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Attention: Phil Devault  
Member Regulation Policy  
Canadian Investment Regulatory Organization  
Suite 2600, 40 Temperance Street  
Toronto, Ontario M5H 0B4  
***sent by email***

March 5, 2025

**Re: Non-tailored Advice in the Order Execution Only Channel**

Dear Mr. Devault

Questrade Financial Group (“QFG”) is a mission-driven Canadian, founder-owned and led company with a 25-year track record of serving Canadians and helping them become much more financially successful and secure. Today, the company has grown into a multi-brand and multi-line business enterprise with over \$60 billion in assets under administration. Since its inception as an investment brokerage in 1999, QFG has expanded from Questrade, one of Canada’s most established and celebrated online financial service providers, into the verticals of wealth management, mortgages, deposits, insurance, and real estate through strategic acquisitions. Questrade is one of Canada’s largest independent online investment brokers, offering a low-cost alternative for Canadian retail investors and traders to transact in, and hold, various types of Canadian and international securities through managed and self-directed registered plans, whose assets are held through several Canadian trust companies as trustees.

QFG welcomes the opportunity to participate in this consultation and provide feedback to CIRO to better support Canadian investors in a manner that is consistent with CIRO’s strategic objective to enable greater access to advice for “DIY” investors, and to enhance investor protection by ensuring access to high-quality information from verified sources and allowing the use of tools designed to help investors make better investment decisions. Further, QFG welcomes an opportunity to discuss the evolution and rapid transformation of the Order Execution Only (“OEO”) platform through dialogue as part of the consultation process and review and revision of OEO Guidance<sup>1</sup> (“Guidance”).

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<sup>1</sup> Guidance on order execution only account services and activities (GN-3400-21-003)

## **GENERAL COMMENTS**

Increasingly, younger and more social media savvy Canadians are leaning into DIY investing and accepting social media platforms as a valid channel for investment information, according to 2024 figures published by the CSA.<sup>2</sup> Conversely for the last eight years, the number of Canadians working with a financial advisor has decreased from 71% to 61%. The two trends suggest a broader shift toward DIY investing. It is critical, through this consultation, industry and regulatory leaders support the choices of Canadians, while also supporting changes and approaches that serve Canadians' best interests by setting out clear and updated regulatory guidelines and rules that are i) easy to understand, ii) protect investors from fraud and harm, iii) enable consumer choice, and iv) provide expanded financial literacy opportunities to form an even more sound financial market and retail investor base. To achieve these objectives, QFG generally proposes that key terms and concepts should be reviewed as set out herein.

### **1. "Recommendation"**

"Recommendation", as defined and interpreted by CIRO, requires a closer review with collaboration from OEO Dealers. Given evolving forms of technology and social media channels and numerous communications that dealers engage with clients, the broad use of the term requires revision with an objective to tighten language and reduce confusion in order with consistent industry application. Currently, the phrase "any communication or statement of opinion" in the definition applies to any tool offered by the OEO Dealer or in any form of communication. At present, the definition is overly restrictive and has unintentionally prohibited OEO Dealers from engaging with clients proactively about important factual market and issuer information. It is vital that there is alignment and understanding with this term and its intention as it drives other related factors below.

### **2. "Push" versus "Pull"**

Factual market updates are commonly pushed to investors to ensure they receive the timely information needed to make informed decisions. While cognizant of the potential risk imposed by certain actions that may resemble "dark nudges" and other noted "dark patterns", in the OSC publication on Digital Engagement Practices,<sup>3</sup> these risks can be responsibly mitigated with appropriate client-driven controls and customization to ensure a positive engagement and better outcomes for investors (novice or experienced). With this in mind, QFG recommends that these terms be reviewed and clarified further, or removed altogether, as they are overly focused on the mechanics of information movement rather than the intention of content delivered to investors.

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<sup>2</sup> <https://www.securities-administrators.ca/investor-tools/investing-basics/research/>; People using social media for investing information: 53% (2024) vs 35% (2020) and people who have seen investment opportunities on social media: 46% (2024) vs 29% (2020)

<sup>3</sup> OSC: Digital Engagement Practices: Dark Patterns in Retail Investing - February 2024

### **3. “Tailored” versus “Non-Tailored” Information**

QFG agrees that the provision of curated factual information made available to investors, agnostic of method of delivery (e.g., “push versus pull”), continues to align with the spirit and intent of the Guidance. In today’s environment, investors are surrounded by information from known and unknown sources of information which may come in the form of advertisements on TV, billboards, information in email newsletters, and social media posts (which may or may not be ads or paid content).

