

ON A SOLID PLATFORM

Our survey found you can save money by using the right trading platform, Jackie Pearson writes.

All online share platforms use similar technology. They're all web-based and either custom-built or subscribe to a system such as IRESS Trader – commonly known as webIRESS and described by one broker as “without a doubt the most reliable trading platform in Australia”.

However, we discovered major points of difference in our inaugural online broker survey that highlight the need to shop around for the pricing structure and features to match your experience and activity.

Getting started

The first thing you'll need to do is open a trading account, which may not be as easy as you think.

If you're a beginner, it's important to understand that online share trading platforms are for self-directed investors. There's not a great deal of advice or guidance, and you'll need to be reasonably computer and internet savvy.

And you may be surprised to learn that after completing the online

application, most brokers still require you to print, sign and post your application form. It can take a week before you're able to trade.

New traders will also need to open a cash account. Most brokers, particularly those offering “preferred” brokerage rates, will specify which account they expect you to use with their platform.

Look carefully at cash account requirements. CommSec, for example, says you can have any cash account with any bank but if you want its cheaper Internet Preferred brokerage rates, you must use the CommSec Cash Account (CCA) or CommSec Investment Account (CIA).

Online trading platforms usually have a hierarchy of service levels.

High-volume traders transacting in larger values are rewarded with cheaper brokerage, platform fee waivers, more cash account choices and more free features and services.

The trick for new traders is to pick the right entry level to ensure you're not slugged with extra fees for things such as conditional orders,

SMS alerts and dynamic data, on top of the platform fee.

We asked each broker to nominate the service level on their platform most appropriate for a low-volume inexperienced trader, a medium-volume experienced trader and a high-volume experienced trader.

None of the platforms surveyed has a joining fee for entry-level service and only Amscot charges an \$11 monthly platform fee, which is waived if you make five trades or spend \$80 in brokerage each month.

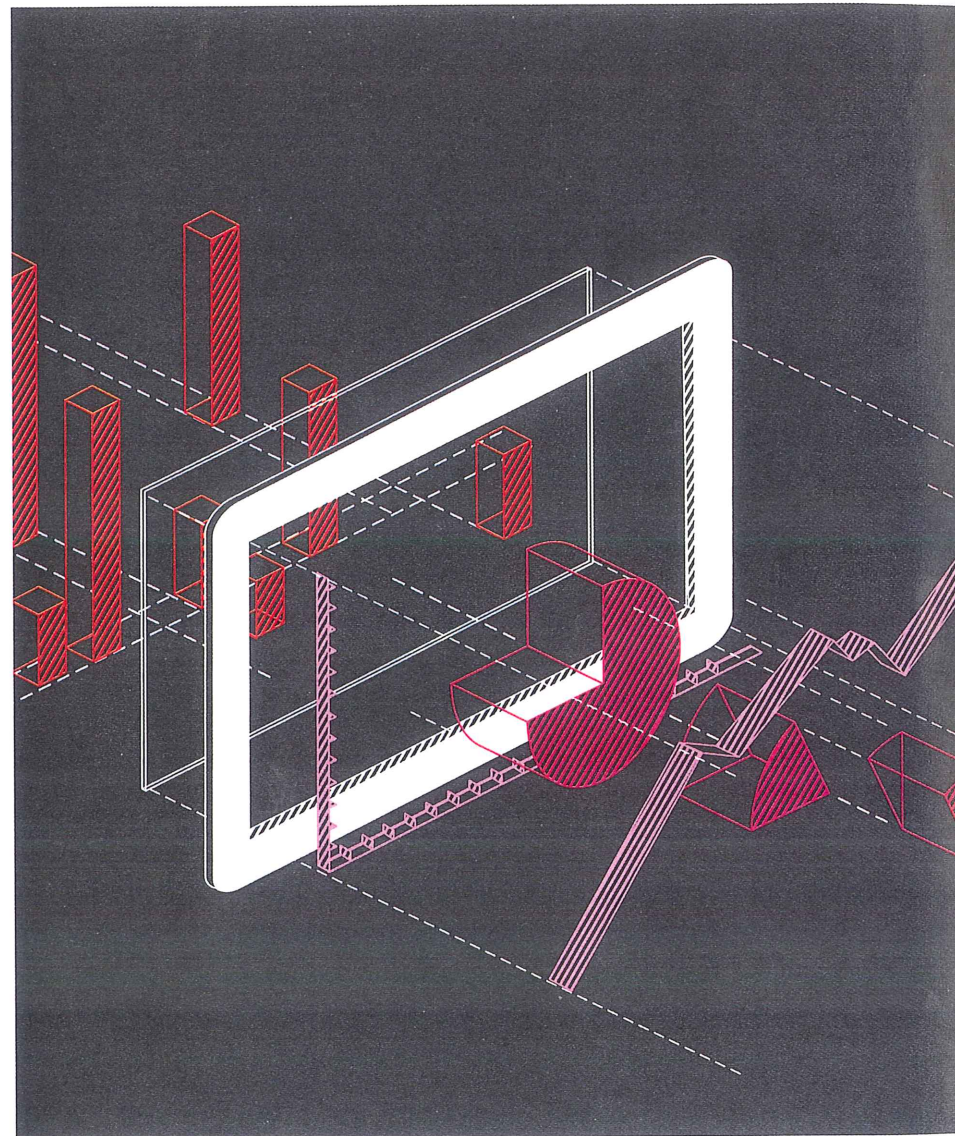
If you meet those minimums, Amscot is excellent value for beginners. It doesn't have any other fees for its webIRESS service and has the most competitive per trade brokerage.

