May 18, 2016

Marsha Gerhart
Vice-President, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
121 King Street West, Suite 2000
Toronto, ON M5H 3T9

Re: IIROC White Paper – Request for Comments on the Public Policy Implications of Changes to Rules Regarding Proficiency Upgrade Requirements and Directed Commissions on the IIROC Platform

We are writing on behalf of Qtrade Securities Inc., a full-service securities firm and an execution-only services investment dealer, in response to the request for comments issued by the Investment Industry Regulatory Organization of Canada ("IIROC") on the IIROC White Paper published on November 25, 2015. Qtrade Securities Inc. is affiliated with a mutual fund dealer, Qtrade Asset Management Inc. The White Paper contains two proposals: 1) the elimination of the proficiency requirement for mutual fund only representatives ("Upgrade Proposal"); and 2) allowing commission redirections for IIROC advisors ("Directed Commissions Proposal").

Qtrade has limited its comments to the Upgrade Proposal only and does not have comments, at this time, on the Directed Commissions Proposal.

Qtrade is supportive of any initiative that would reduce regulatory duplication, increase harmonization, and that supports all sizes and business models of investment firms. We believe that the Upgrade Proposal that will allow mutual fund only representatives to work under either SRO, will streamline the regulatory environment and enhance the public's freedom to make choices in where they obtain financial services. In particular, we see this as a fairness issue, as smaller firms are at a disadvantage when they wish to service mutual fund only investors by mutual fund only representatives and securities clients, with fully licensed advisors, they must operate two separate dealers which translates into the high costs of running two entities. The current structure of the industry is inefficient and duplicative and places undue burden on the smaller and independent dealers. A smaller firm's ability to keep up with the accelerating pace of change in regulatory complexity, technology requirements and operational demands requires significant investments of time, money and resources. As we look forward, we believe the pace of these changes and our required investments are only going to increase.

All investors require services and opportunity for advice from trained professionals. Our view is that small, medium sized, and independent investment firms must find ways to meet investor needs in a more efficient and risk controlled manner in order to remain financially viable and continue to grow. The viability of the smaller and independent firm relies on their ability to streamline systems and continue to offer an alternative to investors in a cost efficient manner. In order to maintain two Dealers, there must be, at a minimum, duplicate financial reporting, audits, officers, boards, compliance systems, operating systems (both technology and people), back office systems and duplicate registration for those senior officers who are on both platforms. The ability to streamline operational and compliance processes while reducing both cost and risk, and providing more flexibility to help investors to migrate to the appropriate investment advisor, seems to us a key and potentially necessary step.

We understand that there may be impact on the MFDA as a regulator, so this is the opportune time to also dialogue about the industry structure as a whole. The MFDA and IIROC both continue to see attrition from their membership. As more firms are unable to support the heavy regulatory burden, investors will be left with fewer choices as consolidation will continue to remove choice, competition, and raise the barrier to new entry into the industry.

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There have been few recent studies that relate to the actual, overall cost of the current regulatory regime in Canada. The overall structure is a patchwork of provincial securities commissions, quasi-federal SROs, federal and provincial governmental agencies and departments all who have a stake in the running of the investment firms in Canada. In order to help alleviate this burden, eliminating the requirement to have two dealers which service both mutual fund and securities clients is a common sense approach and good first step to running an efficient and capital markets industry in Canada.

In consolidating mutual fund only and securities firms, there is an increased benefit to the investor as they will be able to more easily move from mutual funds only investments to securities without the barrier and cost of moving between separate Dealers. The investor could move from a mutual funds only representative to a securities advisor, without having a new account number, without signing external transfer forms and will not lose any history of activity from their previous mutual funds only account. The securities advisor would update the account documentation, and then assume the on-going investment relationship with the investor. The mutual funds only rep would no longer service the account. The reverse is also true. Some of the dealer clients would be better served by a mutual fund only rep who is well trained to offer a more focused array of advice and solutions that are well aligned with the needs of the investor. This would take place all within a single, integrated and well supported compliance framework under the supervision of a single dealer and regulator.

Thank you for again allowing us the opportunity to provide comments. We would welcome the opportunity 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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