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The former CEO of a high-speed trading firm is taking aim at Robinhood with a fintech that wants to pay you to trade

Rebecca Ungarino and Dan DeFrancesco 3 hours ago

All of Us debuted at an industry conference in New York in September. All of Us

- A former high-frequency trading exec is launching an investment platform called All of Us with hopes of putting a twist on how people pay for trades.
- All of Us' chief executive Alan Grujic told Business Insider that his pitch to customers is they can get paid to trade using the San Francisco-based startup.
- The CEO says the platform will fully launch in January and has around 100 people on a waitlist to use its product.
- He sees reaching scale as hitting $2 billion in assets, and is eyeing bigger customers on free-trading apps and smaller customers at discount brokers.

The race to the bottom for trading commissions could soon go through the floor.

A former high-frequency trading executive is betting his newly launched investment platform can take on discount brokers and zero-commission stock trading apps like Robinhood by offering a twist on how fees are structured and disclosed to customers. That includes getting paid to trade.

Alan Grujic, who was previously the chief executive of Infinium Securities, a high-frequency trading firm in California, founded San Francisco-based startup All of Us last year with the intention of offering an investment platform with a transparent pricing model that shares some of its overall revenue from non-commission sources with customers. He says it will fully launch in January and has around 100 people on a waitlist to use its product.

"If you did a very large trade with us, you get several dollars back. So you'd literally get money into your account," he told Business Insider.

All of Us wants to base its revenue stream on a maximum 50-basis-point fee on client assets held on the platform. Grujic said under his pricing model he needs to reach $2 billion in assets to reach what he considers scale. He does see a path to that milestone within the first year — although he admits it is an aggressive goal. In an effort to drum up attention, he said the first 10,000 customers will have zero fees whatsoever for the first year.

Grujic said the new platform is targeting users with an average account size of roughly $50,000. He said that potential pool reflects both larger clients from Robinhood and smaller customers from E-Trade and TD Ameritrade.

Grujic, along with chief technology officer Iain Clarke, demoed the project at Finovate, a fintech industry conference in New York this week. He supplied the first $2 million in funding for All of Us, then raised an additional $1 million on a convertible note offering led by Apex Clearing, which offers clearing and custody services for many robos and online brokerages. The platform hopes to raise an additional $1 million before the end of 2019.

The competitive nature of the business was on full display this week. The discount brokerage firm Interactive Brokers said on Thursday it would roll out a commission-free US offering starting in

October for US-listed stocks and exchange-traded funds. Interactive Brokers' announcement promptly sent shares of Charles Schwab, TD Ameritrade, and E-Trade diving.

Charles Schwab offers clients opening an individual brokerage account 500 commission-free online stock and options trades within two years of signing up. TD Ameritrade offers 500 commission-free online stock, options, and exchange-traded fund trades when a new client deposits $3,000 or more.

And Business Insider reported that JPMorgan's You Invest retail trading platform housed on the Chase website and app has quietly started rolling out options trading to select customers. Options trading fees are $2.95, plus 75 cents per contract. Robinhood launched a zero-commission options trading product in 2017.
You Invest has offered users 100 free stock trades a year, which can also scale up based on account size and level of service they have with Chase.

'The transaction isn't obvious'

Traditional discount brokers may earn a commission on trades they handle, although that is under pressure industry-wide with apps like Robinhood offering free trades. But brokers can also earn revenue from things like an interest spread on client cash accounts, lending client shares, and from channeling clients' orders through certain traders.

That income amounts to unquoted costs for the customer, Grujic said. And so instead, All of Us would set a maximum fee — 50 basis points — based on the size of a customer's portfolio that reflects all of those kinds of costs.

And All of Us will refund to customers anything that it takes in over that 50-basis-point benchmark. As an example, the fledgling firm says a member with a $100,000 account would generate a maximum of $500 annually for the company, inclusive of the various revenue streams.

"Those revenue streams are fine, but they're hard to understand," Grujic said. "The transaction isn't obvious. You don't pay that, so you don't know that is your revenue stream."

In particular, selling customers' buy-and-sell orders to sophisticated high-frequency traders, a practice known as payment for order flow, has come into the spotlight. While the practice is completely legal and not uncommon in the space — E-Trade, Schwab and TD Ameritrade all do it — it is not something that is directly reflected in a commission price tag seen by the customer.

Robinhood, which charges no trading fees, in particular has drawn criticism for not fully explaining the practice to users. Payment for order flow was more than 40% of Robinhood's total revenue, Bloomberg has reported. Robinhood founder Vlad Tenev eventually addressed the topic directly via a blog post in October 2018, d that the practice affects prices and saying Robinhood sells order flow to the firm that is most likely to give you the best execution quality.

Grujic said All of Us plans to reimburse a third of what it generates for selling its order flow directly back to customers, and potentially more later in the year as long as it covers its 50-basis-points fee.

"Everything is becoming free in trading because it actually is something that gets paid for by market-makers," Grujic said. "There is value to that order flow, and it's been monetized. The reason is it's coming down to zero is because there is actually money being made on it."

As firms have pushed to charge less, or nothing at all, they've been forced to lean more heavily on other revenue streams, or create new ones altogether.

"Forget about trying to explain it in detail. Let's post right on our platform how much we make in our customers in revenue," Grujic said.

Discount brokers have been under even more pressure as US interest rates fall. Charles Schwab, which has also been making moves to expand advisory services and is set to close its acquisition of USAA next year, is cutting 600 jobs, and that comes on the heels of an executive shakeup and restructuring first reported by Business Insider. Earlier this month, we reported some more exec departures in its retail arm as those job cuts take hold, as well as the exit of a prominent markets analyst.

TD Ameritrade and E-Trade have seen executive shakeups at the very top, with CEO departures announced within weeks of each other this summer.