HEALTHY MARKETS
TRANSPARENCY & TRUST

Statement of Christopher Nagy
Before the Equity Market Structure Advisory Committee of the
Securities and Exchange Commission
August 2, 2016

Chair White, Commissioner Stein and Commissioner Piwowar, and members of the the Equity Market Structure Advisory Committee, thank you for inviting me here to speak with you today.

I am speaking with you as a Director of the Healthy Markets Association, an investor-focused non-profit association that works to educate market participants and policymakers on market structure issues.[1] My remarks today are mine, and are not necessarily those of the members or funders of Healthy Markets.

BACKGROUND

I have long worked to improve brokers' disclosures about how they handle investors' orders. When the SEC adopted the forerunner to Rule 606,[2] almost exactly 16 years ago, I was deeply involved with the proposal. When it was adopted later that same year[3] (an almost unthinkably fast pace by today's standards), I was extremely optimistic about what value these reports would have on the markets. And I witnessed first hand the impact of the reports on competition and behavior in the marketplace.

Back then, I worked at Ameritrade. Since then, I have co-founded KOR Group, a market structure consulting and analysis firm, that I still run. I have prepared these reports, and I regularly gather and analyze data from them. Today, at Healthy Markets, we help our members analyze and make sense of them.

When Rule 11Ac1-6 was first adopted (what is now Rule 606), it promoted competition and best execution. It allowed firms to perform their regular and rigorous reviews of execution quality, and it helped them compare themselves to their peers. It also gave investors information about how certain brokers generally routed orders. Investors and brokers changed behavior based on what they saw.

Unfortunately, father time is undefeated. Over time, the content and delivery of the information provided by these reports has become decreasingly useful. Today, Rule 606 reports are nearly entirely obsolete. Much of this obsolescence is because of the fundamental changes in how securities are traded over the past two decades. There are more exchanges, more dark pools,

[1] Healthy Markets is an investor-focused not-for-profit coalition working to educate market participants and promote data-driven reforms to market structure challenges. Our members, who range from a few billion to hundreds of billions of dollars in assets under management, have come together behind one basic principle: Informed investors and policymakers are essential for healthy capital markets. To learn more about Healthy Markets, please see our website at

and more ways to trade. Order handling practices and order types have changed. Time horizons have shrunk.

I have followed these trends, and have offered comments and analysis all along the way, even as I have changed my role in the markets. And I have not been surprised by another new change: the exacerbation of conflicts of interest in order routing.

Amidst all of this change in order routing behavior, opportunities for abuse have arisen. Institutional and retail investors have been left to question whether their brokers are routing orders to venues most likely to achieve the best fills, or instead sending their orders to the venues that maximize the brokers' profits. These concerns have been highlighted by academic research, press reports of regulatory investigations, best-selling books, and even US Senate hearings.

I believe that revised reporting requirements under Rules 605 and 606 could expose abusive practices, and go a long ways towards eliminating them. Investors, both retail and institutional, deserve to know how their orders are being handled and executed. Reforms to Rule 606 could go a long way towards making that happen. I have been banging this drum for over a decade, and I'm ecstatic that the SEC is finally exploring ways to improve these once-valuable reports. I am also deeply honored to be speaking with you today as you consider recommendations on improving brokers' disclosures on order handling.

Before I begin my substantive remarks on the SEC's and your draft proposals, I also want to point out that Healthy Markets has proposed our own reforms, which I will attach as Exhibit 1.[4] Many of our recommendations are similar to those outlined by the Commission, as well as your draft recommendations. Some are not.

Some of the key elements from the Healthy Markets proposal for Rule 606 include:

- Improving report accessibility and industry coverage, such as by:
  - Centralizing reports from all parties in one location;
  - Standardizing the identification of venues;
  - Including historical reports;
  - Removing listing distinctions;
  - Publishing reports in a machine-readable format; and
  - Creating a consistent reporting template;
- Expanding the universe of covered orders and reporting firms, such as by:
  - Requiring 100% of orders to be included, including odd lots, marketable limit orders as their own category, canceled orders, IOCs, and all orders at the open and close;
  - Including directed orders as separate category; and

[4] Healthy Markets Association, *SEC Rule 605/606 Reform, available at* http://static1.squarespace.com/static/5576334ce4b0c2435131749b/t/56d0bdb4b09f95cc0f323de2/1456520638872/Healthy+Markets+605+and+606+Reforms.pdf.

