



5650 Yonge Street, Suite 1700
Toronto, ON M2M 4G3

T 416.227.9876, Toll Free 1.888.783.7866
F 416.227.0078, support@questrade.com
www.questrade.com

February 18, 2020

Submitted via Email

Wayne S.M. Ralph
Chief Operating Officer
CDS Clearing and Depository Services Inc.
100 Adelaide Street West
Toronto Ontario

Dear Mr. Ralph,

Re: Proposed Change to Eliminate Fee Rebates & Eliminate Network Connectivity Fees

We thank you for the opportunity to provide our comments to the CDS Clearing and Depository Services Inc (the "CDS") with proposed change to eliminate fee rebates and connectivity fee.

Introduction to Questrade

Since its establishment in 1999, Questrade Inc. ("Questrade") has been a catalyst for improving the financial lives of Canadian investors. Questrade is nationally recognized as an advocate for

consumers, offering a wide array of products, a transparent and value-based pricing structure and high quality customer service. Questrade provides self-directed and managed investing. Every product and service that Questrade offers is designed to minimize fees and friction for investors.

At inception, over twenty years ago, Questrade launched a client centric pricing strategy, offering investors the lowest trade commissions in the industry. We continue to champion fair pricing in all financial services and have been recognized as “Canada’s low-cost leader for the mainstream investor.”¹

Questrade’s Concerns With Respect to the Proposals

Questrade appreciates the measures CDS intends to undertake with respect to implementing a single, modernized platform for clearing and settlement (the TCS BaNCS initiative). However, CDS’s intent to fund this modernization project by suspending fee rebates on a full and/or permanent basis is unacceptable due to the fact that in 2017 CDS states that this project was to be self-funded via millions of dollars of annual savings in operating expenses accruing to CDS.²

The notion that the new projected cost of \$120 to \$135 million of building the TCS BaNCS would be borne by CDS participants is burdensome and unequitable. It is of particular concern that CDS has not stated specifically how CDS participants and their clients will benefit from the investment, yet they are being asked to fund this undertaking.

Fee Rebate Elimination

CDS participants cannot be expected to be amenable to the fee rebate elimination without CDS demonstrating the value of the TCS BaNCS initiative and understanding the full scope of this undertaking with an eye as to what value it presents to CDS participants.

CDS participants have always understood that the pricing structure³ already incorporates a budget for improvement and enhancements. On December 20, 2016, the Ontario Securities Commission approved a request from CDS to amend fees to replace its Entitlement and Corporate Action Events system and for future maintenance and support.⁴ It would appear the fee rebate elimination is duplicative of the fee amendment which the OSC already approved.

Elimination of Network Fee

While Questrade supports CDS’s initiative to democratize network connectivity and fees (code 7530 to 7550), this change is unlikely to result in any cost savings for CDS participants as CDS

¹ Carrick, Rob. "Investors, Beware The Shifting World Of Online Trading Fees". The Globe And Mail, March 25, 2016, <https://www.theglobeandmail.com/globe-investor/personal-finance/household-finances/investors-beware-the-shifting-world-of-online-trading-fees/article29394835/>

² <https://www.tmx.com/resource/en/681>

³ <https://www.cds.ca/resource/en/275/>

⁴ https://www.osc.gov.on.ca/en/Marketplaces_cds_20161222_notice-of-commission-approval-1.htm

participants will need to source their own network providers to connect to CDS at a similar if not higher cost.

Conclusion

In our view, the method to fund this project should be self-funded through CDS annual savings in operating expenses rather than levying CDS participants and expecting them to pay for projects that do not necessarily provide any form of value add to them.

We would be pleased to take part in further discussion or consultation on this issue and look forward to working collaboratively with the CDS.

Sincerely



Neal Hsieh

Director, Finance

Questrade, Inc.

CC

Philippe Lebel

Secrétaire général, et directeur général des affaires juridiques

Autorité des marchés financiers

Place de la Cité, tour Cominar

2640, boulevard Laurier, bureau 400

Québec, Québec G1V 5C1

Télécopieur : (514) 864- 8381

Courrier électronique: consultation-encours@lautorite.qc.ca

Manager, Market Regulation Branch

Ontario Securities Commission

Suite 1903, Box 55,

20 Queen Street West

Toronto, Ontario, M5H 3S8

Fax: 416-595-8940

Email: marketregulation@osc.gov.on.ca

Doug MacKay
Manager, Market and SRO Oversight
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, B.C. V7Y 1L2
Fax: 604-899-6506
Email: dmackay@bcsc.bc.ca

Ami Iaria
Senior Legal Counsel
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, B.C. V7Y 1L2
Fax: 604-899-6506
Email: aiaria@bcsc.bc.ca