Article

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These are trying times for broking business. Both top lines & bottom lines of brokers and sub-brokers have taken a hit. As per Securities and Exchange Board of India (SEBI), more than 15,000 sub-brokers have gone out of business since April 2013. Once upon a time broking profession was a lucrative career. Many opted for sub-broking by quitting their existing businesses hoping for a rewarding future. The 2008 meltdown hit almost all economies across the globe and the investors' faith in securities market started declining.

India was no exception; lack of sustainable industrial growth worsened the situation. Sub-brokers attribute two major reasons which have affected their business i.e. drop in cash market trading and rising costs due to regulatory compliance requirements. Cash trade as a proportion to total trade in both BSE and NSE has dropped to 3.95% during April-December 2013 from 13.73% in 2011. Day trades have contributed to increasing cost. Lower margins and rising operational costs have taken the glamour of broking business. Volatility in the market has affected retail investor's sentiment.

Many sub-brokers have slashed brokerage fees which have fallen even to 0.01% in case of delivery based trades. With changing times, the exclusiveness of broking business is lost. Many banks have started offering 3-in-1 account with depositories and brokerages along with online platforms. This led to significant loss of customers from sub-brokers to online platforms of banks. It has become difficult for sub-brokers to manage existing clients and acquire new ones.

Compliance requirements

Securities and Exchange Board of India (SEBI) is all set to streamline the Indian Securities market by taking various risk mitigating measures. It has tightened compliance norms for brokers and sub-brokers and also capped the transaction charges. The capital requirement for brokers has been increased by introducing the base