Allowing the Dealer the ability to provide timely information that supplements an investor’s financial literacy and engagement should not be complicated or challenged by delivery mechanics or overly-broad regulatory terminology. Given how much information is available through multiple Canadian and non-Canadian channels, QFG maintains that it is better to empower investors and keep them informed of relevant updates and investment risks in order to make sound investment decisions. Concerns with advertising content directed at clients should be addressed in existing regulations and related advertising guidance.<sup>4</sup>

### **4. Model Portfolios**

While Portfolio Analyzer Tools and certain Model Portfolios do not fall under the current CIRO definition of a recommendation, it is recommended that the current determining factors that describe acceptable or “Permitted Model Portfolios” should be reviewed in consultation with Dealers. The sample portfolios described as recommendations identify specific securities which do not necessarily trigger a recommendation. As reiterated below, new investors would find such portfolios (Examples 1-3 in Guidance) to be helpful and supplemental to real world examples theorized within financial education. In general, OEO Dealers that provide clients with access to a curated set of model portfolios should not be viewed as a recommendation.

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<sup>4</sup> Guidance Note GN-3600-21-002: Review of Advertisements, Sales Literature and Correspondence, IDPC Rule 3600

## **SPECIFIC RESPONSES**

### **Question #1: Notification and Alerts**

***a) Are there particular products or services in respect of which you think OEO Dealers should be encouraged to issue alerts or other proactive information?***

OEO Dealers should be encouraged to offer a wide range of customizable alerts and proactive information across various product types and services to investors. This empowers clients to stay informed and engaged about current (and future) investments in a manner that suits individual needs and preferences.

One nuance we wish to highlight and add to the dialogue includes clients' preferred mode of communication. OEO platforms utilize various methods of communication to inform and keep clients engaged, including, but not limited to, email, platform communications, and text. It is vital clients have the choice to receive notifications where they are within the communication landscape. A client that does not login through a personal computer will not find utility receiving alerts through that platform as opposed to other preferred modes such as text messages.

The following thematic areas offer significant opportunities to generate timely and helpful alerts and information:

- **Price Movements:** Alerts triggered by significant price changes (both up and down) in securities held by the client or on their watchlist. This could include percentage-based changes or reaching specific price thresholds.
- **Trading Volume:** Alerts related to unusual or significant changes in trading volume for securities the client holds or is watching. This can signal increased volatility or potential opportunities/risks.
- **News, Analyst Rating Changes, and Corporate Actions:** Proactive notifications about news releases, corporate actions (e.g., dividends, stock splits, mergers), and analyst ratings and or earnings revisions related to securities in the client's portfolio or watchlist.
- **Order Status:** Real-time updates on the status of pending orders (e.g., filled, partially filled, rejected).
- **Account Balance and Margin Levels:** Alerts related to low account balances, margin calls, or approaching margin maintenance requirements.
- **Portfolio Performance:** Regular performance updates (e.g., weekly, monthly) and alerts when portfolio performance deviates significantly from benchmarks or client-defined targets.
- **Educational Content:** Proactive delivery of educational resources (e.g., articles, webinars, tutorials) relevant to the client's investment holdings, stated investment

objectives, or market conditions. This could include information about specific asset classes, investment strategies, or risk management techniques.

- **Security and Fraud Alerts:** Notifications about suspicious account activity, login attempts from unusual locations, or potential fraud attempts.
- **Regulatory Releases:** Investor Warnings and Alerts.
- **Dividend and deposit notifications**

**b) What consistent criteria could OEO Dealers use in choosing to issue alerts or other proactive information?**

To ensure consistency and avoid overwhelming clients with irrelevant information, OEO Dealers should adhere to the following criteria when issuing alerts and proactive information:

- **Client Customization:** Clients should have granular control over the types of alerts they receive, the frequency of notifications, and the delivery method (e.g., email, SMS, in-platform notifications). This includes the ability to set thresholds and parameters for alerts (e.g., percentage change for price alerts).
- **Relevance:** Alerts and information should be directly relevant to the client's investment holdings, watchlist, stated investment objectives, or market conditions. Avoid generic or irrelevant information.
- **Clarity and Conciseness:** Alerts should be clear, concise, and easy to understand. Avoid jargon or overly technical and misunderstood terminology.
- **Frequency Management:** OEO Dealers should implement mechanisms to prevent clients from being "bombarded" with excessive notifications. This could include consolidating alerts, limiting the number of alerts within a specific timeframe, or offering "digest" options.
- **Transparency:** Clients should be fully informed about the types of alerts they can receive and how those alerts are triggered. The criteria for triggering alerts should be transparent and readily accessible.
- **Educational Value:** Proactive information should be educational and empower clients to make informed investment decisions. Avoid promotional or marketing materials disguised as educational content.
- **Data Privacy:** OEO Dealers must adhere to strict data privacy policies and ensure that client data is used responsibly and securely when delivering alerts and information.
- **Opt-in/Opt-out:** Clients should have the ability to easily opt-in or opt-out of receiving different types of alerts and proactive information.
- **Fact versus Opinion:** Investors should be able to easily distinguish and separate content that either originates from: i) issuers - publicly disseminated press releases and ii) freelance analysts - providing views on issuers or sectors.

