

Trade Ideas Summit 2019

The Landscape Of “Free” Trades

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“In five years, paying for commissions to trade stock will be about as common as paying for a landline.”

Victor Jones, CEO Of Dough — September 2019



Early September 2019

- Interactive Brokers:
\$0.05/share (Min \$1)
- Charles Schwab: \$4.95
- TD Ameritrade: \$6.95
- Tastyworks: \$5 to open, \$0 to close
- Fidelity: \$4.95
- TradeStation: \$5 (Flat rate)
- Ally Invest: \$4.95
- Merrill Edge: \$0 or \$6.95
- Vanguard: \$7

Five years later...

October 26, 2019

- IBKR Lite: \$0
- Charles Schwab: \$0
- TD Ameritrade: \$0
- Tastyworks: \$0 to open and close
- Fidelity: \$0
- TSgo: \$0
- Ally Invest: \$0
- Merrill Edge: \$0 or \$2.95
- Vanguard: \$7



How we got here...

1970s Electronic display of bid/ask prices

1980s NAICO-Net and Trade*Plus

1992 E*TRADE and PCFN on CompuServe, Prodigy and AOL

1995 TD Ameritrade begins to form with acquisition of Aufhauser

1996 Charles Schwab gives everyone a login and password

1996 Barron's first review of online brokers. Winner: Lombard Brokerage

Commissions in the 1990s: Market order \$14.95, limit order \$19.95

How we got here...

2000s Consolidation in the online broker industry

Mid-2000s Regulation NMS

Mid-2000s Zecco gives up on free trades

Late 2000s Even more consolidation

2014 Free trading returns with launch of Robinhood

2015 Financial Information Forum pushes
of trade execution statistics

2017 Commissions drop to \$4.95-\$6.95

There's no such thing as a free trade

- Stocks not listed on U.S. exchanges
- Exchange fees (maker/taker)
- Per-leg options fees ranging \$0.50-0.65
- OTCBB commissions
- Margin interest
- Fees to transfer an account out
- Coming soon: subscriptions for data and research Etc.

Four Trading Buckets

1

Broker routes to accept payment for order flow. You get NBBO (Robinhood, IBKR Lite, others)

2

Broker routes for price improvement but also accepts payment for order flow. (Schwab, TD Ameritrade, others)

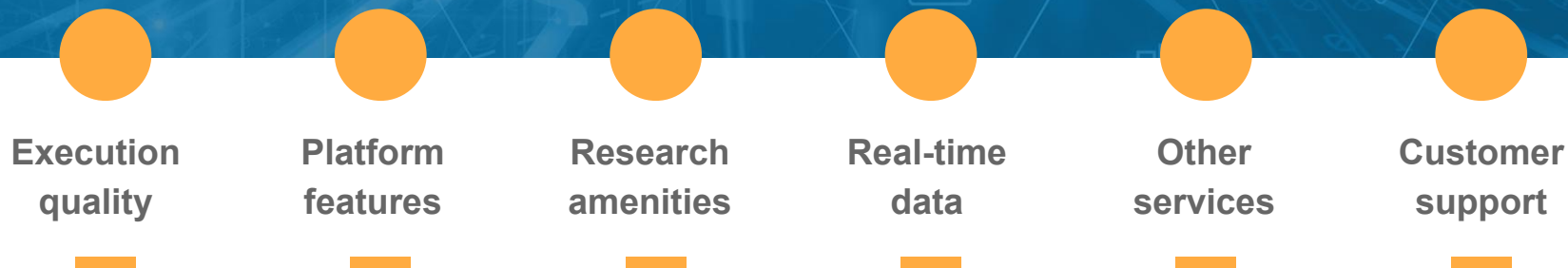
3

Broker routes for price improvement and avoids PFOF (Fidelity)

4

Broker shares price improvement and exchange rebates (IBKR, TradeStation)

How do you pick a broker now?



Questions?

Thanks.

