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November 7, 2014

Chair Mary Jo White
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *Customer-Specific Order Routing Disclosures for Institutional Investors*
Submitted under File No. S7-02-10 (Equity Market Structure)

Dear Chair White:

We are writing in response to the joint letter on the above subject submitted on October 23, 2014 by the Investment Company Institute, Managed Fund Association, and the Securities Industry and Financial Markets Association (the "ICI Letter"). While we support the recommendations in the ICI Letter, we believe those recommendations do not go far enough in providing institutional investors with adequate information concerning the order routing activities in their own accounts. For the following reasons, we recommend that the Commission clarify existing Rule 606(b) to require brokers to provide unabridged order logs of every order acknowledgement message for the requesting customer's account upon request.

About Trillium

Trillium is an electronic trading and trading technology firm based in New York. Trillium's proprietary trading division is comprised of over 100 manual traders actively trading U.S. equities exclusively using the firm's own capital. Trillium's technology division develops cutting edge trading and compliance software, including Surveyor, a post-trade order message analytics tool used (a) by compliance professionals to detect manipulative trading, and (b) by order routing professionals to optimize their order routing strategies. Trillium's traders and developers have worked extensively with order message data for many years.

Order Logs

Bids and offers to buy and sell are communicated from brokers to exchanges and other trading venues as electronic order messages. Each order message is a collection of fields setting forth the basic terms of the order—the number of shares, the stock symbol, buy or sell, time in force, etc. When a venue receives an order message from a broker, as well as when a venue acts upon an order by executing a trade or by cancelling an order according to its terms, the venue sends back to the broker an acknowledgement message with a timestamp recorded by the venue. Brokers typically store these acknowledgement messages in chronological order, and can easily segregate them by customer. These records are commonly known as "order logs."

Order logs contain very valuable information. They can be used to analyze and identify which routing strategies yield the best execution results, and conversely, which routing strategies are so ineffective as to be potentially inconsistent with broker best execution obligations. Because brokers neither want their best routing strategies to be reverse engineered and copied, nor their worst routing strategies to be scrutinized by regulators, they are often reluctant to allow anyone access to their order logs—even their own customers.

In our experience, small institutional investors without sufficient bargaining power are often unable to successfully extract order logs for their own accounts from their brokers. Those who do receive order logs often get an abridged version with certain critical fields—such as "Tag 30" which identifies where an order was routed—removed. As a result, despite their great analytic value, unabridged order logs often sit unanalyzed behind lock and key.

Current Rule 606(b)

Current Rule 606(b) provides as follows:

> *Every broker or dealer shall, on request of a customer, disclose to its customer the identity of the venue to which the customer's orders were routed for execution in the six months prior to the request, whether the orders were directed orders or nondirected orders, and the time of the transactions, if any, that resulted from such orders.*

While this rule is certainly salutary, it is somewhat vague as to what form of routing information brokers must disclose to their customers upon request. Is a summary list of venues used sufficient? Must times of orders and cancellations be disclosed or just times of executions? It is not obvious that current Rule 606(b) requires disclosure of unabridged order logs upon request.

Suggested Enhancement to Rule 606(b)

We suggest that Rule 606(b) should be enhanced to simply require brokers to disclose the unabridged order logs of requesting customers.

Order logs provide a superior means of evaluating order routing strategies compared to the summary reporting recommended in the ICI Letter. Different investment strategies, when executed using the same routing strategies, will have different outcomes in terms of transaction costs and "implementation shortfall"—costs associated with undesired pricing impacts caused by an investor's own order activity. The only way to assess the costs of a particular order routing plan on a strategy-by-strategy basis is by analyzing the unabridged raw data contained in order logs.

For example, institutional Client A may be managing multiple different investment strategies involving stocks with multiple different liquidity profiles, all of which are executed by Broker X. Broker X executes those strategies using routing strategies it also uses for other clients, which it developed based on aggregate performance metrics across its entire client base. The summary reporting recommended in the ICI Letter may provide Client A with some useful information to "begin a dialog" with Broker X about improving its routing strategies, but it would only scratch the surface of what specific changes to make.

If Client A had full access to its order logs, however, it would be able to determine exactly which orders on which day in which stock had disproportionate and avoidable pricing impacts.[1] From that analysis, it would be easy for Client A to work with Broker X to fine tune its routing strategies to minimize implementation shortfall in future similar trades.

This process does occur today with many brokers who are willing to provide customers with unabridged order logs voluntarily upon request. But other brokers are unwilling to share this data, particularly with smaller customers who lack the bargaining power to ask more forcefully. We submit that it is unfair to smaller institutional investors to deprive them of a valuable analytic tool that larger institutions are able to obtain and use to their advantage.

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[1] Trillium's Surveyor tool can perform this analysis. We would be happy to demonstrate Surveyor to Commission staff upon request.

The cost of requiring order log disclosure would actually be less than the cost of requiring the disclosures proposed in the ICI Letter, because order logs are already generated by venues in a uniform format. Brokers do not need to generate any new work product to provide order logs to customers.

If you have any questions or would like further information, please contact the undersigned at ([redacted] or at [redacted].

Very truly yours,

Michael J. Friedman
General Counsel & Chief Compliance Officer

cc: Commissioner Luis A. Aguilar
Commissioner Daniel M. Gallagher
Commissioner Kara M. Stein
Commissioner Michael S. Piwowar
Director Stephen Luparello
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