Commission, exchange fees, and what is bundled

> **BUNDLED COST**
>
> A charge collected inside the spread rather than billed separately. Cash index products usually bundle; futures usually unbundle into a tighter spread plus explicit commission and exchange fees. Comparing a bundled quote against an unbundled one, without adding the unbundled parts back, makes the wrong vehicle look cheaper.

Two brokers, one index, one quoting a 1-point spread and the other 4 points. The comparison is meaningless until you know what each includes.

The bundled model

A cash index CFD typically has no separate commission. The broker's charge is inside the quote: they widen the spread relative to what they can deal at, and that difference is the revenue.

Simple to read, and it makes the total cost of entry a single number. It also makes the broker's margin invisible, because you never see the price they could have given you.

The unbundled model

A futures account charges commission per contract per side, plus exchange fees, plus clearing - and shows a spread that is genuinely the market's.

More line items, more arithmetic, and the components are individually checkable: an exchange publishes its fees, and a commission is a number in your statement rather than an inference.

Adding them back for a comparison

Take the spread in points and convert it to money, per lesson 2.Add commission per side, doubled for a round trip.Add exchange and clearing fees, which are per contract and small but not zero.Compare that total against the bundled quote's total, on the same position size.

Do it once for the size you actually trade and the answer stops being a matter of opinion. Do it on one contract when you trade five and you will get the wrong ranking, because the fixed components do not scale the way the spread does.

Why size changes the answer

Spread cost scales linearly with position size. A per-contract commission does too, but a per-order minimum does not, and a fixed platform fee certainly does not.

So a bundled product can be cheaper for small positions and more expensive for large ones, on the same day, at the same broker. Neither number is wrong - they are answers to different questions.

Check your understanding

1. A cash CFD quotes 4 points and a futures account quotes 1 point plus commission. What is the comparison?

a. The future is four times cheaper
b. Undecidable until commission and fees are converted to points or money and added back
c. The CFD is cheaper because it has no commission

Answer: b. One quote is bundled and the other is not. Comparing them directly is comparing a total against a component.

2. Why can the cheaper vehicle change with position size?

a. Brokers discount larger trades automatically
b. Spread cost scales with size while per-order minimums and platform fees do not
c. Exchange fees fall as volume rises

Answer: b. Fixed components spread across a larger position and shrink per contract; the spread does not. Both answers are right for their own size.