December 8, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Release No. 34-78309; File No. S7-14-16; Disclosure of Order Handling Information

Dear Mr. Fields:

I appreciate the opportunity to comment on the proposed rule "Disclosure of Order Handling Information." While there are some costs to improving broker-dealer disclosure to both institutional and retail customers, there are many benefits that investors will receive in turn for the reporting that could outweigh these costs. As part of the University of Notre Dame's Trading and Markets class with Professor Robert Battalio, this letter is being written to explain what I have learned about both Rules 605 and 606, and the importance of requiring broker-dealers to disclose information in an accessible format to help investors make more informed decisions when choosing brokers to work with. Some additional required details to those proposed in the rule could help everyday investors compare broker-dealers and increase transparency in the market.

One thing that is missing from the required information is the quality of executions that investors are receiving from broker-dealers. Currently, the proposed rule asks for broker-dealers to supply order routing strategies in order for investors to compare them. Each broker-dealer, however, could have different strategies, making it difficult for investors to compare different dealers. Requiring broker-dealers to classify order routing strategies using objective criteria, similar to the criteria used for the reporting of market makers, could help to improve the effectiveness of this proposed rule. One way to do this would be to describe the types of orders traded (i.e. market orders vs. limit orders) for investors to better understand the types of trades that broker-dealers are executing, allowing the successes of these trades to be more easily compared.

While it is important for brokers to disclose where they route their orders, there are a lot of other factors involved in deciding whether or not a particular order is executed to the best quality that it could be. The venues with the best prices change rapidly, so other information can be used to determine quality than simply location. Statistics like the best bids and offers in the market at the time of execution could be compared to the actual execution price that a broker-dealer trades at. Having information like this readily available for all broker-dealers could make it easier for investors to directly compare the performance of different broker-dealers according to price benefits at different venues.

Requiring that orders be defined by size could be difficult for investors to benefit from because there are often differences in the size of typical retail and institutional orders that are submitted for execution, making it hard to compare broker-dealers based solely on size. A different method to characterize orders than size could be disclosing the source of each order, allowing investors to determine whether orders come from accounts that are institutional or retail. Investors could determine the types of orders that they wish to submit, and then use other disclosed information of similar types of orders to compare broker-dealers with which they could submit their trade.

All of these suggested changes would help to improve the knowledge investors have when they are choosing broker-dealers to trade with, creating a more transparent market that investors can benefit from.

Sincerely,

Morgan Kavanaugh
University of Notre Dame 2017