

NEWS RELEASE

September 26, 2016

SEC Order Handling Information Proposal Will Benefit Funds and Shareholders

SEC Order Handling Information Proposal Will Benefit Funds and Shareholders

ICI Urges Quick Adoption of the Rule Change with Slight Modifications

Washington, DC, September 26, 2016—The US Securities and Exchange Commission (SEC) should act quickly to adopt a new rule to enhance investor access to information about the order handling practices of broker-dealers, the Investment Company Institute (ICI) said today in a [comment letter](#). ICI's letter details how the proposal will benefit funds and their shareholders and suggests a few refinements to the proposal to improve the usability of the data produced by the new rule.

"Fund managers need access to uniform, comprehensive information on how their orders are executed," said ICI Associate General Counsel Jennifer Choi. "This proposal will significantly enhance fund managers' oversight of the execution quality of their orders and help deliver even better long-term returns to fund shareholders."

The SEC's rule proposal revises Regulation National Market System (NMS) rule 606 to require broker-dealers to provide more detailed order routing and execution information to institutional investors and to file public reports on their order handling activities on an aggregated basis.

ICI strongly supports the underlying rules change, and provides the SEC with a few recommendations to improve the rulemaking. Importantly, the SEC's proposal would only apply the institutional order handling disclosures to "institutional orders"—those that have a market value of at least \$200,000. ICI believes this definition would omit many orders from funds and other institutions from the proposed disclosures, based on an SEC analysis that found that 83.2 percent of orders submitted by "institutions" are smaller than \$200,000. Using a dollar amount threshold for the rule would leave funds to engage in individualized negotiations to obtain basic order handling information from their brokers, ICI warns.

Instead, ICI recommends adopting a definition of *institutional order* that would apply to all orders—regardless of size or dollar amount—that an institutional customer submits to its

brokers. ICI believes that brokers can designate an order as institutional according to the type of customer that submits the order, rather than designating an order based on whether it exceeds the dollar threshold. (See page 3 of ICI's [letter](#) for more information on this, and other recommendations conveyed to the SEC.)

Background on Enhanced Order Handling Information

In 2014, ICI spearheaded efforts to develop a standardized disclosure template that each broker would provide to its institutional clients. The template was intended to provide a broad range of statistical data regarding the broker's handling of a specific customer's orders, along with the execution quality achieved by the broker at each execution venue. ICI, along with other trade associations, submitted [this template to the SEC](#) to assist the staff in its rulemaking in this area.

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.