



# Online Share Trading

May 2023

## What are the Canstar Online Share Trading Star Ratings?

Canstar Online Share Trading Star Ratings use a sophisticated and unique ratings methodology that compares both price and features across online share trading platforms. Canstar's Star Ratings represent a shortlist of products, enabling customers to narrow their search to products that have been assessed and ranked.

## What types of products are evaluated?

Eligibility for Canstar's Online Share Trading Star Ratings is overseen by the Research Committee. As a guide, a policy should follow the below criteria:

- Be offered by a broker providing CHESS sponsorship or ASX Participant status. Brokers that do not provide CHESS sponsorship or ASX Participant status should meet the following criteria:
  - Directly hold an Australian Financial Services Licence **or** be an authorised representative of an Australian Financial Services Licence.
  - Hold assets in a separate trust with the customer as the beneficial owner (i.e., customer funds are not pooled with business funds).
  - Provider does not have the ability to access customer funds without approval of the beneficial owner.
- For comparison purposes, allow the value and number of transactions specified for the profile being considered.
- Be able to access all shares on ASX.
- Be a dynamic trading platform or offer live pricing (Trader profile only).

## How are the Star Ratings calculated?

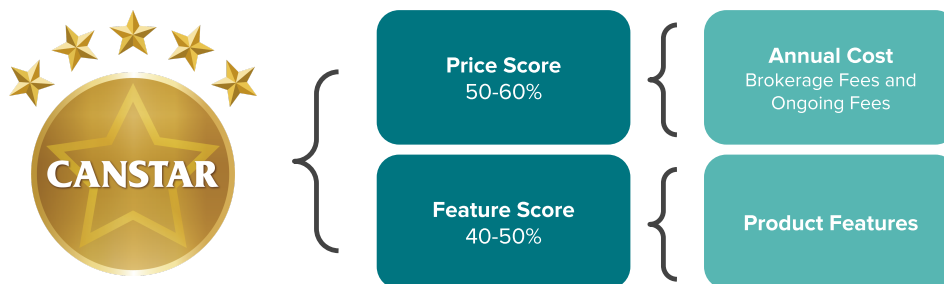
Online share trading platforms included in the Canstar Online Share Trading Star Ratings are assessed across three consumer profiles, based on the average number of transactions made.

Profile	General Description
Casual Investor	A Casual Investor tends to buy and sell shares occasionally (on average, once a month) and often uses a long-term strategy to review their investment portfolio. When selecting an appropriate broker, comprehensiveness of investment tools is typically not of the greatest importance, with education, ease of use and cost generally being amongst the more important factors.
Active Investor	An Active Investor tends to buy and sell shares more frequently than the Casual Investor (on average, four times a month), and may wish to include managed funds. They typically use the latest market information and fundamental analysis data/reports to determine portfolio holdings. The comprehensiveness of research tools is often an important factor in selecting the best broker for them. Due to a higher trading frequency, cost tends to be important.
Trader	A Trader tends to buy and sell shares very frequently (on average, 30 times a month) and the latest market information is often used to determine portfolio holding. When selecting an appropriate broker, the availability of derivatives can be an influencing factor. Due to a high trading frequency, the availability of a dynamic trading platform and cost are usually key considerations for them.

Each eligible online share trading platform reviewed for the Online Share Trading Star Ratings is awarded points for its comparative cost and the array of features attached to the platform. Points are aggregated to achieve a price score and a feature score.

To arrive at the total score, Canstar applies a weight against the price score and the feature score. The weights reflect the relative importance of costs and features in determining which platforms offer outstanding value to consumers. This method can be summarised as:

$$\text{Total Score} = \text{Price Score} + \text{Feature Score}$$



The table below provides a breakdown of the weights allocated to the price score and feature score for each profile:

Profile	Price Score	Feature Score
Casual Investor	50%	50%
Active Investor	50%	50%
Trader	60%	40%

### Price Score

The price score takes into account a platform's annual costs, which considers brokerage fees, ongoing fees, and foreign exchange fees over a year. Ongoing fees consider the cost of using the platform, and brokerage fees consider the costs associated with purchasing or selling a security.

Where a platform does not accept deposits or withdrawals in AUD, a foreign exchange fee is applied. To calculate the foreign exchange cost, a 5-year average exchange rate between the foreign currency and AUD is applied to an annual deposit amount, which differs by profile.