## Question #2: Self-help tools

### a) Specific tools. Are there any specific tools or services you believe should be included or excluded from the list of non-tailored advice?

A wide range of investment decision support and research tools should be permitted and treated as supporting non-tailored advice, empowering investors to conduct their own research and analysis across all asset classes. Certain fundamental principles, in particular transparency and disclosure, should be considered by creators of tools which address model methodology, underlying assumptions, and limitations of use. Online tools coupled with educational information are helpful and provide investors an opportunity to visualize and test trading strategies and outcomes. These tools provide investors with an opportunity to learn principles of risk management which can be used to make more informed decisions.

The following tools should be included:

- **Screeners:** Tools that allow clients to filter investments based on various criteria (e.g., sector, market capitalization, dividend yield, P/E ratio, ESG scores).
- **Charting Tools:** Interactive charting platforms with technical analysis indicators, drawing tools, and the ability to compare securities.
- **Fundamental Analysis Tools:** Access to financial statements, analyst reports, earnings estimates, and other fundamental data.
- **Portfolio Analysis Tools:** Tools that allow clients to analyze their portfolio's performance, asset allocation, risk metrics, and diversification. This could include hypothetical portfolio analysis.
- **Backtesting Tools:** Tools that allow clients to test hypothetical trading strategies on historical data.
- **Calculators:** Various financial calculators (e.g., compound interest, retirement planning, mortgage calculators).
- **News and Research Feeds:** Access to real-time news feeds, market data, and research reports from reputable sources.
- **Educational Resources:** Articles, tutorials, webinars, and other educational materials on various investment topics, including how to use the available tools effectively.
- **Model Portfolios (with specific securities):** Model portfolios referencing specific securities should be permitted, provided no recommendation is made by the OEO dealer based on client information.
- **Self-Assessment Tools:** Tools that help clients understand their risk tolerance, investment style, and financial goals should be permitted. These can be a starting point for informed decision-making.
- **Simulated Trading Platforms:** Virtual trading environments where clients can practice trading without risking real money.
- **Alerts (as discussed in Question 1):** Customizable alerts on market data, news, and

events related to securities or indices.

- **Persona comparison tools:** e.g. “people like me have portfolios that look like this, and are invested in these securities”, based on similar holdings or most popular-traded stocks
- **Portfolio Rebalancing Tools:** Client driven customizable tools.
- **Research Tools:** Empowering Canadians with accessible research reports and tools, should not constitute a recommendation agnostic of the push vs. pull methodology.

**b) Model portfolios. *The current guidance contemplates model portfolio tools that are “limited to class of investor, asset class, industry sector and/or time horizon.” Model portfolios that reference specific securities are not contemplated. Would you support allowing model portfolios that do reference specific securities, providing no recommendation is made by the OEO dealer based on client information?***

Yes. New investors may not understand the basics of portfolio construction including the need to diversify across geographies, sectors and industries. Furthermore, this investor segment is often drawn to small-cap stocks which present higher than average volatility with less liquidity.

**c) Self-assessment tools. *The current guidance does not contemplate OEO dealers providing tools that help clients determine what class of investor they are. Would you support allowing OEO dealers to provide self-assessment tools?***

Self-assessment tools like asset allocation calculators would be a welcome addition to OEO research capabilities for investors. Many new investors do not understand the benefits of diversification and proper asset allocation as it relates to their investment journey. Tools that could guide investors to consider an allocation between domestic and foreign equities as well as fixed income would likely result in improved investor outcomes.

Many individuals find themselves in a "grey zone"—not wealthy enough to afford traditional advisory services, yet left searching for guidance online to navigate the complexities of investing. Restricting access to self-assessment tools exacerbates this reality. QFG maintains that questionnaires and tools, particularly those focusing on rudimentary topics such as risk tolerance, investment style, and financial goals, should not be the exclusive domain of registrants. If a tool reasonably leads to better outcomes for Canadian investors, it should be available within the OEO channel. Such tools can be non-personalized and educational, focusing on general principles avoiding specific recommendations consistent with regulatory expectations.

