

The Bargain Basement of Online Trades

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With U.S. stock markets hitting record highs, one small District-based discount brokerage service wants to capitalize on the boom by trying to be the cheapest guy on the block.

Beginning tomorrow, Success Trade Securities is offering to execute online trades for \$2.50 each at Just2trade.com. Fuad Ahmed, founder and chief executive of the company, said the program is aimed at those experienced traders who don't need a lot of customer service.

With one-quarter of U.S. retail stock trades made by online investors, according to the brokerage regulator NASD, the potential revenue for outfits like Ahmed's is sizable, he said. Success Trade joins scores of similar small discount brokerages advertising their services on the Web. Zecco.com, for example, offers 10 free trades a day, or 40 a month, before charging \$3.50 a trade. SogoInvest.com has promotions for \$3 a trade.

"For us, there are no gimmicks," Ahmed said.

Ahmed said his eight-year-old firm has built up a stable enough client base to make the new program feasible, but he would not disclose the company's current revenues or number of customers, citing competitive reasons.

The firm's plan is somewhat reminiscent of the Internet boom of the late 1990s, when then-little-known firms such as E-Trade Financial and Ameritrade were born with the stock market bubble. They helped turn ordinary folks into day traders by offering the lowest trading rates possible. But like all forms of investing, fortunes were made while some lost their life savings. Trouble for retail investors continues: Just last October, the Securities and Exchange Commission said scammers were using spyware to hack into people's online brokerage accounts.

Adam Honor?, a senior research analyst covering capital markets and discount brokerages at Aite Group in Boston, said the biggest brokerages -- Schwab and E-Trade, for example -- have moved away from a strategy of luring clients with low trade rates and favorable terms on loans.

"It's not a good model of long-term success," Honor? said. Many investors these days prefer a full-service model and "they are willing to pay more to deal with one person who will give them financial advice."

The other thing Success Trade should look out for, according to Honor?: If the company suddenly gains traction, it won't be too long before the big guys with their deep pockets roll out their own discount deals to try to steal back those same customers.

-- **Cecilia Kang**

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