Look out for added expenses at entry level. If you want to use conditional (stop loss) orders – to ensure your buy or sell order is executed only when a stock reaches a certain price – select a broker that provides free conditional orders. Brokers that charge for such orders do so either per order or per confirmation. If you placed five conditional orders in a month, and all were confirmed, you could pay \$40 to \$75 on top of brokerage.

Likewise, if you'll use features such as SMS or email alerts, go for a service that doesn't charge for these.

Cast a wary eye over introductory offers and extra-low headline brokerage rates if you're a beginner, too. CommSec's current offer, for example, must be used within three months of opening your account and only applies to trades worth less than \$55 brokerage or \$50,000. You also have to open a CommSec cash account to qualify.

Westpac will rebate the first \$50 brokerage charged on each contract note in the first 60 days of opening



Online trading

► Brokers

your account, up to a maximum of \$600. But at a brokerage rate of 0.11 of a percentage point, a trade worth a minimum of \$45,454 would be required to reach \$50 in brokerage. To receive the maximum \$600 Westpac rebate, your trading volume would need to be more than \$500,000 within the 60-day period.

High-volume traders who aren't currently Westpac customers might find this deal attractive (it runs until September next year) but if you're a slow-and-steady beginner the benefit won't be as significant.

As you gain experience

Platform fees are more common at the intermediate-volume service level. For example, E*Trade Pro and Power E*Trade charge a \$79.90 monthly platform fee, discounted by \$7.99 for each share or option trade. The fee cuts out after 10 trades, but this isn't attractive to low-volume traders.

FP Markets did not make our moderate-volume table as it has a \$93.50 platform fee at this level, which can be negotiated away. It also charges a \$55 webIRESS fee and \$38.50 for live data.

The newly released nabtrade Gold has a \$9.95 fee that's waived once you've made two trades, and the only additional fees are 30¢ for each email or SMS alert. That and a reasonably competitive brokerage rate make it appealing to lower-volume, lower-value traders.

Rivkin doesn't have a platform fee as such but charges \$41.25 for dynamic data, which is waived if you spend more than \$235 in brokerage.

Cash management account interest rates are also worth considering if you plan to keep higher amounts of cash on hand.