    - Require any firm routing orders to publish 606 reports (e.g. exchanges, brokers, etc.);
- Adding new, more descriptive metrics, such as:
    - Venue-level information, including fill rates, payments and charges (separately, as opposed to on a net basis), and basic execution quality statistics such as average execution time, quoted spread, realized spread buckets and price improvement statistics; and
    - Intermediary routing information for orders routed by an intermediary.[5]

Lastly, and perhaps most importantly, the SEC's proposal that was released just a few weeks ago and is 309 pages long, contains many complex questions and far-reaching implications. While I noticed that it seems to cite to me quite a bit, I'm not yet confident I fully understand all of the real-world implications of it. In the weeks ahead, I expect to work with my colleagues and members of Healthy Markets to develop far more detailed thoughts, which we expect to offer as comments to the proposal.

SEC PROPOSAL IS OVERDUE, BUT FLAWED

We at Healthy Markets agree with the objectives of the rule. We agree that investors should be entitled to standardized order handling information so that they can better assess the impact of their brokers' order routing decisions.[6] And we also agree that public disclosure of aggregated order handling information could assist market participants in comparing brokers and perhaps even enable some level of peer analysis.[7]

We further believe that the proposed rule could restore Rule 606 reports as valuable tools in assisting investors, academics, and other firms with understanding how investors' orders are handled and executed. We also believe that properly constructed 605 and 606 reporting could promote transparent competition and behavior changes by participants.

That said, we wish to point out that the proposal also has some flaws that, if not properly remedied, may severely undermine its efficacy. I will also explain areas of the rule that may be essential, as well as other areas for potential improvement.

The Proposal Ill-Advisedly Distinguishes Between "Institutional" and "Retail" Orders

The Commission proposes to dramatically expand the coverage of Rule 606 reporting, but it would also create a new distinction between "institutional orders" and "retail orders". To do this, it would create a new definition for a class of order of $200,000 or more, which it calls an "institutional order." It would then re-designate the term "customer order" to be "retail order".

[5] Id. Notably, many of these proposals are included in the EMSAC draft recommendations.
[6] 81 Fed. Reg. 49434 (Jul. 27, 2016).
[7] Id.

Brokers would be subject to alternative reporting obligations for these purportedly different types of orders.

We believe the SEC should abandon this artificial distinction and apply its proposal equally to all investors. Investors of all types and sizes deserve to know how their orders are handled. Worse, this misguided dichotomy between retail and so-called institutional is also poorly implemented.

Proposed Reporting Requirements

For "institutional" customers, brokers would have to, upon request, provide each institutional customer with information related to their "institutional" orders for the prior 6 months, broken out on a monthly basis. That information would include:

- The handling of the customer's institutional orders at the broker-dealer;
- the routing of the customer's institutional orders to various trading centers;
- the execution of those orders, and the quality of execution;
- the extent to which such orders provided liquidity or removed liquidity, and
- the average transaction rebates received or fees paid by the broker-dealer. This information would be provided for each venue, and would further be divided into passive, neutral, and aggressive order routing strategies.

Brokers would then have to provide that information on an aggregated basis on their public websites for a period of at least 3 years.

For "retail orders", the SEC would:

- require limit order information to be split into marketable and non-marketable categories;
- require more detailed disclosure of the net aggregate amount of any payments received from or paid to certain trading centers;
- require broker-dealers to describe any terms of payment for order flow arrangements and profit-sharing relationships with certain venues that may influence its order routing decisions;
- require that broker-dealers keep retail order routing reports posted on an Internet Web site that is free and readily accessible to the public for a period of three years from the initial date of posting on the Internet Web site; and
- eliminate the requirement to group retail order routing information by listing market.

