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An Insight into Stock Commission by Yogita Bali

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The stock commission is a fee charged by brokers for administering a trade; executing a transaction that is buying and selling of stocks and shares based on number of shares, bonds, options and/or their dollar value; and giving investment advice. When trading stocks, the commission charged can divide the thin line between a profit and a loss.

Stock commission can also be explained as a service fee assessed by an agent / broker or dealer to facilitate the purchase or sale of a security.

Stock commission is charged to the clients by the brokers for dealing on their behalf or for assisting in buying or selling securities and is also referred to as brokerage. The amount is usually based on number of shares or the total dollar amount of the trade. So stock commission, in other words, is known as brokerage fees. Commissions for stocks are normally quoted at a flat rate range (which is the staple of retail brokers) or on a per share basis.

But not all brokers apply commissions and most of them add their mark up to the spread which is often charged in lieu of a direct commission. The bid-ask spread method is when the broker keeps the difference between the ask price and the bid price. Sometimes a one-time fee applied by the broker known as a Commission / Round-turn. It is usually seen that commission free trading is convenient for the majority of people.

Deregulation in 1975 led to the creation of discount brokers, who charge lower commissions as compared to full service brokers. So now the market has traditional brokers as well as discount brokers. Full service stock brokers charge more because they often offer advice and can charge up to 2% commission on every trade done.

One will also come across â€˜commission recapturesâ€™ that are essentially provisions allowing investors to get back some of the resources that were borne as transaction costs or commissions on different investment activities.

There are many websites like pfgbestcommission, Yahoo finance etc that will give you an insight into how much commission a broker can charge from you.

Many Commission houses that are actually brokerage firms gain most of their revenue from fees charged for trading activities. They are also referred to as "wire house" and can be an individual or organization that solicit or accept orders to buy or sell futures contracts or options on futures in exchange of money or other asset. Apart from the commission / brokerage fees, some even charge clearing fees, exchange fees, software fees, etc.

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Yogita Bali - About Author:
Authorâ€™s Bio: Yogita has penned down different write-ups on forex services.In this article she briefly describes many things concerning a pfgbest commission .

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