TOP FIVE BROKERS FOR NEW OR LOW-VOLUME TRADERS

BROKER/PLATFORM	Amscot	Bell Direct	FP Markets	D2MX*	CMC Markets
SI rank	1	2	3	4	5
SI score	93%	78%	73%	72%	71%
Service	Amscot Value	Silver	FP Online	HTMLIress	Delayed Data
Platform fee (monthly)	\$11	Free	Free	Free	Free
– waived after (monthly)	5 trades or \$80 brokerage				
Minimum transaction	Free	\$500	\$250	Free	Free
Brokerage (per trade)	\$14.85; 0.088% for \$17,001+	Greater of \$15 or 0.1%	Greater of \$14.95 or 0.11%	\$19.50 up to \$18,000; 0.11% \$18,001+	Greater of \$9.90 or 0.1%
Cost of a \$20,000 trade	\$17.49	\$20.00	\$22.00	\$21.70	\$20.00
Trader/per contract rate	✓		✓		
Introductory offer	✓	✓			
WebIRESS fee (monthly)	N/A	\$79	\$55	N/A	N/A
Conditional orders	Free	Free	Free	N/A	Free
SMS alert	Free	55¢	N/A	Free	22¢
Email alert	Free	Free	Free	N/A	11¢
Live data fee (monthly)	Free	\$10	\$38.50	Free	N/A
Dynamic data fee (monthly)	Free	Free	N/A	N/A	N/A
Social media		✓	✓	✓	
iPhone trading	✓	✓	✓	✓	✓
Blackberry trading	✓	✓	✓	✓	✓
Android trading	✓	✓	✓	✓	✓
iPad trading	✓	✓	✓	✓	✓
Placement guarantee	✓	✓	✓		
International trading			✓		
Online forum		✓	✓	✓	
CFD trading			✓		✓
Margin loans	✓	✓	✓	✓	✓
	amscot.com.au	belldirect.com.au	fpmarkets.com.au	d2mx.com.au	cmcmarkets.com.au

*Formerly Trader Dealer.

50%

That's CommSec's estimated market share. E*Trade has 16 per cent, Westpac Online 9 per cent and NAB Online 6 per cent.

Of the trading platforms surveyed, the lowest cash management account rate was 0.1 per cent on the E*Trade cash investment account on balances up to \$50,000.

Westpac's head of broking, James Staltari, says its Online Investing clients can settle to any cash account but its cash investment account offers 3.5 per cent with an extra 0.9 per cent bonus if you settle more than three trades per month. Most other cash accounts offer something near the Reserve Bank's cash rate.

Moderate-volume, value traders are also more likely to be interested

in margin loans. The major bank-backed brokers (NAB, CommSec, Westpac and E*Trade) have seamless margin loan capabilities. Others will have arrangements with external margin loan providers.

AmscotOnline manager Sean Nofal says it organises its margin loans through Leveraged Equities. CMC Markets has arrangements with St George and Suncorp. Ideally, you'd want the flexibility to be able to use any provider so you can find the best deal on your margin loan.

Relatively experienced traders who might want to branch out into

other instruments such as contracts for difference shouldn't assume they'll be able to trade in CFDs and shares using the one platform.

Warrants and exchange-traded funds are available on all platforms. CFDs, however, are accessible only with BoQ Trading (through CMC Markets), CMC itself, FP Markets and CommSec. CommSec, in fact, offers the greatest range of features and services of any online platform.

Fast and furious

High-volume, experienced traders are definitely the market online

BEST BROKERS FOR INTERMEDIATE/MODERATE VOLUME TRADER

BROKER/ PLATFORM	Amscot	Bell Direct	CMC Markets	CommSec	D2MX*
SI rank	1	2	3	4	5
SI score	89%	82%	80%	78%	73%
Service	Amscot Value	Bell Active	Live Data	Internet Preferred	D2MX IRESS – Standard
Platform fee (monthly)	\$11	Free ¹	Free	Free	\$66
– waived after (monthly)	5 trades or \$80 brokerage				\$99 brokerage
Brokerage (per trade)	\$14.85 up to \$17,000; 0.088% for \$17,001+	Greater of \$15 or 0.1%	Greater of \$9.90 or 0.1%	\$19.95 up to \$10,000; \$29.95, \$10,001-\$25,000; 0.12% for \$25,001+	\$19.50 up to \$18,000; then 0.11%
Cost of five \$20,000 trades ²	\$87.45	\$100	\$100	\$149.75	\$110
Trader/per contract rate	✓			✓	✓ ³
Introductory offer	✓	✓		✓	
WebIRESS fee (monthly)	N/A	\$79	N/A	N/A	Free
Conditional orders	Free	Free	Free	\$14.95 per confirmation	Free
SMS alert	Free	55¢ each	22¢ each	\$22 / 100	N/A
Email alert	Free	Free	11¢ ea	\$22 / 200	Free
Live data fee (monthly)	Free	Free ⁴	\$10	Free	Free ⁵
Dynamic data fee (monthly)	Free	Free ⁶	N/A	N/A	\$41.25 max
Social media		✓	✓	✓	✓
iPhone trading	✓	✓	✓	✓	✓
Blackberry trading	✓	✓	✓	✓	✓
Android trading	✓	✓	✓	✓	✓
iPad trading	✓	✓	✓	✓	✓
Placement guarantee	✓	✓		✓	
International trading				✓	
Online forum		✓		✓	✓
CFD trading			✓	✓	✓
Margin loans	✓	✓	✓	✓	✓
	amscot.com.au	belldirect.com.au	cmcmarkets.com.au	commsec.com.au	d2mx.com.au