Concerns with Proposed Bifurcation of "Institutional" and "Retail" Orders

At a basic level, the SEC's rules should inform and protect investors, regardless of their order size. While the apparatus surrounding the execution of so-called retail orders has evolved differently than the apparatus for trading of large institutions' orders, the results should be the same for both: best execution. Both types of investors deserve to know how their orders are routed and executed.

Further, the arbitrary distinction misses two key facts of the modern marketplace. First, a large number of smaller institutional investors may trade through retail brokerage channels which they use for order execution and custody. These institutions, who have the same obligations and responsibilities as their larger brethren, should not be denied access to the same important information as their larger peers. This would put these thousands of smaller firms at a significant competitive and regulatory disadvantage with respect to their ability to fulfill their best execution obligations.

Second, and perhaps just as importantly, the SEC's proposed distinction assumes that large institutional investors send relatively large orders to their brokers, such as the large block trades common in decades gone by. While some of this still occurs, the instances are far less than in years past. Many of the most sophisticated investors zealously seek to protect their customer information from being potentially misused by not sending larger orders to any one broker. Instead, they may often feed brokers smaller orders at a time, or simultaneously utilize more than one broker in advanced order routing strategies to avoid information leakage and higher trading costs. In an age where brokers' smart order routers slice and dice larger orders to feed out into the markets for execution, many investors themselves are slicing and dicing orders before sending them to their brokers. These orders may often be individually less than $200,000, and so they would not be treated as "institutional orders" under the proposed rule. Even further, investors may seek to deliberately avoid being identified as "institutional orders", and so may use this arbitrary distinction as a way to do that.

We firmly believe that any share or dollar-based distinction between customer order types is fraught with these perils, which are likely to make the resulting report of limited utility. Again, I urge the SEC and the EMSAC to not go down this path. While the EMSAC recommendations are currently silent on this issue, I urge you to not be.

If the "retail" brokerage community and their wholesaler service providers insist on some distinction because they argue that they are currently incapable of providing this basic information to customers, then we would encourage some alternative method. One method that the SEC discussed in the proposal could be to distinguish the orders based on whether the entity submitting the order is registered as an investment adviser. In this regard, I note that thousands of advisers, with as much as $100 million or more in assets may not be registered with the SEC.[8] This suboptimal solution seems to at least avoid some of the negative consequences of an order size distinction, and could include state registration as another factor to improve the effectiveness of this categorization.

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[8] Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, thousands of smaller investment advisers were pushed out of the SEC regulatory system into the states' regulatory regimes. At the same time, larger advisers were compelled to register with the SEC. The net effect was that the total number of SEC-registered advisers decreased while the assets under management for registered advisers increased. See, e.g., SEC Division of Investment Management, *Dodd Frank Act Changes to Investment Adviser Registration Requirements*, (as of Jan. 2013), *available at* https://www.sec.gov/divisions/investment/imissues/df-iaregistration.pdf.

However, in any of these sub-optimal scenarios, I would hope that the EMSAC and SEC would consider mandating at least the same level of information for "retail" orders as was provided pursuant to the Financial Information Forum "FIF" voluntary program, and would include several other metrics in the disclosure as well.[9] I would also urge that the EMSAC and SEC ensure that in any definition of "retail orders" that 100% of order flow is included in the report. This would mean expanding the definition of retail order, and breaking out "directed orders" into a separate category.

The Proposal Does Not Adequately Remedy Concerns with the Structure, Format and Location of 605/606 Reports

Perhaps one of the greatest challenges to anyone seeking to analyze and review 606 and 605 data is the decentralized nature of the current disclosure requirement. The lack of a central repository for the data makes it all but impossible for investors and academics alike to scour websites to locate the data if they don't have a comprehensive understanding of the known universe. Even then, reports are often buried within a particular firm's website and difficult to locate. Furthermore, limited historical data is readily available. I appreciate the EMSAC's preliminary recommendation on this point, and agree.

