Selecting and Working with a Broker
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- Selecting a brokerage company
- Reputation/regulation
- Account requirements
- Margin/commission
- Hedger/broker relationship
Selecting a Brokerage Company

- Full service versus discount
- Office location
- Electronic/Internet trading
- Company’s financial situation
Reputation/Regulation

- Check with customers, etc.

- Check with regulators
  - CFTC
  - NFA

- Investing some time up front could be worth a lot
Account/Information Requirements

- Informing clients
- Company/broker risks
- Information you may need to supply
- Initial balances/interest payments
Margins

- Exchanges set minimum
- Hedgers versus speculators
- Company’s expectations
  - How money is transferred
  - Timeliness
Commissions

- Commission costs are variable
- Cost usually relative to service
- Location
Hedger/Broker Relationship

- Experience and knowledge
- Can you communicate with each other?
- Reputation
- What can he really do for you?
- Your broker’s expectations
Choosing a Broker

- Look around and compare
- Has experience in hedging your commodity
- Has information about basis for local market
- Look for track record of the firm
- Margin requirements
- Commissions
- Discuss broker’s authority in making decisions concerning account
- Good broker likely busy (How do you define good?)