



KPI ENCYCLOPEDIA

A Comprehensive Collection of KPI Definitions for

BROKER DEALER



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Broker Dealer KPI Encyclopedia

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Broker Dealer

Broker Dealer

Back Office Operations*

Investment & Market Research

Lines of Business*

A Broker Dealer is a firm (sometimes a boutique or part of a large bank) that buys and sells securities and other financial instruments either for external clients (broker) or for their own profit (dealer). Broker-dealers also offer financial advisory services, publish investment data, raise capital for clients and take part in market-making activities (providing liquidity).

** This section is not included in this document.*



Broker Dealer

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Cost

- **Commission Rate: Registered Financial Representative** – The dollar amount of commission paid to registered financial representatives divided by the total amount of customer fees collected (for recordkeeping, advisory and custodial services) by the firm over the same period of time, as a percentage.
- **Total Expense as a Percentage of Assets Under Management (AUM)** – The total company-wide expense incurred divided by the dollar amount of assets managed by the company over the same period of time, as a percentage.

Organizational

- **Management Levels: Broker Dealer** – The total number of management levels, or layers, in a brokerage firm.
- **Span of Control: Broker Dealer** – The average number of brokerage firm employees reporting to each brokerage firm manager at a certain point in time.
- **Registered Financial Representatives per Trade Operations & Support Employee** – The number of registered financial representatives (captured or independent) divided by the total number of Trade Operations & Support employee working for the company over the same period of time.

Productivity

- **Assets Under Management (AUM) per Registered Financial Representative** – The total dollar amount of assets managed (AUM) by the firm divided by the total number of registered financial representatives working for the brokerage firm at the same point in time.

Quality

- **Assets Under Management (AUM) Withdrawal Rate: Departing Clients** – The difference between the total dollar amount of assets managed by the firm and the dollar amount of assets withdrawn by clients who are leaving the firm's business (i.e., departing clients) divided by the total dollar amount of assets managed by the firm over the same period of time, as a percentage.

Quality (Cont.)

- **Assets Under Management (AUM) Withdrawal Rate: Existing Clients** – The difference between the dollar amount of assets managed by the firm and the dollar amount of assets withdrawn by clients who maintain one or more open accounts with the company (i.e., clients who continue to maintain an account and do business with the firm) divided by the total dollar amount of assets managed by the firm over the same period of time, as a percentage.
- **Assets Under Management (AUM) Growth Rate: New Clients** – The sum of the dollar amount of assets managed by the firm and the dollar amount of assets added by newly onboarded clients divided by the total amount of assets managed by the firm over the same period of time, as a percentage.
- **Assets Under Management (AUM) Growth Rate: Mergers & Acquisitions** – The sum of the dollar amount of assets managed by the firm and the dollar amount of assets added by one or more mergers or acquisitions obtained by the firm divided by the total amount of assets managed by the firm over the same period of time, as a percentage.
- **Assets Under Management (AUM) Growth Rate** – The sum of the dollar amount of assets managed by the firm and the dollar amount of assets recently added (through new clients, a merger or acquisition, etc.) divided by the total amount of assets managed by the firm over the same period of time, as a percentage.

Revenue

- **Return on Investment (ROI)** – Net profit earned divided by total amount invested (for a single investment or series of investments), as a percentage. ROI indicates how successful the firm is in investing in various financial instruments and markets.
- **Assets Under Management (AUM) per Employee** – The total dollar amount of assets managed by the firm (i.e., assets under management) divided by the total number of employees working for the firm at the same point in time.
- **Net Interest Margin** – The dollar amount of interest paid subtracted from the total dollar amount of investment returns generated divided by the average dollar amount of invested assets.



Broker Dealer (Cont.)

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Revenue (Cont.)

- **Revenue per Registered Financial Representative** – The total revenue earned by the company over a certain period of time divided by the total number of registered financial representatives working for the company. Registered financial representatives are licensed to sell securities (stocks, bonds, options, mutual funds, etc.) on behalf of the firm.
- **Assets Under Management (AUM) per Client (Retail-only)** – The total dollar amount of assets managed by the firm for retail clients (retail banking, private wealth management or retail investment management clients) divided by the number of retail clients managed by the firm at the same point in time.
- **Revenue as a Percentage of Assets Under Management** – The dollar amount of revenue generated divided by the total dollar amount of assets managed by the company over the same period of time, as a percentage.
- **Fee-Based Assets Under Management (AUM) as a Percentage of Total AUM** – The dollar amount of assets managed by the company that require a management fee (typically 1-5% of assets managed) divided by the total dollar amount of assets managed by the company (total

Volume

- **Assets Under Management (AUM)** – The total dollar value of assets managed by the firm (i.e., assets under management) at a certain point in time.

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