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The 11th annual online broker survey

By Rob Carrick
From Tuesday's Globe and Mail

Independent Qtrade retains the crown for the fourth consecutive year, showing Bay Street that the little outfit from out west can be the best

The one sure-fire, no-doubt bull market out there right now is the online brokerage business.

Stocks and bonds - who knows if they're headed up or down? With online brokers, the boom in new account openings that began as the stock markets crashed last fall has kept right on going. An informal canvas of a few firms found that account openings are up in the range of 19 to 26 per cent year over year, and that's not including the impact of the tax-free savings accounts introduced on Jan. 1. One firm said visits to its public website are up 53 per cent over last year's level, while online tour traffic is up 40 per cent.

People open online brokerage accounts for lots of reasons, including lower fees, a wide choice of investments, and dissatisfaction with an investment adviser.

What all newcomers to online investing have in common is a need for the kind of guidance they'll find in Globe Investor's Online Broker Ranking.

Read more:

- The 11th annual online broker survey [<http://www.theglobeandmail.com/report-on-business/online-broker-rankings/the-11th-annual-online-broker-survey/article1348448>]
- Breaking down the brokers [<http://www.theglobeandmail.com/report-on-business/online-broker-rankings/breaking-down-the-brokers/article1345958>]
- Keeping tabs on costs [<http://www.theglobeandmail.com/report-on-business/online-broker-rankings/keeping-tabs-on-costs/article1345933>]
- The good, the bad, the ugly [<http://www.theglobeandmail.com/report-on-business/online-broker-rankings/the-good-the-bad-the-ugly/article1348165>]
- Investing with an online brokerage: Tips and tricks [<http://www.theglobeandmail.com/report-on-business/online-broker-rankings/investing-with-an-online-brokerage-tips-and-tricks/article1348125>]
- Share your online investing tips and tricks [<http://www.theglobeandmail.com/report-on-business/online-broker-rankings/share-your-online-investing-tips-and-tricks/article1352174>]

A dozen firms were evaluated for this 11th annual ranking and the winner for the fourth straight year is Qtrade Investor, an independent firm out of Vancouver with a track record of continuous improvement. Right behind are Credential Direct, BMO InvestorLine and Scotia iTrade.

As always, this ranking is aimed at the mainstream investor who holds stocks or exchange-traded funds and may have an interest in bonds and mutual funds.

Online brokers will take trades over the telephone, but the focus here is strictly on online services because they offer the lowest commissions and best range of tools for choosing investments and financial planning. Here are the ranking criteria:

- Costs: Account fees and mutual funds are considered, but stock-trading commissions get the most focus.
- Trading: How quickly and cleanly can clients place orders for stocks, as well as bonds and funds?
- Customer Satisfaction: Consulting firm Phase 5 contributed this portion of the ranking through the results of a survey of 1,380 online investors conducted in September. Scores are based on answers to six questions related to how happy clients were with their broker and whether they would recommend it to others.
- Tools: The resources a broker offers to help clients choose investments and develop an overall plan. There's an emphasis this year on helping the many newcomers to online investing.
- Account Information: Grades a broker's ability to allow clients to see how their accounts are doing and perform basic account maintenance.
- 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.

*Send feedback to OnlineBrokers@globeandmail.com [onlinebrokers@globeandmail.com]

Now for the rankings:

#1: QTrade Investor



qtrade.ca/investor [<http://https://www.qtrade.ca/investor/en/visitormain.jsp>]

Ownership: privately held

Comments: The little independent from out west beats the big boys of Bay Street yet again. The story here is that Qtrade is relentless in scoping out the best innovations of its competitors and nimbly adopting them. With Qtrade, clients make the fewest compromises in terms of their overall online investing experience. Recently, the firm has added more research on stocks and started allowing U.S. dollars to be held in registered accounts so clients can avoid expensive foreign exchange fees. Qtrade does get demerits for, in some cases, charging electronic communications network (ECN) fees in addition to posted commissions.

#2: Credential Direct



credentialdirect.com [http://https://trading.credentialdirect.com/login.aspx?returnurl=%2fdefault.aspx]

Owner: The credit union movement

Comments: If only other brokers were as open to the helpful suggestions contained in these annual rankings. Last year, a dearth of useful stock research was identified as a weakness in Credential's generally very fine all-around service. This year, the firm has added a useful library of reports from the independent analysis firm Morningstar. Cost-wise, Credential isn't the cheapest firm when it comes to trading stocks, but it's hereby nominated as the broker least likely to exasperate and impoverish you with sneaky fees, commissions and such.

#3: BMO InvestorLine



bmoinvestorline.com [http://https://www.bmoinvestorline.com]

Ownership: Bank of Montreal

Comments: This is a firm that really seems to understand what the masses of new investors coming to online brokers need. There's a "getting started" corner, a "guided investing" corner and, well, you get the idea. Through its MyLink feature, InvestorLine also does the best job of helping clients keep track of what's going on in their accounts. The drawback with this firm might be described as a bank mentality that manifests itself through annoyances like a \$50-per-year fee on tax-free savings accounts (unless you have at least \$100,000 in total with the firm), as well as fees to buy and sell some mutual funds and an unwillingness to share BMO Capital Markets stock research with those who aren't their bigshot clients.