*Formerly Trader Dealer 1. Minimum five trades to activate benefits 2. Includes platform fee if waiver conditions not met. 3. Confirmation-based brokerage means you are only charged for confirmed orders. 4. Free when you trade five times per month. 5. Considered the same as dynamic data. 6. Included in WebIRESS fee.

Online trading

Brokers

trading platform providers prefer. Definitions of what constitutes high volume and trading experience vary from one platform to the next but most are prepared to offer superior rates, lower fees and more flexibility to the “cream” of their customer base.

Familiarise yourself with terms such as “bulking” and “trader rates” if you’re serious about getting top value out of a platform. Such offers could make a big difference to your monthly trading costs.

Nofal claims Amscot has the best deal in town when it comes to bulking. “Our Amscot Trader rate is charged per stock or per contract note instead of per trade,” he says.

“For order or trade sizes over \$37,000 it makes sense to only pay \$33 up to \$200,000 – or, for a highly active day trader who is in and out of a stock all day, even for \$5000 trades.

“Clients can pay about \$200 brokerage on five buys and five sells elsewhere or with Amscot \$33 for the buy amalgamated contract note and \$33 for the sell contract note.”

That’s a saving of \$134 a day on one stock or \$2680 over 20 trading days. Amscot is the most willing to talk about its bulking or “value” rate but FP Markets and CommSec also say they may be willing to negotiate “per contract note” brokerage with some clients.

High-volume, serious traders expect access to the full force of webIRESS and that means platform fees are more common. Check that brokers who say they don’t have platform fees do not still charge the equivalent of a webIRESS fee.

So it’s essential to calculate

BEST BROKERS FOR HIGH-VOLUME, EXPERIENCED TRADERS

BROKER/PLATFORM	Bell Direct	Amscot	CMC Markets	FP Markets	D2MX*
SI rank	1	2	3	3	4
SI score	88%	87%	81%	81%	80%
Service	Bell Active	Amscot Trader	Dynamic Data	Fast IQ	D2MX IRESS – ProTrader
Platform fee (monthly)	Free ¹	\$77	Free	Free	\$66
– waived after (monthly)		15 trades or \$220 brokerage			\$99 brokerage
Brokerage (per trade)	Greater of \$15 or 0.1% first 10 trades; \$13 or 0.08% for 11-20; for 30+ trades, \$12 after first 10 and \$10 for 30+ or 0.08%	\$33 up to \$200,000; 0.0275% for \$200,000+	Greater of \$9.90 or 0.1%	Greater of \$14.95 or 0.11%	Up to \$200,000, \$33; \$200,001 to \$1m, \$33 plus 0.0275% of amount above \$200,000; over \$1m, \$253 plus 0.55% of amount over \$1m
Cost of 20 \$50,000 trades per month	\$900	\$660	\$1000	\$1100	\$660
Trader/contract rate		✓		✓	
Introductory offer	✓	✓			
Cash account requirements	Direct Cash Account (automatic set-up) ²	Macquarie CMA	Bankwest Cash Account	Macquarie Bank or Adelaide Bank	Macquarie Bank, BWA Managed Investments or Adelaide Managed Funds
Account fees	Free	Free	Free	Variable	Variable
Account interest	2.45%	RBA cash rate ³	Up to 3.50%	RBA cash rate	Variable
WebIRESS fee (monthly)	\$79	Free	N/A	Free	Free
Conditional orders	Free	Free	Free	Free	Free
SMS alert	55¢ each	Free	22¢ each	N/A	N/A
Email alert	Free	Free	11¢ each	Free	Free
Live data fee (monthly)	Free ⁴	Free	Free	Free	Free ⁵
Dynamic data fee (monthly)	Free ⁶	Free	\$41.25 (free after \$235 brokerage)	Free	\$0.0253/minute (\$41.25 max)
Social media	✓			✓	✓
iPhone trading	✓	✓	✓	✓	✓
Blackberry trading	✓	✓		✓	
Android trading	✓	✓	✓	✓	✓
iPad trading	✓	✓	✓	✓	✓
Placement guarantee	✓	✓		✓	
International trading				✓	
Online forum	✓			✓	✓
CFD trading			✓	✓	✓
Margin loans	✓	✓	✓	✓	✓
	belldirect.com.au	amscot.com.au	cmcmarkets.com.au	fpmarkets.com.au	d2mx.com.au

