

SEC Rule 606: Disclosure of Order Routing Information



Overview of Rule and Quarterly Public Reporting Requirements

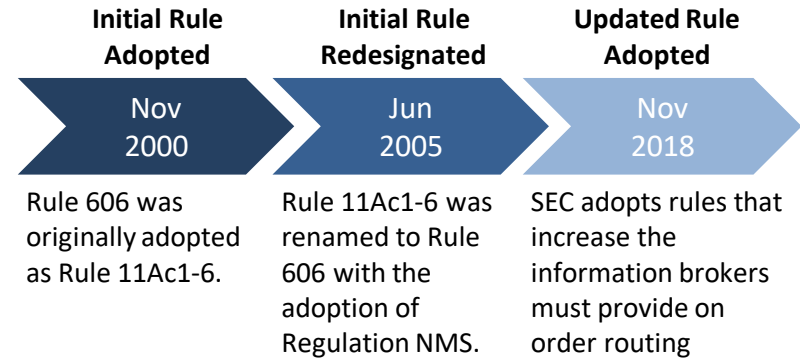
Regulation Overview

SEC Rule 606 requires broker-dealers to provide disclosure on its order routing practices. It contains two key responsibilities of broker-dealers to:

1. Provide public quarterly reports on their routing of non-directed orders in NMS securities, and
2. Provide customers, upon request, customer-specific order routing information.

These disclosures are aimed to help customers assess the impact of broker-dealers' order routing decisions on the quality of their executions, uncover any risks of information leakage and potential conflicts of interest. The customer-specific reporting so to help customers that submit not held orders to better understand how their orders are routed and handled by their broker-dealers.

Regulatory Timeline



Quarterly Report on Order Routing

Each broker-dealer shall make publicly available on an internet website a report for each calendar quarter covering (i) its routing of non-directed orders in NMS stocks that are submitted on a held basis and (ii) non-directed customer orders in NMS securities that are option contracts. The reports shall be available within 1 month after the end of the quarter in XML format and include the following information:

Percentages of Non-Directed Order Types

- The percentage of total orders for the section that were non-directed orders, and
- The percentages of total non-directed orders for the section that were market orders, marketable limit orders, non-marketable limit orders, and other orders.

Identification of Most Used Execution Venues

- The 10 venues to which the largest number of total non-directed orders were routed for execution, and
- Of any venue to which 5% or more of non-directed orders were routed for execution, the percentage of total non-directed orders, non-directed market orders, non-directed marketable limit orders, non-directed non-marketable limit orders, and non-directed other orders that were routed to the venue.

Identification of Payment for Order Flow Received

For each of the most used venues, the net aggregate amount of any payment for order flow received, payment from any profit-sharing relationship received, transaction fees paid, and transaction rebates received for each non-directed order type: (i) market orders, (ii) marketable limit orders, (iii) non-marketable limit orders, and (iv) other orders.

Identification of Potential Conflicts of Interest

A discussion of the material aspects of the broker-dealer's relationship with each of the most used venues. This is to include a description of any arrangement for payment for order flow and any profit-sharing relationship and a description of any terms of such arrangements, written or oral, that may influence a broker-dealer's order routing decision. It is to also include incentives and disincentives for hitting order flow thresholds, volume-based tiered payment schedules, and agreements of minimum order flow the broker will send to the venue.

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Requirements for Customer Requests for Order Routing Information

Disclosure to Customers of Execution Venue of Customers Orders

Every broker-dealer shall, on request of a customer, disclose to its customer:

1. The venue to which the customer's orders were routed for execution in the prior six months,
2. Whether the orders were directed orders or non-directed orders, and
3. The time of the transactions, if any, that resulted from such orders.

This disclosure applies for orders in NMS stocks that are submitted on a held and not held basis, as well as orders in NMS securities that are option contracts. The broker-dealer shall notify customers in writing at least annually of the availability of such a report upon request.

Detailed Disclosure to Customers of Order Handling

Every broker-dealer shall, on request of a customer that has submitted orders in NMS stocks on a not held basis, disclose to the customer within seven business days of receiving the request, a report on its handling of such orders for that customer for the prior six months.

Broker-dealers are not required to provide this customer report if, over the prior six months:

- The percentage of shares of not held orders in NMS stocks the broker-dealer received from its customers over was less than five percent of the total shares in NMS stocks the broker-dealer received from its customers during that time, or
- The customer traded a monthly average of less than \$1,000,000 notional value of not held orders in NMS stocks through the broker-dealer.

The report is to include information for each venue to which the broker-dealer routed such orders for the customer, in the aggregate:

Information on Order Routing	(A) Total shares routed; (B) Total shares routed marked immediate or cancel;	(C) Total shares routed that were further routable; and (D) Average order size routed.
Information on Order Execution	(A) Total shares executed; (C) Average fill size; (E) Total number of shares executed at the midpoint; (G) Total number of shares executed that were priced on the side of the spread more favorable to the order; (H) Percentage of total shares executed that were priced at the side of the spread more favorable to the order; (I) Total number of shares executed that were priced on the side of the spread less favorable to the order; and (J) Percentage of total shares executed that were priced on the side of the spread less favorable to the order.	(B) Fill rate (shares executed divided by shares routed); (D) Average net execution fee or rebate; (F) Percentage of shares executed at the midpoint;
Information on Orders that Provided Liquidity	(A) Total number of shares executed of orders providing liquidity; (B) Percentage of shares executed of orders providing liquidity; (C) Average time between order entry and execution or cancellation, for orders providing liquidity; and (D) Average net execution rebate or fee for shares of orders providing liquidity.	
Information on Orders that Removed Liquidity	(A) Total number of shares executed of orders removing liquidity; (B) Percentage of shares executed of orders removing liquidity; and (C) Average net execution fee or rebate for shares of orders removing liquidity.	

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