

**MEMO# 31956**

September 10, 2019

## **SEC Delays Compliance Date for Certain Order Handling Disclosure Rules**

[31956]

September 10, 2019 TO: ICI Members

Equity Markets Advisory Committee SUBJECTS: Trading and Markets RE: SEC Delays  
Compliance Date for Certain Order Handling Disclosure Rules

In November of 2018, the Securities and Exchange Commission (“SEC”) amended its order handling disclosure rules to provide more meaningful information to market participants.<sup>[1]</sup> The new rules will require broker-dealers to make more detailed disclosures about their order handling practices generally. They also will require a broker-dealer to make standardized, comprehensive disclosures about its handling of an institutional investor’s not-held orders at that investor’s request.<sup>[2]</sup> Initially, broker-dealers were scheduled to begin complying with the new disclosure requirements on May 20, 2019, but the SEC extended the deadline to October 1, 2019.<sup>[3]</sup>

Last week, the SEC issued an order again extending the compliance date for certain provisions of the new rules in response to a letter from industry groups asking for more time to ensure meaningful compliance.<sup>[4]</sup> The SEC has determined that a temporary extension is necessary and appropriate in the public interest and is consistent with the protection of investors. The SEC believes that additional time will allow the industry to complete implementation, ultimately allowing broker-dealers to provide customers with consistent, complete, and accurate reporting under Rules 606(a) and 606(b)(3) of Regulation NMS.

Rule 606(a) requires broker-dealers to make public, aggregated disclosures of their customer order routing activity on a quarterly basis. The SEC’s order extends the compliance date for this rule until January 1, 2020. Under the order, the public report of first quarter 2020 data is required by April 30, 2020.

Rule 606(b)(3) requires a broker-dealer to provide, upon request of its customer, specific disclosures related to the routing and execution of the customer’s NMS stock orders submitted on a not held basis for the prior six months.<sup>[5]</sup> The length of the extension for 606(b)(3) compliance differs based on whether a broker-dealer is engaged in self-routing activity or outsourced routing activity.

- **Rule 606(b)(3) for Broker-Dealers Engaged in Self-Routing Activity.** A broker-dealer engaged in self-routing activity is exempt until January 1, 2020, from the

requirement to start collecting the data required by Rule 606(b)(3). Self-routing activity, for the purposes of this exemption, occurs when a broker-dealer receives a customer's order and routes it to venues using its own systems.

- **Rule 606(b)(3) for Broker-Dealers Engaged in Outsourced Routing Activity.** A broker-dealer engaged in outsourced routing activity is exempt from the requirement to start collecting the Rule 606(b)(3) data until April 1, 2020. Outsourced routing activity occurs when a broker-dealer receives a customer's order and uses systems of another broker-dealer to route it to venues.

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#### endnotes

[1] Disclosure of Order Handling Information, Securities Exchange Act Release No. 84528 (November 2, 2018), *available at* <https://www.sec.gov/rules/final/2018/34-84528.pdf>. For a comprehensive summary of the amendments, see ICI Memorandum No. 31488 (November 19, 2018), *available at* [https://www.ici.org/my\\_ici/memorandum/memo31488](https://www.ici.org/my_ici/memorandum/memo31488).

[2] See Rule 606 under Regulation NMS, 17 CFR §242.606.

[3] 84 Fed. Reg. at 18136 (April 30, 2019), *available at* <https://www.govinfo.gov/content/pkg/FR-2019-04-30/pdf/2019-08675.pdf>. See ICI Memorandum No. 31744 (May 2, 2019), *available at* [https://www.ici.org/my\\_ici/memorandum/memo31744](https://www.ici.org/my_ici/memorandum/memo31744).

[4] See Order Granting Application by The Financial Information Forum and Security Traders Association for an Exemption Pursuant to Rule 606(c) of Regulation NMS Under the Exchange Act from Certain Requirements of Rule 606 of Regulation NMS Under the Exchange Act (September 4, 2019), *available at* <https://www.sec.gov/rules/exorders/2019/34-86874.pdf>.

[5] Typically, a “not held” order provides the broker-dealer with price and time discretion in handling the order.