When calculating the annual cost, 100 hypothetical consumers are used per profile. To account for any applicable fee tiering across the number or value of transactions, each consumer has a specified transaction value and number of transactions made per month, based on the minimum, average and maximum transaction values and numbers outlined for each profile.

The combined cost of all 100 transactions for a platform is compared to peers. The platform with the lowest total cost is allocated the maximum score; all remaining platforms are awarded a score across a distribution relative to the lowest cost within the profile.

Profile	Distribution Points	Monthly Transactions	Transaction Value*	Annual Deposit
Casual Investor	Minimum	1	\$1,000	\$5000
	Average	1	\$15,000	
	Maximum	1	\$25,000	
Active Investor	Minimum	2	\$5,000	\$10,000
	Average	4	\$15,000	
	Maximum	10	\$100,000	
Trader	Minimum	11	\$5,000	\$25,000
	Average	30	\$15,000	
	Maximum	45	\$100,000	

\*For both the Active Investor and Trader profile a right-skewed distribution is applied. Across the 100 hypothetical transaction amounts, 95% of transaction values are normally distributed between \$5,000 and \$25,000, while 5% lie between \$25,000 and \$100,000. For the Casual Investor, a left-skewed distribution is applied. Across the 100 hypothetical transaction amounts, 95% of transaction values are normally distributed between \$5,000 and \$25,000, while 5% lie between \$1,000 and \$2,000.

## Feature Score

The feature score takes into account a number of features across eight different categories, with individual features allocated points and each category, and subcategory, assigned a weighting. The product with the highest feature score is allocated the maximum score, with all remaining products within the profile scored against it.

The feature categories and subcategories, with assigned weights for each profile considered, are as follows:

Category	Casual	Active	Trader
Opening	5%	5%	5%
Deposit & Settlement	5%	5%	5%
Research	22.5%	27.5%	30%
<i>Charting</i>	40%	32.5%	45%
<i>Company Information</i>	30%	27.5%	5%
<i>Market Information</i>	15%	22.5%	25%
<i>Dynamic Trading Platform</i>	0%	7.5%	15%
<i>Alerts</i>	15%	10%	10%
Trade	17.5%	25%	30%
<i>Capabilities</i>	70%	70%	70%
<i>Market Access</i>	30%	30%	30%
CHESS	5%	5%	5%
Account Management	10%	10%	12.5%
<i>Account Access</i>	42.5%	37.5%	22.5%
<i>Reporting</i>	35%	32.5%	60%
<i>Security</i>	22.5%	30%	17.5%
Customer Service	30%	17.5%	7.5%
<i>Education</i>	70%	65%	60%
<i>Account &amp; Client Services</i>	30%	35%	40%
Closing	5%	5%	5%

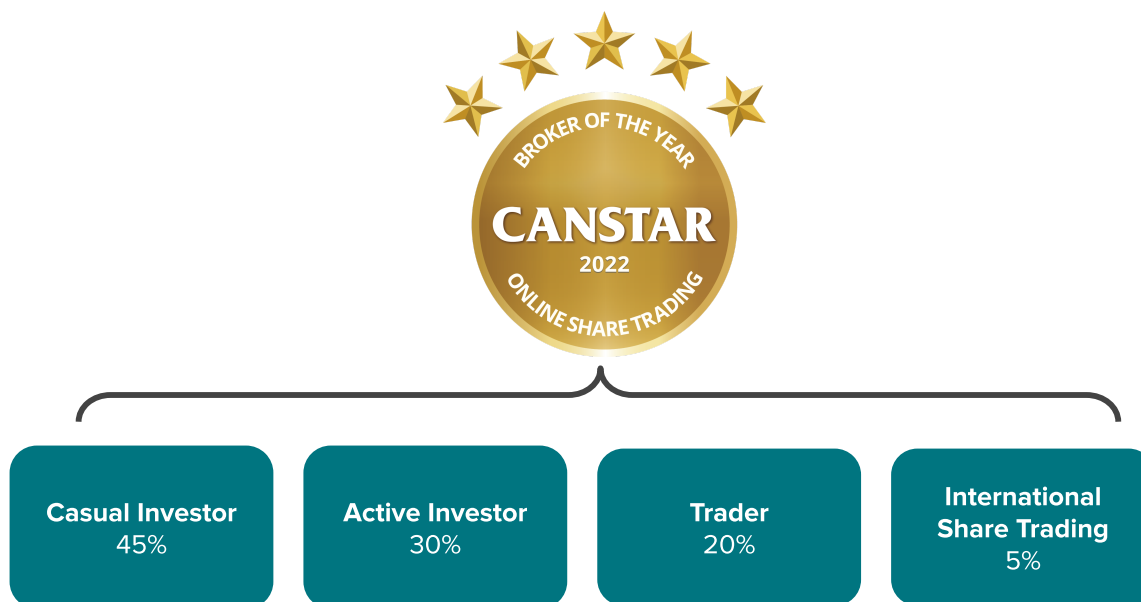
## How is the Award for Online Share Trading Calculated?

