

**MEMO# 30268**

September 26, 2016

# **ICI Submits Comment Letter to SEC on Proposed Rules to Improve Disclosure of Institutional Order Handling Information**

[30268]

September 26, 2016

TO: EQUITY MARKETS ADVISORY COMMITTEE No. 35-16  
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 42-16  
SEC RULES MEMBERS No. 52-16 RE: ICI SUBMITS COMMENT LETTER TO SEC ON PROPOSED RULES TO IMPROVE DISCLOSURE OF INSTITUTIONAL ORDER HANDLING INFORMATION

ICI has submitted a comment letter in response to a rule proposal by the Securities and Exchange Commission ("SEC" or "Commission") that for the first time would require broker-dealers to disclose certain information about their handling of institutional orders.[\[1\]](#) The proposal would provide funds and other investors with order handling information in two ways. First, it would provide a specific institutional investor with more than 20 discrete pieces of information about the routing and execution of its "institutional orders" for a period of up to six months.[\[2\]](#) In an effort to allow institutional investors to determine how routing strategies perform at different trading centers, the proposal would require broker-dealers to categorize the required data elements according to the trading center and order routing strategy used. Second, the proposal would require broker-dealers to make public reports describing their handling of institutional orders on an aggregated basis.

The proposal incorporates most of the standardized disclosure template that ICI (along with other trades) developed and submitted to the SEC in 2014 to provide a broad range of statistical data regarding a broker's handling of a specific customer's orders, along with the execution quality achieved by the broker at each execution venue. As a result, ICI strongly supports the adoption of the proposal and requests that the SEC finalize the rule as quickly as possible.

Our letter address four aspects of the proposal. First, we explain how the proposal will benefit funds and their shareholders by providing institutional investors with greater insights into broker-dealer order handling practices. Second, we recommend that the Commission expand the definition of "institutional order" to encompass all orders submitted by institutional investors, instead of those for at least \$200,000. Third, we request that the Commission modify the organization of the proposed order handling disclosures to require broker-dealers to classify their order routing strategies using objective criteria, rather than

predictions of how an algorithm will behave. Fourth, we suggest certain refinements to the proposal that would improve the usability of reported data for funds and other institutional investors.

Jennifer S. Choi  
Associate General Counsel

George M. Gilbert  
Counsel

## [Attachment](#)

### **endnotes**

[1] Disclosure of Order Handling Information, Securities Exchange Act Release No. 78309 (Jul. 13, 2016), *available at* <https://www.sec.gov/rules/proposed/2016/34-78309.pdf>. For a summary of the proposal see ICI Memorandum No. 30052 (Jul. 19, 2016), *available at* [https://www.ici.org/my\\_ici/memorandum/memo30052](https://www.ici.org/my_ici/memorandum/memo30052).

[2] An "institutional order" would be an order to buy or sell an NMS stock that is not for the account of a broker or dealer and is an order for a quantity of an NMS stock having a market value of at least \$200,000.

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.