Investors or other parties should not have to scour dozens, or even hundreds, of websites to find the information they need. Brokers, and increasingly investors, are likely to want to use this information as part of their best execution review practices. However, by leaving this information scattered to the corners of the internet, the laudable goal is rendered nearly impossible for all but the most well-resourced firms. If we go to the trouble of requiring reports, we should take the next step to make sure investors, brokers, academics, and the public can find and use them.

One possibility could be to centralize reporting in a manner similar to how FINRA recently began publishing ATS and OTC statistics. We believe the rule should require mandatory reporting to a centralized database. This would aid consumers, researchers and academics. We believe that with centralized reporting, many problems such as incorrect or missing data would be easily spotted and corrected.

[9] FIF sought to enhance 605 and 606 disclosures on a retail level by providing voluntary metrics that would enable consumers to compare basic quantitative measurements across retail broker/dealers. The FIF voluntary program created standard voluntary metrics to allow comparisons across brokers and internalizing market making firms. FIF's program created two templates for firms to utilize. The broker template can be found at https://fif.com/images/Retail_Execution_Quality_Statistics/FIF_Rule_605-606_WG_-_Retail_Execution_Quality_Stats_Retailer_Template.pdf and the wholesale market making template can be found at https://fif.com/images/Retail_Execution_Quality_Statistics/FIF_Rule_605-606_WG_-_Retail_Execution_Quality_Stats_Wholesaler_Template.pdf. The information provided by this program is incredibly valuable, even if participation in it is very limited. Regrettably, FIF's voluntary program has gained limited acceptance with just three retail brokers and three wholesale market-making firms providing data.

The concerns with misleading and erroneous reports cannot be overstated. Data without explanation is often close to useless, and is prone to misuse or misinterpretation. That is why one simple change could be to have header information in Rule 605 reports.

But the accuracy of 606 reports continues to remain a concern. As I discussed in one of my letters on the SEC's Concept Release on Equity Market Structure[10], many firms omit information from the reports, incorrectly display information or provide incorrect links to the data. In fact, of the 397 firms I reviewed in 2010, I found only 22% of those firms were accurately meeting their disclosure requirements.[11] Even as I prepared for my testimony today, I found firms with incorrect links to the report or old and obsolete naming conventions. By centralizing reports, data problems could be far more easily identified and remedied.

The Proposal Is Insufficiently Flexible to Evolve with Industry and Regulatory Expectations

Essentially, the proposal appears to address many of the obvious shortcomings of the existing reporting requirements. But it does so in a static way, which does not provide for further enhancement or improvement in the years ahead.

We believe it is important for the Commission to recognize that, as well as specific reporting requirements are structured today, they will be quickly outpaced by both technological advancements and regulatory expectations. Trading systems will continue to evolve, as will industry practices. Some of those changes may even come as a result of enhanced order routing disclosures.

I would like to remind you and the SEC that the current 606 reports were of far greater utility 16 years ago than they are today. And so it will be with the current obligations, unless something changes. Unfortunately, the proposed rule would cement specific obligations that may be useful today but could become outdated in the years that follow.

Industry best practices and regulatory expectations also change over time. For example, amidst improved transparency and analytical tools, FINRA declared in November 2015 that: "[g]iven developments in order routing technology, order-by-order review of execution quality is increasingly possible for a range of orders in all equity securities and standardized options."[12] It further suggested instances where order-by-order analysis may be appropriate.

Many investors are increasingly looking to perform comprehensive analyses, such as "parent-to-broker-to-algo-to-venue" analyses. But, as the Commission recognizes in the proposal, investors are having an increasingly difficult time assessing their trade impact and receiving both specific firm information and peer information about their order characteristics.

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[10] Letter from Christopher Nagy, TD Ameritrade, to Elizabeth Murphy, SEC, (Apr. 21, 2010), *available at* https://www.sec.gov/comments/s7-02-10/s70210-124.pdf.

[11] Id., at 6.

[12] FINRA 15-46.

Further, only the largest, most sophisticated firms are likely to have the resources to perform such analysis in today's environment.