### Online Share Trading Broker of the Year Award

The Online Share Trading Broker of the Year Award is awarded based on the cumulative score of a provider's top performing platform within each consumer profile considered, as well as performance in the International Share Trading Outstanding Value Award.

To be eligible for consideration towards the Online Share Trading Broker of the Year Award, a company must have CHESS sponsorship.

The weight placed on each profile is as follows:



### What is CHESS?

CHESS (Clearing House Electronic Subregister System) is the system utilised by the Australian Securities Exchange to manage the settlement of share transactions. CHESS sponsorship involves an arrangement whereby the CHESS Sponsor (usually your stockbroker) operates your holdings on the CHESS subregister on your behalf. For investors, CHESS Sponsorship does not change your legal ownership of the shares and it reduces risk in facilitating settlements through timely allocation of holdings. For further information please see

[https://www.asx.com.au/documents/research/chess\\_brochure.pdf](https://www.asx.com.au/documents/research/chess_brochure.pdf)

### Outstanding Value - Casual Investor Award

Canstar recognises Providers that perform well in the Casual Investor Profile leading to the delivery of outstanding value to customers. Five Star rated products in the Casual Investor Profile have been assessed as offering outstanding value to consumers.



### **Outstanding Value - Active Investor Award**

Canstar recognises Providers that perform well in the Active Investor Profile leading to the delivery of outstanding value to customers. Five Star rated products in the Active Investor Profile have been assessed as offering outstanding value to consumers.



### **Outstanding Value - Trader Award**

Canstar recognises Providers that perform well in the Trader Profile leading to the delivery of outstanding value to customers. Five Star rated products in the Trader Profile have been assessed as offering outstanding value to consumers.



## Who was considered in the rating?

Amscot	Interactive Brokers Australia PL	St.George Bank
Bell Direct	Macquarie Bank	Stakeshop Pty Ltd
Bendigo Invest Direct	Marketch	Superhero
CMC Markets Invest	Moomoo AU	Syfe Australia Pty Ltd
CommSec	nabtrade	ThinkMarkets
eToro AUS Capital PTY Ltd.	netwealth Investment	Tiger Brokers (AU) Pty Limited
HSBC	Pearler	Trade For Good Pty Ltd
IG Markets	Saxo Capital Markets (Australia)	Westpac
	Selfwealth TRADING	

## How often are products reviewed for Star Ratings and Award purposes?

Ratings and Awards are recalculated annually based on the latest features offered by each provider. Canstar also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

## Does Canstar rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

## Does Canstar rate other product areas?

Canstar researches, compares and rates the suite of banking, wealth and insurance products listed below. These Star Ratings and Awards use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the Star Ratings as a guide to product excellence. The use of similar Star Ratings logos also builds consumer recognition of quality products across all categories.

Please access the Canstar website at [www.canstar.com.au](http://www.canstar.com.au) if you would like to view the latest Star Ratings reports of interest.

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|--------------------------|-----------------------------|------------------------|
| • Account-based pensions | • Direct life insurance     | • Travel money cards   |
| • Savings accounts       | • Home & contents insurance | • Business banking     |
| • Transaction accounts   | • Life insurance            | • Credit cards         |
| • Health insurance       | • Online banking            | • Home loans           |
| • Landlord insurance     | • Personal loans            | • Managed investments  |
| • Travel insurance       | • Car loans                 | • Online share trading |
| • Agribusiness           | • Superannuation            | • Pet insurance        |
| • Car insurance          |                             |                        |



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Star Ratings and Award results do not include all providers and may not compare all features relevant to you. Star Ratings and Awards are only one factor to take into account when considering products. Canstar acknowledges that past performance is not a reliable indicator of future performance.

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