

MEMO# 28390

September 23, 2014

Order Routing And Execution Quality Disclosure Template

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TO: SECURITIES OPERATIONS ADVISORY GROUP RE: ORDER ROUTING AND EXECUTION QUALITY DISCLOSURE TEMPLATE

Over the past year, members have expressed an increased interest in gaining a more in depth view of how their brokers route their equity market orders, the potential conflicts of interest brokers face, and the execution quality provided by the different brokers and trading venues. Specifically, members supported increasing the level of transparency around equity market structure in general and execution quality in particular, including through better disclosure of statistical data regarding order routing and execution. Some order routing and execution quality statistics are currently made available through broker-dealers' public reports under Rules 605 and 606 of Regulation NMS as well as ad hoc reports that brokers prepare in response to individual requests. These reports, however, may not be as complete or useful as they could be and are not presented in a uniform manner that allows for easy comparison across different brokers and venues.

In response to these concerns, ICI organized a transparency initiative industry working group – including representatives of investment managers, broker-dealers, exchanges, and regulators – to achieve broad industry consensus. The working group was tasked with developing, among other things, a standardized disclosure template that each broker would provide to their clients. The disclosure would provide a broad range of statistical data regarding the broker's handling of a specific customer's orders.

The working group has produced an order routing and execution quality disclosure template, which is attached. The template would provide clients of broker-dealers, including funds and their managers, with standardized information about their broker-dealers' order routing practices and execution quality. The standardized information is intended to provide data for further analysis and to help begin a dialogue between clients and their broker-dealers about order routing practices.

While the working group was preparing the template, SEC Chair White announced plans for significant enhancements to the current equity market structure. In particular, Chair White asked the SEC staff to prepare a recommendation to the Commission for a rule that would enhance order routing disclosures. We hope that adoption of this template by the industry

will inform (or may diminish the need for) such a rule. We plan to provide the SEC staff with the template as the product of collaboration among a broad segment of industry participants. In addition, FINRA has adopted, and is considering additional, new rules that would increase the transparency surrounding dark pool trades and other off-exchange trading.

If you have any questions or concerns about the template, please do not hesitate to contact us. Please provide any comments you may have on the template by October 3.

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[Attachment](#)

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