This is exacerbated by the proposed requirement that customer specific information would only be provided to customers upon request. We believe this information should be sent periodically to investors, rather than on an ad hoc user-requested basis. Without this requirement, smaller investors may be not benefit from this new information. They may not even know to ask.

To ensure that the reports remain relevant, and to promote competition, we urge the SEC to consider, and you to consider recommending, that Rule 605 and 606 reports be reframed to allow for tweaks over time and require periodic reporting to customers of their order handling. We further urge the SEC to fulfill its retrospective review mandate, and periodically review these rules.

Finally, we believe that one way to alleviate this concern could be to require brokers to provide their clients' raw order routing data upon request, including parent orders, child orders and executions. Today, buyside firms face significant difficulty and inconsistent responses from brokers when they request this data, often getting less detail than they need or no data at all. Mandating disclosure of this data would allow participants to stay on top of any technological or order routing changes without relying on a regulatory process to update rules that can take years to catch up.

Specific Issues for Further Consideration

Indications of Interest

One such issue that I wish to highlight is the treatment of indications of interest. At a high-level, we support the proposal to include disclosures and statistics for all IOIs by broker-dealers. However, these IOIs (actionable and non-actionable) should be reported separately from orders. The execution quality and routing characteristics of IOIs are fundamentally different from normal parent and child orders, and must be reported separately for investors to properly analyze how orders are being handled. Otherwise, the IOIs could generate a lot of potentially misleading information. Finer points regarding orders could be lost in the noise, and investors would likely lose a lot of the value of improved reporting.

Machine Readable Format

We applaud the SEC for proposing that firms publish data in a machine-readable format. The Commission has elected to use the XML format, which might be expected, given that this format is used for other machine-readable disclosures. We would encourage the Commission to remain flexible enough to evolve with technological advancements and changes. For example, while XML is currently common, its history is decades old and it is considered a legacy technology. Many firms have moved (or are moving) to more flexible standards, such as JSON. JSON may be more easily integrated into modern analytics platforms, and we suspect some brokers and investors might prefer using it rather than XML. Again, while we do not yet have a formal opinion, we think the Commission should preserve flexibility to ensure that the reports evolve with technology.

Order Routing Strategies

The SEC has proposed to categorize institutional disclosures under different order routing strategies - passive, neutral and active. This strikes us as an imperfect, yet reasonable categorization. However, we worry that imprecise, non-quantitative categorization may lead to disparate categorization amongst brokers and an inability to compare them, and compare individual brokers over time. Instead, we would encourage the Commission to make this categorization as quantitative as possible, either by using a metric such as the active-to-passive ratio (which is implicitly what is being done), or at least mandating that categorization be quantitative rather than qualitative. That would facilitate greater disclosure for users of those strategies, and a much more consistent means of comparison across brokers and over time. It should also help prevent the misclassification that the Commission is concerned about.

Disclosure Metrics

We applaud the Commission for driving the integration of order routing and execution quality metrics in both the individual and aggregate institutional reports. While we believe that metric reporting should be unified between institutional and retail to the extent possible (and the distinction between the two eliminated or improved), we believe this is an important step forward. That being said, we have multiple concerns about the form these recommendations have taken.

Institutional Execution Quality Metrics

We believe the execution quality metrics for institutional orders are missing some important measurements. For both passive and aggressive orders, a spread capture[13] metric would go a long way to complementing the Commission's requirements around midpoint reporting, and the reporting of the number of orders executed at better than the midpoint. This metric helps to quantify price improvement, and the extent to which some venues provide more or less (and the relation thereof to fee structure). This need is exacerbated by the fact that there are no execution quality metrics tied to aggressive orders (except for fill rate).

Retail Execution Quality Metrics

We would like to see similar execution quality metrics provided to retail customers as per our above suggestion that the FIF reports should form the baseline. These disclosures include, by market center: at or better, price improvement, average savings per order and average execution speed. We further believe that the disclosure of effective-over-quoted to be an important metric given its usage by retail brokers in order routing determinations.

