HMRC - STSM124020 - Agent Brokers

An agent broker buys and sells securities for, and on behalf of, clients: they cannot trade or deal on their own account.

The role of the agent broker acting for a buying client is to find a matching selling counterparty broker, and vice versa for the broker acting for the seller. In each case, brokerage rules dictate that the agent broker must obtain the best possible share deal price for his/her client (the lowest share price where a client wishes to purchase shares and the highest price where a client wishes to sell share/securities).

In providing this service, agent brokers make a profit by charging their clients commission for arranging a deal. A contract note is required to be issued by the broker to the client whenever a securities transaction is undertaken on their behalf.

The contract note has to include the following information -

the dealing capacity of the broker i.e. agent;

details of the security acquired or sold;

the quantity,

share price,

consideration,

commission; and, where appropriate,

stamp duty or SDRT paid.

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