* Formerly Trader Dealer. 1. No fees but pricing benefits activated after 10 trades per month. 2. This is a Bell Potter Capital secured notes cash management facility: March 2013. 4. When you trade five times per month. 5. Considered the same as dynamic data. 6. Included in WebIRESS fee.

It is not a bank account and not covered by the federal government guarantee. 3. To

7.3 million

That’s how many Australians owned shares, either directly or indirectly, in 2010 – that is, 43 per cent of the adult population.

platform fees, brokerage rates and additional fees to have complete insight into how much it will cost you to trade on a particular platform.

Alternatives

Online trading is convenient, fast and, if you do your homework, cheap but it’s not the only alternative.

Full-service brokers can help you with portfolio construction, stock selection and overall wealth management – luxuries you forgo as a self-directed, online trader.

There’s phone broking, too. Brokerage rates tend to be higher but there’s always someone at the other end of the line.

Some phone brokers offer brokerage rates similar to those of their online scales. FP Markets has free phone broking.

Reliability

Platform reliability is critical for all online traders. Even a few minutes of downtime can cost traders dearly. Unfortunately, there is currently no independent source of information that monitors platform reliability. So we cannot include it in our online platform survey rankings.

All brokers say their platforms are super-reliable, quoting high client retention rates and minimal downtime. Social media gives some feedback about what traders think of their platform providers. Forums such as HotCopper are popular places for traders to vent frustrations when they encounter platform problems.

Many established traders have accounts with more than one platform to ensure they have back-up access to the market if one provider lets them down. **Si**

THE SI TEST

ALL AVAILABLE self-directed online share-trading platforms were assessed in our survey. The ratings were divided across three levels to ascertain which platforms would be most appropriate for:

- beginners/low-volume users;
- intermediate and medium-volume users;
- experienced or high-volume traders.

For each user level, the platform received a score for brokerage (50 per cent of total SI score). Platform fees, where appropriate, were taken into consideration when calculating brokerage,

along with platform fee waiver requirements. Additional fees (for WebIRESS, conditional orders, live data, dynamic data and SMS and email alerts) were not included in our calculations. We assumed all transactions were CHES-registered and required a trading account to be opened with the broker, along with the meeting of conditions in relation to cash accounts and margin loans.

Platforms were then scored for other attributes (50 per cent of total SI score). These were: joining and platform fees; availability of bulk

brokerage; additional fees for WebIRESS, conditional orders, SMS and email alerts, live and dynamic data feeds; social networking and mobile trading; online forum; placement guarantees; and the availability of trading in overseas markets, warrants, CFDs, ETFs and margin loans.

Brokers surveyed for our top-five tables were: Amscot, Bell Direct, BoQ, CMC Markets, CommSec, D2MX (Trader Dealer), E*Trade, FP Markets (First Prudential), HSBC, Macquarie, NAB Online, netwealth, Rivkin, Westpac, Wilson HTM.