#4: Scotia iTrade



scotiaitrade.com [http://https://www.scotiaitrade.com/pages/home/main.shtml]

Owner: Bank of Nova Scotia

Comments: Kudos to Bank of Nova Scotia for keeping almost all the attributes of the old E*Trade Canada service intact, including cheap fees that are available to a wide swath of clients and not just large accounts. Scotia iTrade is light on stuff for newcomers to online investing and it could really use some decent portfolio planning tools and proper reporting of client investment returns. But overall it's a sharp service for savvy investors who know what they want. Note: Scotiabank plans to combine the moribund ScotiaMcLeod Direct Investing with Scotia iTrade and there's a degree of uncertainty about how the changes ahead will unfold.

#5: RBC Direct Investing



rbcdirectinvesting.com

Owner: Royal Bank of Canada

Comments: What's this? A bank-owned broker among the cost leaders in this ranking? Believe it. RBCDI is pretty standard on stocks - \$28.95 if you have a small account, \$9.95 flat if you have at least \$100,000 or trade actively - but excels on mutual funds. Pretty much all funds can be bought commission free, and there's a low-fee D-series of RBC's own in-house funds for people with at least \$10,000 to invest. RBC also has a strong collection of research tools, and it has video tutorials located in just the right spot on its trading screen. RBC's homework for next year: provide something top notch to show clients how their accounts are performing.

#6: TD Waterhouse



tdwaterhouse.ca [http://www.tdwaterhouse.ca]

Owner: Toronto-Dominion Bank

Comments: All hail the online investing world's most serene majesty. TD is dominant in its market share, confident in its stature and seemingly untroubled by the innovations of its competitors. The firm's new Markets & Research centre suggests TD isn't oblivious, though. While other firms scatter their market and investment research around, TD focuses it like a laser in one well-organized location. Next order of business: improve website navigation. Useful features are too hard to find.

#7: Disnat (Classic)



disnat.com [http://https://www.disnat.com/indexen.asp]

Owner: Groupe Desjardins

Comments: A long time ago, Disnat was one of the first discount firms to challenge the high-commission hegemony of full-service brokers. It languished for a while under the ownership of Groupe Desjardins, but the people in charge now have made steady improvements to the point where Disnat now has all the basics covered and has even tried something innovative through its Disnat GPS (guided portfolio strategies) feature. Disnat GPS offers real-time tracking of a model portfolio maintained by a Desjardins Securities analyst, and it's a noteworthy example of how online brokers can help get rookie investors up and running.

#8: National Bank Direct Brokerage



nbdb.ca [http://w3.nbdb.ca]

Owner: National Bank of Canada

Comments: Look, if you've got a relationship with National Bank and you want to keep your investments with them as well, then NBDB should work out just fine. If you're looking for the best possible broker for your needs, there are others to consider first. Update from last year: having \$100,000 in assets gets you \$9.95 stock trades. NBDB also has personalized reporting of client rates of return. Why don't all brokers?

#9: CIBC Investor's Edge



investorsedge.cibc.com [http://https://www.investorsedge.cibc.com/ie/home.jsp]

Owner: Canadian Imperial Bank of Commerce

Comments: Eleven years of producing this ranking have made it possible to identify firms that care about providing a great online investing experience and those that strive for adequacy. Investor's Edge is in the latter group. There are no gaping holes in its service, just an overall sense that the bases are being covered and nothing more. Best feature: access to CIBC World Markets reports. Quirky feature: pre-pay your trades at \$395 per year for 50 trades, or \$7.90 each.

#10: Questrade



questrade.com

Owner: Privately held

Comments: There's some investor buzz over Questrade because of a \$4.95 minimum stock trading commission that applies regardless of your account size. What people want to know is, what's Questrade like aside from the low fees? For mainstream investors, research and planning tools are scarce to non-existent, and the web trading platform seems a little less comfortable than at some of the larger firms. Are the cheap trades still a value in this light? Yes, they are. Note: ECN fees may add to your cost.

#11: ScotiaMcLeod Direct Investing



scotiamcleoddirect.com [http://www.scotiabank.com/cda/content/0,,cid598_liden,00.html]

Owner: Bank of Nova Scotia

Comments: There are two reasons not to open an account at SMDI, the first being that it's totally lame. A hopeless website and expensive stock-trading commissions top the list of complaints. A second reason to steer clear is that SMDI is going to be combined with the much better Scotia iTrade in the year ahead. Hasta la vista, baby.

#12: HSBC InvestDirect



investdirect.hsbc.ca

Owner: HSBC Group

Comments: You're keen to trade stocks online on the Hong Kong, London, Paris and Frankfurt stock markets? Then InvestDirect is your broker. Nothing else at this firm stands out.

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