiaitrade.com

Ownership: Bank of Nova Scotia

Comments:

iTrade is a reliable friend of the online investor who puts an emphasis on low costs. In addition to commission-free ETFs, there are reasonable stock-trading commissions, commission-free mutual funds and zero fees for registered accounts of any size. Tools for researching stocks are first rate, while client account reporting is third-rate. Let's hope that's addressed in a much-needed website redesign.

5.

RBC Direct Investing

rbcdirectinvesting.com

Ownership: Royal Bank of Canada

Comments:

RBC's great at helping clients monitor their portfolios to keep them on track. The asset allocation analysis tool here is phenomenal – it actually burrows into the individual holdings of your funds and ETFs as part of the process of showing how much of your overall portfolio is in stocks, bonds and such. Negatives include website navigation that makes you wish for a GPS, and an "only if everyone else is doing it" attitude toward price cuts. Also, it's surprising to see RBC lagging on mobile phone trading.

6.

Credential Direct

credentialdirect.com

Ownership: Credential Financial Inc., a wealth management provider for credit unions

Comments:

The good news here is a redesigned, much improved website and the addition of top-notch ETF research from the independent analysis firm Morningstar. But what's the deal with Credential's outdated pricing model? The firm refuses to join an industry trend of offering \$10 trades for people with \$50,000 or more in assets. Instead, it charges a minimum \$19 to everyone who doesn't make at least 10 trades per quarter and \$9.95 flat to those who do. Weird to see a firm associated with warm-and-fuzzy credit unions treating active traders better than buy-and-hold types.

7.

TD Waterhouse

tdwaterhouse.ca

Ownership: Toronto-Dominion Bank

Comments:

Canada's largest online brokerage firm could easily be its best if not for a small issue it has with complacency. Here's what TD clients have to do to get personalized rates of return for their portfolios: First, they must import their account details into a portfolio manager tool on the website. Then, they must manually record buy and sell transactions. When will TD get around to offering the comprehensive, automated client information on returns that many of its competitors provide? Possibly around the same time as it matches many of its competitors in offering U.S.-dollar RRSPs.

8.

CIBC Investor's Edge

investorsedge.cibc.com

Ownership: Canadian Imperial Bank of Commerce

Comments:

Years of neglect can't be undone in a flash, but Investor's Edge has really turned a corner. There's a commission plan charging \$6.95 per trade if you have \$100,000 in business with CIBC (including banking and mortgages), bond trading at wholesale prices, a mobile trading app for iPhone, Blackberry and Android and a very sharp ETF research centre. The website for clients hasn't been updated since forever, but even that's being addressed soon.

9.

Disnat Classic

disnat.com

Ownership: Groupe Desjardins

Comments:

There's nothing to get jazzed about here, just a better than basic service that keeps making steady, incremental improvements. Disnat has ranked No. 1 for three straight years in a discount brokerage customer satisfaction survey by J.D. Power and Associates.

10.

Questrade

questrade.com

Ownership: Privately held

Comments:

With a minimum stock-trading commission of \$4.95, Questrade used to rule the segment of the online brokerage market that put a huge emphasis on low commissions and fees. Now, Virtual Brokers has supplanted Questrade as the cheapest of the cheap. How will Questrade respond? Stay tuned cost-conscious online investors, because this could get interesting. Note: Questrade's Mutual Fund Maximizer program is worth a look by self-directed investors seeking low-cost mutual funds.

11.

National Bank Direct Brokerage

nbdb.ca

Ownership: National Bank of Canada

Comments:

A perfectly adequate broker that rules in not a single category. Kudos, though, for doing right by clients and providing the means for them to see how their accounts are performing over the long term.

12.

HSBC InvestDirect

investdirect.hsbc.ca

Ownership: HSBC Holdings PLC

Comments:

There's a 2001-ish feeling to this firm. As in, this is what a fairly decent online broker looked like 10 years ago. Odd that HSBC, a huge global bank, would settle for this.

The Rubric

Here's some information about the five broad categories in which brokers are graded:

Cost - 25% Of Score

The big emphasis is on stock trades, but the availability of commission-free ETFs is also a factor. Mutual fund fees and the full range of account fees are factors as well. Also a factor are bond-trading commissions – some brokers bury them in the price their clients pay, while others charge wholesale bond prices plus a small, disclosed fee.

Trading - 25%

A broker's web interface for trading stocks, funds and bonds are the focus here, but the selection of available investments is considered, too. Registered retirement savings plan accounts that can hold U.S. dollars are worth a few points here as well (many brokers force a conversion into Canadian dollars when clients sell or receive dividends from U.S. stocks and ETFs).

Tools - 20%

This category covers the variety and exclusivity of a broker's research and financial planning tools. Having a useful ETF centre is a plus, as are explanatory videos.

Account Info - 20%

What does a broker tell you about how your portfolio has performed annually since you set it up?

Innovation - 10%

A good score here says a broker is consistently making improvements rather than coasting. The availability of trading through mobile devices is also addressed here.

Investors And Their Brokers

As part of the Globe and Mail's 13th annual ranking of online brokers, we asked readers to complete a survey about online investing. Here are some of the questions we asked, along with the replies for all brokers grouped together. Invitations to participate in the survey were sent to selected visitors to the Report on Business and Globe Investor areas of globeandmail.com, and readers of Report on Business in The Globe and Mail.

Commission Comparison

Here are the online stock trading commissions that would apply in three different transactions. Where two prices appear, the first applies to clients with accounts big enough to qualify for commission discounts and the second applies to small accounts. Discounts for active trading are not included. Check with individual firms to see how big your account needs to be to qualify for lower commissions.

	200 Shares of a \$30 Stock	1,200 Shares of a \$20 Stock	10,000 Shares of a \$1.50 Stock
BMO InvestorLine	9.95/29	9.95/36	9.95/225
CIBC Investor's Edge	6.95/28.95	6.95/36	6.95/225
Credential Direct	19	24	200
Disnat	9.95/29	9.95/36	9.95/225
HSBC InvestDirect	9.88/28.88	9.88/28.88	9.98/225
National Bank Direct Brokerage	9.95/28.95	9.95/36	9.95/225
Qtrade Investor	9.95/19	9.95/30	9.95/200
Questrade	4.95	9.95	9.95
RBC Direct Investing	9.95/28.95	9.95/36	9.95/225
Scotia iTrade	9.99/19.99	9.99/24	9.99/200
TD Waterhouse	9.99/29	9.99/36	9.99/225
Virtual Brokers	2	9.99	9.99

Notes: Qtrade may charge additional electronic network (ECN) fees; For limit orders placed by clients with less than \$50,000, Qtrade charges an additional \$4 per trade; Virtual Brokers has three commission plans – the one shown here is called "The 99."

Would you recommend your online broker to others?

	Yes (%)	No (%)
BMO InvestorLine	89.9	10.1
CIBC Investor's Edge	76.4	23.6
Credential Direct	93.3	6.7
Disnat	100	0
HSBC InvestDirect	73.3	26.7
National Bank Direct Brokerage	88.9	11.1
Qtrade Investor	92.9	7.1
Questrade	92.9	7.1
RBC Direct Investing	85.6	14.4
Scotia iTrade	82.1	17.9
TD Waterhouse	92.4	7.6
Virtual Brokers	100	0