Via Email

September 30, 2016

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Nova Scotia Securities Commission

Attention: Robert Blair, Secretary (Acting)
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca
Me Anne-Marie Beaudoin, Corporate Secretary
Autorité des marchés financiers
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consultation-en-cours@lautorite.qc.ca

Dear Sirs / Mesdames:

Re: Canadian Securities Administrators (CSA) Consultation Paper 33-404 – Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients

We are writing on behalf of Qtrade Financial Group which is comprised of Qtrade Securities Inc., an IIROC full-service securities firm and an execution-only services investment dealer, Qtrade Asset Management, an MFDA full-service mutual fund firm, and OceanRock Investments Inc., an Investment Fund Manager (IFM) and Portfolio Manager (PM).

We appreciate the opportunity to comment on the above-captioned request for comment ("the Consultation Paper") related to the targeted reforms and the adoption of a regulatory best interest standard. We have also participated under the Investment Industry Association of Canada (IIAC) response which was prepared as a result of work done through the IIAC Working Group. We are providing a further response on certain focused areas that we believe are important to mention. For the purposes of our response we have focused on the following points as it relates to the Consultation Paper: Regulatory Burden and Targeted Reforms Considerations.

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1) Regulatory Burden

We understand that as the industry becomes increasingly complex new rules may be helpful to regulate new products and services. This Consultation Paper does not address new products or services but it continues to enhance and increase on top of existing rules and regulations. There are already a very large number of IIROC and MFDA rules that exist that dealers must adhere to under current SRO rules. All of these rules pertain to what the Consultation Paper contemplates.

In recent years, there have been numerous new securities' regulations that have been introduced to the industry which have had a direct contribution to increase costs to dealers and in particular small and mid-sized dealers. The proliferation of new rules, requirements and changes have meant that firms have had to grow their compliance areas to meet this increased demand.

Based on the targeted reforms we believe that all of those areas of regulation are already covered under existing SRO rules. We see that further enhancement of these rules will cause more burden to the industry. We recommend that the CSA pause in order to analyze the effect of CRM and Point of Sale before we move to implement more rules. If the CSA can examine and measure the effectiveness or success of regulation then at that time it can determine if all of the changes outlined in the Consultation Paper are necessary.

We considered all areas for a cost review which included: Conflicts of Interest – General obligation; Know Your Client; Know Your Product – Representative; Know Your Product – Firm; Suitability; Relationship Disclosure; Proficiency; Titles; Designations; Role of UDP and CCO; and Statutory Fiduciary Duty when Client Grants Discretionary Authority.

We see that from the above noted areas, if the Consultation Paper is accepted in its present form, initial and ongoing costs will increase to the firm. We see, in order from highest to lower, cost increase as follows: IT systems and data; new staffing requirements and training costs. From the perspective of the proposed reforms we see from highest to lower, cost increase as follows: Know Your Client; Know Your Product – Representative; and Know Your Product – Firm. **As we do not know the details of what a Best Interest Standard would look like we are unable to access the cost considerations.**

Pace of Change

Over the past several years there has been a significant acceleration in the rate of change with which regulation has been issued. Examples of this are the Client Relationship Model (CRM) and the Point of Sale (POS) requirements. These regulations have both been introduced close together and CRM is still not yet complete for final implementation. Our view is that these type of large rule changes should be paced out and delivered in a way that clients, advisors and firms can properly review, consider and absorb the work. We suggest that the CSA look at a staged approach to the Consultation Paper and determine the areas of biggest concern to the industry and to the clients themselves.

Further, once these changes are implemented, we believe it makes sense that the regulator would need to consider the industry's adherence to these rules as well as the impact they are having with the end customer before more like rules are implemented.

Level Playing Field

In the CSA Consultation Paper the assumption seems to have been made that most advice and service is the same across all entities, firms, accounts and clients. The issue that we raise is that not all clients wish to

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have the same in-depth level of advice from a full-service advisor. We also know that based on the cost considerations, the greater the infrastructure required in order to operate accounts the smaller accounts may not be serviced the same way. We believe that some of the work you are trying to accomplish may actually cause a certain amount of harm to those clients you were trying to protect. We are concerned that those firms that may have smaller accounts or less access to other products and services because they are not integrated may be put at a disadvantage. Smaller firms cannot absorb the costs as easily,

2) Targeted Reforms – Considerations

We have participated in several consultations and discussions with staff from the OSC, ASC and BCSC. In all cases, we have heard that staff would like details on what is the best way to adhere to these targeted reforms. At a high level we would state the following and are available for further details if required:

1. Conflicts of Interest – General

Under IIROC and MFDA rules we currently have strong regimes in place that deal with conflicts of interest. These SROs require disclosure to our clients for conflicts that relate to: other business activities; and trading of a mutual fund that is affiliated with the firm to name a few. Our business has been structured and set up to deal with these conflicts and we are currently looking at compensation related conflicts in order to deal and understand what may be required. At this time we do not see that the targeted reform will do anything more for the members of the SRO than add additional infrastructure and cost.

2. Know Your Client

The changes to the Know Your Client requirements are a move closer to a financial planning model where the Advisors are asking for further tax and financial related information. We support this concept under the financial planning designation however we think that it should be optional and allow clients who do not wish to offer up this information to the representative to opt out of this level of advice. This would allow clients to control how much information they will give to their representative which is based on a financial planning designation.

3. Know Your Product – Representative

We agree that a representative should know the products that they sell to clients. We believe this can be accomplished through a more focused approach by ensuring that the representative understands the products, features, costs and risk of each security that they are selling. The representative should not be required to know every product on the firm's shelf as that is simply impossible to accomplish in existing firms and not needed when the representative is not selling those products.

4. Know Your Product – Firm

We agree that the firm has responsibilities for the products that are available to be sold on their shelf. However, we support that the firm should be looking at, and doing enhanced due diligence on complex products and not on all available product. If the risk lies in certain types of products then that is where the focus should be. For suitability exempt firms we believe that this requirement should be carved out.

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5. Suitability

Suitability is paramount in any full service advice firm. We support the idea of strong suitability however not outside of investment products. We see that in the case if a representative is giving advice to a client for a banking product or non-investment type strategy they may not have the capability to offer such advice. We also think that non-bank related firms may not have the access to this type of product and therefore will not be able to offer this advice.

We thank you for the opportunity to provide comments. We would welcome the chance to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Yours truly,

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CEO

Alexandra Williams
Chief Risk Officer & CCO

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