WHAT A BROKER ACTUALLY DOES

Vajgrt Labs - Education - Lesson 15 of 72 - 5 min read - Updated Oct 21, 2026

TL;DR

- A broker is the licensed middleman between you and the exchange: it takes your order, routes it to be filled, holds your money and shares, and keeps the records.

- "Commission-free" moved the costs; it did not remove them. Brokers earn from per-contract options fees, payment for order flow, margin interest, interest on your idle cash, and lending out shares.

- The cost you can actually measure is the spread you cross plus the fill you get. Lesson 6 teaches you to add it up - this one teaches you who ends up with it.

THE TAKEAWAYS

- The four jobs: execution (routing your order to an exchange or market maker), custody (holding your cash and securities), lending (margin, against your own holdings), and record-keeping (confirmations, statements, tax documents).

- How brokers get paid, in plain terms: options contract fees (Fidelity's published schedule charges $0 commission plus $0.65 per contract online - checked Oct 15, 2026); payment for order flow (the graphic's line 2); margin interest; interest earned on your uninvested cash beyond what it pays you; and lending shares held in margin accounts to short sellers.

- None of this is secret or illegal: fee schedules are published, and SEC Rule 606 requires every broker to publish quarterly reports of where its customers' orders were routed and what it was paid. Almost nobody reads them - which is why this course makes you (the task below).

- The incentive to hold in your head: a broker earns more when you trade more and borrow more. Your interest is usually the opposite. That is not villainy; it is a price list. Price lists are for reading, not for trusting.

RULE: Nobody at your broker is paid to make you profitable. Read its price list - the fee schedule and the Rule 606 report - before you read anything else the app shows you.

COMMON MISTAKES

- Believing 'commission-free' means cost-free. The toll moved; it didn't close.

- Choosing a broker by its app design instead of its fee schedule, fill quality and margin rates.

- Never opening the fee schedule or the Rule 606 report - both are published, both are short.

- Trading more because each trade 'costs nothing.' The spread disagrees, every single time.

DO IT - READ YOUR OWN PRICE LIST

Find your broker's fee schedule (its site search will find 'commission and fee schedule') and its most recent Rule 606 report. In your journal write three numbers: (1) what one options contract costs you per side; (2) whether the broker reports being paid for order flow; (3) the margin rate it would charge a small balance. That's your broker's real price list - Lesson 6 uses the first number.

Education only - not financial advice. Account and order rules: FINRA (Rule 4210; Regulatory Notice 26-10, Apr 20, 2026), the Federal Reserve’s Regulation T, and the SEC (Rule 15c6-1 settlement; Rule 606 disclosures) - checked Oct 15, 2026. Contract-fee example: Fidelity’s published commission schedule, Oct 15, 2026. Chain quotes: real SPY chain data, Oct 9, 2026. Vajgrt Labs - Education.