[13] Spread capture measures the execution price relative to the NBBO. A value equal to 0% indicates the trade occurred exactly at the best aggressive price (none of the spread was captured), which a value equal to 100% indicates the opposite, that the trade occurred at the 'far touch' (all of the spread was captured). Midpoint executions would be 50%.

Disclosure of Net Execution Fee or Rebate and Other Routing Inducements

Once again, we fully support many of the Commission's recommendations regarding the disclosure of fees, rebates and other order routing arrangements. We also would prefer to see a unified rule across both institutional and retail disclosures. That being said, if the Commission insists upon a bifurcation of institutional and retail, we want to ensure the final rule is as effective as possible.

Institutional Fee/Rebate Disclosures

We support disclosure of the net execution fee or rebate and believe the benefit to investors will be worth the effort required by broker-dealers to track this information. Furthermore, given that some broker-dealers offer fee pass-through arrangements (known as Cost-Plus), we believe the capabilities are in the industry to track this information.

Retail Fee/Rebate and Order Routing Disclosures

We support the disclosure of any agreements, written or oral, that may influence a broker-dealer's order routing decision, and believe the inclusion of the term "oral" to be a critical stipulation, as many of these agreements (or the details thereof) may not be written. We also support the disclosure of the non-exhaustive list of terms of a payment for order flow or profit-sharing arrangement, and believe them to be an accurate representation of the kinds of practices that could influence order routing.[14]

Options Market Disclosure

Once again, we would like to draw attention to the options market. We would urge the EMSAC and SEC to include identical disclosures in the options markets. These markets are shockingly opaque, and in need of transparency.

CONCLUSION

If we are to modernize and expand 606, we must first get the foundational aspects correct. My above comments are intended to restore Rule 606 reports as effective tools for protecting investors and promoting competition amidst changing markets. I encourage you to explore the Healthy Markets recommendations, and promise to continue offering my suggestions in the months and years to come.

Thank you for the opportunity to speak with you today, and I look forward to any questions.

[14] 81 FR 49464

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Data-metrics are a critical step towards recommending market-structure changes. Rules 605 and 606 are severely outdated but serve as the only current means to analyze market quality and routing behaviors. Healthy Markets has submitted comments urging the Commission to prioritize and expedite modernizing SEC Rules 605 and 606.

With the increasing complexity of US capital markets receiving attention at every level of government, Healthy Markets believes that the SEC can take critical steps to better facilitate data-driven regulation and encourage the investing public. These steps are non-controversial, require little effort and are high-impact. The benefits would be substantial for future rulemaking, disclosure, external analysis, and regulatory enforcement.

- Modernize market quality metrics (Rule 605) so practitioners can properly evaluate execution quality and make better order routing decisions.

- Modernize broker routing metrics (Rule 606) so the public can better understand how brokers are making order routing decisions and the potential conflicts they face.

Modernize SEC Rules 605/606 - Execution Benchmarks, Measurements and Best Execution policy

Market quality metrics are woefully outdated. As initially envisioned in 2001, these metrics helped to spur competition for order execution quality and drove changes in behavior. These statistics now cover very few of the multitude of available order types and are easily manipulated because they have not kept up with advances in technology.

In order to help the public and brokers make informed decisions about market center order execution quality, Rule 605 must be updated.

Now is the time to modernize Rules 605 and 606 before any other rules and changes are placed into the market. In modernizing the Rules, the following should be considered:

Rule 605

- Amend Rule 605 to capture the full range of order execution.
    - Add and require “Immediate or Cancel”, “Peg”, “Hidden”, “Flash” order types to be reported separate from Market Orders.
    - Include Market Opening/Closing/Reopening orders.
- Require all ATS and Dark Pools to report separately from their affiliated broker/dealer under Rule 605.