**d) Filters. *OEO Dealers provide their clients with tools for filtering the investments***

***available on their platforms (e.g., large cap Canadian equities or TSX 60 index tracking ETFs). Would you impose limits on how specific such tools can be made (e.g., narrowing down large sets of investments such as those in the example above by price, performance or other criteria)?***

No. OEO dealers should offer robust and highly customizable filtering tools, with no imposing restrictions on how specific tools can be presented. The ability to refine the investment universe based on a wide range of fundamental investment criteria is essential in empowering DIY investors. Investors have diverse needs and investment strategies. Some may seek specific combinations of factors, such as high dividend yield, low P/E ratio, and positive ESG scores within a particular sector. Others may look to filter based on technical indicators or specific financial metrics. Restricting the granularity of filtering tools would force investors to manually “sift” through data, making the research process inefficient leading to missed opportunities or increased risk exposure. Filtering tools should be presented in a clear and unbiased manner and supported with educational resources. Such tools should emphasize that the results of any filter are client driven and not viewed as a recommendation.

***e) Combining tools. What is your opinion on the potential effects of combining tools of various kinds (e.g., if a client uses each of the following in succession: a self-assessment tool, an asset allocation tool, a securities filter and a rebalancing tool)?***

Clients should have the freedom and flexibility to combine tools in any sequence they deem appropriate. The ability to combine tools is a crucial element in empowering DIY investors and fostering better investment outcomes. Thematically, imposed restrictions on resources are counterproductive and could cause harm to the investor in making informed decisions. The scenario set out – a client using a self-assessment tool, followed by an asset allocation tool, a securities filter, and a rebalancing tool – is precisely the type of informed, proactive approach QFG would support in Guidance. This scenario demonstrates an investor taking ownership of their financial future, using the available resources to understand their risk profile, develop a strategy, identify suitable investments, and maintain engagement with their portfolio.

Combining tools allows investors to create a more holistic and informed engagement to manage investments. It empowers the investor to test different scenarios, explore various investment strategies, monitor risk parameters and ultimately make better-informed decisions. Combining alerts with self-assessment tools and watchlists could offer additional informative data to the investor through proactive notifications. These could also highlight potential portfolio concentration risks, or simplify the process of contributing to registered accounts. Investors could be informed for example if a security is experiencing price movement in accordance with the investor’s self-assessment and watchlist. These improvements ultimately lead to a more financially secure investor base, without compromising the brokerage’s execution-only model.

***f) Limited client-specific information. Should there be greater allowance for the use of***

***limited client-specific information that does not include a recommendation and is not based on KYC information? For example, in situations where a new client has funded their account but has not made any investments after a certain period, would it be appropriate to reach out with educational information about the benefits of investing some or all of their cash holdings?***

Yes. there should be greater allowance for the use of limited client-specific information, *provided it does not constitute a recommendation and a formal KYC assessment.*

The example provided – reaching out to a new client who has funded their account but hasn't made any investments – is an *excellent* illustration why this is important. A simple, automated, *non-personalized* email reminding the client of the potential benefits of investing deposited funds isn't a recommendation; it's a helpful and positive nudge akin to a reminder to follow through on their initial intentions. This form of proactive outreach is not about pushing specific investments; it's about promoting financial wellness and engagement. It's about reminding clients that they have the tools and resources available to them to start building their financial future. The email could include educational materials about the power of compounding, the importance of diversification, or the risks of holding excessive cash. It could direct the client to self-assessment tools, model portfolios, or other educational resources available on the platform. It's about empowering the client to take action, not telling the client what action to take.

OEO dealers can implement these types of communications responsibly, focusing on education and general information rather than personalized recommendations. This approach strikes the right balance between providing helpful support treating clients fairly, honestly and in good faith while respecting the boundaries of the OEO relationship.

### **Question #3: Finfluencers**

***Some CIRO OEO Dealers have entered into referral arrangements with Finfluencers and in certain cases have integrated their trading platform with the third-party platform, (e.g. “Trade Now” functionality that provides the ability to trade directly through the third-party platform). What are your views on this practice and to what level of initial due diligence and ongoing monitoring should be required on the part of the OEO Dealer?***

Finfluencers remain an accessible, low-cost resource for young, digitally savvy investors who may see the option as a reliable alternative to professional advisors. While we are supportive of the growing community of Finfluencers, there is a need for better guardrails to protect investors. Dealers should consider further transparency in the approach to such partnerships and referral arrangements. The existing regulatory framework of policy and guidance is comprehensive and consistent in its application to traditional sales literature and commentary. A principle-based approach can apply and provide safe and trustworthy delivery of content.

