

COMPANION REFERENCE GUIDE

The Broker Handbook

How stockbrokers actually work, what each type charges you for, and a simple way to find the one that fits your trading style.

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PART ONE

What Is a Stockbroker?

SAME TRADE, DIFFERENT BILL

Rahul and Aman both bought one share of the same company, on the same exchange, at the exact same price. When the trade settled, ₹1,325 left Rahul's account — but only ₹1,312 left Aman's. Same stock, same price, same moment. The ₹13 gap wasn't tax, and it wasn't timing. It was simply that the two of them use different *types* of brokers — and each type charges you for something different.

Definition: A stockbroker is a SEBI-registered intermediary — an individual or a company — legally authorised to buy and sell securities on a stock exchange on behalf of clients.

As an individual investor or trader, you are not permitted to walk onto the exchange and trade directly. Every single order you place has to be executed through a registered broker — or through a sub-broker, who is authorised to route trades to a full exchange member on your behalf.

WHY FIVE CATEGORIES EXIST

A broker's role can be delivered in very different ways: with heavy personal service, with pure technology, bundled with banking, or through boutique, one-on-one attention. Over time, this difference in delivery has organised the industry into five distinct broker categories — each built around a different trade-off between cost, service, and convenience.

Once you know what each category actually charges you for, you can look at almost any brokerage screen and immediately tell which type of broker you're looking at. That's the skill this handbook is built to give you.



PART TWO

The Five Types of Brokers

I. Traditional Broker

The original model, dating back to the era before online trading — physical offices, phone-based orders, and a dedicated relationship manager who tracks your portfolio and offers informal advice. Because every order was historically handled manually, this is the most expensive model, usually charged as a percentage of trade value.

Best for: investors who strongly prefer human interaction over apps | **Examples:** an old, family-run local broking office

II. Full-Service Broker

The digitised descendant of the traditional model. It keeps the same promise — full service, not just execution — but delivers it through a mix of branches, relationship managers, and feature-rich apps. You pay for the bundle: research reports, stock recommendations, IPO and mutual-fund access, portfolio management, and loans against securities.

Best for: investors who want guidance alongside execution | **Examples:** ICICI Direct, Motilal Oswal

III. Discount Broker

Strips the model down to one function — order execution — made as cheap and efficient as technology allows. No relationship manager, no research desk; the entire experience is self-directed through an app or website. Typically a flat fee per order (often around ₹20), with some trade types free altogether.

Best for: active, self-directed traders who don't need advice | **Examples:** Zerodha, Upstox

MYTH, BUSTED

“Cheaper means less safe” is a common misconception. A discount broker charges less because it strips out advisory services — not because it skips regulation. As long as it is SEBI-registered and an exchange member, the same safety rules apply to it as to any full-service or traditional broker.



PART TWO, CONTINUED

The Five Types of Brokers

IV. Bank-Based Broker

A broking arm run directly by a commercial bank, most often offered as a “3-in-1 account” — savings, trading, and Demat, all linked under one provider. The core appeal is seamless, instant fund transfer, plus the inherited trust of an established bank. The trade-off is cost (closer to full-service rates) and a less feature-rich trading app.

Best for: existing bank customers who value convenience and safety | **Examples:** HDFC Sky, Kotak Securities

V. Independent Broker

A smaller, often regionally-focused brokerage that isn't part of a large national chain or bank. It competes not on rock-bottom pricing but on a highly personalised, often localised relationship built over years of direct trust. Verify its regulatory standing and track record carefully — smaller firms carry a narrower financial and technological safety net.

Best for: investors who want tailored attention from a smaller firm | **Examples:** a boutique, regionally-focused brokerage



PART THREE

Which Broker Fits You?

A single reference table comparing all five models side by side.

Broker Type	Cost Level	Core Offering	Best Suited For
Traditional	High (% of trade value)	Relationship manager, phone-based orders	Investors who strongly prefer human interaction
Full-Service	Medium–High	Research, advisory, IPOs, bundled financial products	Investors who want execution plus guidance
Discount	Low (flat fee, often minimal)	Fast, self-directed execution via app/web	Active or self-directed traders who don't need advice
Bank-Based	Medium–High	3-in-1 account, instant fund transfer, banking trust	Existing bank customers who value convenience & safety
Independent	Varies (often mid-range)	Personalised, often regional, boutique service	Investors who want tailored attention from a smaller firm

REMEMBER THIS

There is no universally “best” broker. The right choice depends on how often you trade, whether you need guidance, and whether you value convenience or personalisation more — not on which broker charges the least.



PART FOUR

Find Your Broker in Four Questions

The right question isn't "which broker is best?" — it's "which broker matches my plan?" Walk through these four questions in order.

Q1 Do you need investment advice or guidance?**YES**

→ Full-Service or Traditional Broker

NO

Continue to Question 2

Q2 Do you trade frequently?**YES**

→ Discount Broker

NO

Continue to Question 3

Q3 Do you already have a bank account you'd like to link for seamless fund transfer?**YES**

→ Bank-Based Broker

NO

Continue to Question 4

Q4 Do you want a personal, relationship-based connection with your broker?**YES**

→ Independent Broker

NO

→ Discount Broker is your best fit

STUDY TIP

Save this page as a screenshot. Next time you're choosing a broker, walk through the four questions in order — the first "Yes" you hit gives you your answer.



PART FIVE

Broker Selection Checklist

Before you open an account with any broker, work through this list.

- 01 **SEBI registered?** Confirm the broker is registered with SEBI and is an exchange member.
- 02 **Annual Maintenance Charges.** Check the yearly cost of holding the Demat account.
- 03 **Brokerage structure.** Is it a flat fee or a percentage of trade value? Compare both.
- 04 **Platform stability.** Does the app or website hold up during peak trading hours?
- 05 **Customer support.** How fast is the response time when you raise a query?
- 06 **Margin facility.** Is it offered, and on what terms?
- 07 **Research needs.** Decide if you need in-house research — this alone points you toward full-service vs. discount.
- 08 **Mobile app rating.** Check real user reviews before committing.
- 09 **Hidden charges.** Read the fine print for charges that aren't advertised upfront.
- 10 **Ease of fund transfer.** How smooth is moving money in and out of the account?

Quick Recap — A broker is a SEBI-registered intermediary required for every trade. **Traditional** brokers offer high-touch service at high cost. **Full-Service** is its modern, digitised version. **Discount** brokers strip the model to pure, low-cost execution. **Bank-Based** brokers prioritise seamless fund transfer through a 3-in-1 account. **Independent** brokers offer boutique, often regional, personalised service. The right choice depends on your trading frequency, need for guidance, and preference for convenience vs. personalisation — not on which broker is universally “best.”