- Shorten the reporting time-frame and require the reports be made available monthly 15 calendar days following the end of the preceding month. Require all historical reports remain freely and easily accessible.
- Centralize reporting of 605 reports (e.g. SEC or FINRA database)
- Require all statistics to be based on proprietary feeds (if the venue uses them) rather than the current SIP requirement.
- Replace execution time categories as follows:
    - Less than 500 microseconds
    - 500 microseconds – 1 millisecond
    - 1-10 milliseconds
    - 10-100 milliseconds
    - 100 milliseconds to one second
    - Current categories
- Expand coverage to Odd-Lot orders and executions.
- Expand order buckets size categories:
    - 1-99 shares
    - 100 share increments to 9,999 shares
    - 10,000 – 24,999
    - Greater than 25,000
- Add Covered Trades.
- Expand Realized Spread into separate buckets (e.g. 50ms, 100ms…3minutes) to better identify adverse selection.
- Add "Realized Liquidity" by taking the displayed BBO size in relation to the size of the order.
- Add "Quoted Spread".
- Add "Spread Leeway" (Quoted Spread divided by the Minimum Price Variation).
- Add "Average Time to Execution" for all non-marketable limit orders.
- Require that reports contain header information.
- 605 statistics should be calculated for:
    - Orders that execute on the receiving platform
    - Orders routed out
    - Routed and not routed orders
    - Expand Rule 605 to Exchange traded option securities.

Also outlined in the Healthy Markets platform, broker routing disclosures have significant shortcomings, including no coverage of large orders, no uniform specification for rebate and payment information, and no requirements to be machine readable.

While the Commission seeks to expand coverage of the current rule to institutions, the public would be well-served by expanding Rule 606 to cover all orders and mandating uniform disclosure.

Rule 606

- Centralize 606 reporting (e.g. SEC or FINRA database).
- Remove AMEX, NYSE and Nasdaq and replace with "NMS Securities."
- Add OTC Bulletin Board/OTC Market securities.
- Include category "Odd Lot Orders."
- Include category "Marketable Limit Orders."
- Include information on the percentage of shares executed versus sent.
- Include block transactions.
- Require Rule 606 cover 100% of order flow received.
- Orders should be categorized by type and the "other category" should be removed. For example, marketable limit and limit orders should be reported in separate buckets. Cancelled orders, IOC orders should be reported separately.
- Require Directed Orders to be reported as a separate category from Non-Directed Orders, removing the current exemption.
- Require Exchanges and any ATS routing orders to report 606 statistics.
- For executing venues: Require total payments or charges to be reported by Broker-Dealer.
- For Broker-Dealers: Require total payments or charges received be reported under information concerning significant venues.
- For Brokers that send orders to internalized executing center, require payments or charges on the aggregate order-flow to be reported.
- Require the execution venue to be reported. In the case of options, report on exchange where the order executed rather than the intermediary.
- If the orders are sent to an intermediary but executed on an exchange (such as an options order), require disclosure about the intermediary and information about the relationship including payments and other attributes.
- Require the reports be made available monthly 15 calendar days following the end of the preceding month.
- Require that all current and historic reports be freely and easily accessible and downloadable in a pipe delimited format.
- Require field of average payments received be reported out to the hundredths of a cent, rather than current maximum (e.g. less than $0.01).
- Require Broker-Dealers to post explicit details regarding payments, costs and execution metrics agreed to by the executing firm.
- Include select 605 categories with each routing destination, including:
    - Average execution time
    - Total shares routed
    - Total shares executed
    - Quoted Spread
    - Realized Spread Buckets

  - Various Price Improvement statistics
- Require greater transparency around broker-dealer internal order routing practices and decisions.

Transparent reporting is a necessary first step prior to rolling out the broader structural changes under consideration. Qualitative reporting and disclosure of routing practices allows for analysis of the effects of order routing practices, competition, pricing and other metrics, which in turn allows for better outcomes and fewer unintended consequences of broader change.

ABOUT HEALTHY MARKETS

Healthy Markets is a not-for-profit association of institutional investors working together with other market participants to promote data-driven reforms to market structure challenges. Our members, who range from a few billion to hundreds of billions of dollars in assets under management, have come together behind one basic principle: Informed investors and policymakers are essential for healthy capital markets.

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