QFG recognizes the growing presence and influence Finfluencers pose in the investment landscape and also the unique challenges this segment presents. Referral arrangements with Finfluencers, when structured appropriately, can broaden the reach of OEO dealers and introduce new clients to their platforms. These arrangements must be approached with caution. With respect to any partnered initiatives, OEO dealers must be diligent in ensuring that Finfluencers confine their activities to general educational content, market commentary, or promotion of the OEO dealer's platform and services.

The following list could assist OEO dealers work responsibly with Finfluencers, while mitigating risks to uphold investor protection and market integrity:

#### **Initial Due Diligence:**

- **Background Checks:** Conduct thorough background checks on Finfluencers, including their regulatory history, online presence, and any past controversies.
- **Content Review:** Review samples of the finfluencers' content to ensure that it aligns with regulatory requirements and the OEO dealer's policies. Look for any instances of providing investment advice without proper licensing, promoting specific securities without appropriate disclosures, or making misleading or unsubstantiated claims.
- **Disclosure Requirements:** Ensure the Finfluencer clearly and prominently discloses their relationship with the OEO dealer, including any compensation received.
- **Contractual Agreements:** Establish clear contractual agreements with Finfluencers that outline permissible activities, prohibited conduct, and compliance requirements. These agreements should explicitly state that the Finfluencer cannot provide investment advice.
- **Education:** Encourage Finfluencers to undertake education to ensure digital content on third-party platforms follow generally accepted principles: not making false, exaggerated, misleading or untrue statements of material fact on such platforms with Trade Now functionality. CIRO could also consider providing a general Finfluencer training program which would ensure a baseline of objective knowledge.

#### **Ongoing Monitoring:**

- **Regular Content Monitoring:** Implement systems to regularly monitor the Finfluencer's content, including social media posts, videos, and live streams, to ensure ongoing compliance with regulatory requirements and the contractual agreement.
- **Complaint Monitoring:** Establish a process for receiving and investigating complaints about Finfluencer activities.
- **Periodic Reviews:** Conduct periodic reviews of the Finfluencer relationship, including a reassessment of their content and compliance.

QFG believes Canadians would benefit from a more robust and multi-faceted financial literacy strategy and coordinated efforts from government and regulators who can provide objective

information on-demand. Increasingly, and in part due to the lack of other available options, Canadians are seeking out financial information from Finfluencers, social media, and other avenues that have little to no oversight or transparency on quality and relevance. As an action item to this consultation, we encourage CIRO and others to open dialogue with us with respect to the growing study of behavioural insights, cognitive biases, and its application with future policy and guidance.

#### Question #4: Copy Trading

***a) Should OEO Dealers be allowed to provide their clients with “copy trading” functionality that provides the ability to automatically replicate the trades of other investors?***

While copy trade functionality has the *potential* to offer certain benefits, it also presents significant risks to investors and requires careful consideration. We are not categorically opposed to the concept, but we believe that any implementation must prioritize investor protection and transparency.

***b) What measures can be implemented to ensure that copy trading is used in a way that is beneficial to investors?***

Investors should have access to detailed information about the copy traders they consider mirroring, including the trader’s past performance, risk tolerance, investment strategy, and fees charged. This information should be readily available and easily understood. Additionally, the following measures could be implemented:

- **Risk of Loss:** Investors should be made aware through disclosures that past performance is not indicative of future results.
- **Lack of Control:** Investors could potentially relinquish control over their portfolio if left unchecked. This can be problematic if the copy trader's strategy changes, making trades that are inconsistent with the investor's own risk tolerance. Client focused controls would be essential.
- **Transparency and Disclosure:** Investors require access to comprehensive information about the copy traders mirrored, including trade history, risk profile, and any potential conflicts of interest. This information should be presented in a clear, concise, and easy-to-understand format.
- **Investor Education:** Robust investor education is essential. Investors need to understand how copy trading works, the risks involved, and the importance of carefully selecting traders to mirror.

#### Question #5: Delivery of tools and information

***Should the guidance distinguish information and tools provided directly on OEO Dealer***

***websites or by email or made available through apps or social media sources?***

Guidance should not distinguish information and tools based on the mode of delivery (website, email, apps, or social media) and should remain technology neutral. The core principle should be the content of the tools and not the channel through which they are delivered. Distinguishing delivery methods in Guidance would be an unnecessary and counterproductive constraint.

Thank you for your time and consideration regarding this important discussion. We look forward to continued engagement with CIRO on this subject. Should you have any further questions please do not hesitate to contact us.

Sincerely,

  
Edward Kholodenko  
President and CEO