Statement on Enhancing Order Handling Disclosures

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Nov. 2, 2018

Today, for the first time in eighteen years, the Commission has amended its order handling and routing disclosure rules for brokers.[1] During this time, technology and innovation have transformed the manner in which stock orders are handled, routed, and ultimately executed. In 2000, a large proportion of stock orders were routed to a few, mostly manual, trading centers, and it was rare that such orders would be re-routed to other venues. Today, we have a more complex stock trading environment where computer trading algorithms, smart order routers, and complex order management systems operate in an ecosystem that is comprised of 13 stock exchanges, 47 active equity alternative trading systems, and over 200 over-the-counter market makers. Investors will now have access to new, enhanced, and standardized information about how brokers handle their orders.

All investors, from Main Street investors to sophisticated asset managers that manage pensions and other funds, deserve to receive information from their brokers about how their orders are executed within our complex stock trading environment. Recognizing that investors may have varying informational needs based on the type of trading they do, the amended disclosure rules are tailored to provide investors with data relevant to their trading needs based upon the level of discretion they give a broker in handling their orders, *i.e.*, whether an order is submitted on a held or not held basis. A broker must attempt to execute a held order immediately; a not held order instead provides the broker-dealer with price and time discretion in handling the order.

Investors often have questions about the decisions their brokers make in the course of executing their stock orders and how those decisions align with their interests. For example, to which trading venue(s) did the broker route my order? Did the broker receive payment for sending my orders to a particular trading venue? If so, how much? Was my order executed at the best quoted price?

Getting answers to these questions and being able to compare those answers across the brokers an investor may use is particularly important for investors who give their broker discretion over the timing and price at which an order is executed, *i.e.*, by submitting not held orders. Customers who submit significant amounts of not held orders, in particular, would benefit from more detailed information to analyze their brokers' order handling choices. To facilitate that analysis, the amended rule will help ensure access to additional disclosures to enable apples-to-apples comparisons for such customers. New order handling reports will provide information including a range of metrics related to routing, execution, fees and rebates.

The rule amendments also enhance existing disclosure requirements for orders submitted to brokers with no price and time discretion, *i.e.*, held orders. Commission rules previously required brokers to provide aggregated data to the public for most of these orders. But under the amended rules, brokers will have to include a more fulsome description of the terms of any payments the broker receives for routing customer orders to a particular venue, including any terms that may influence the broker's order routing decisions. For the venues with which a broker does the most business, the amended rules require the broker to provide specific additional reports on payments received for routing customer orders to those venues. In addition, the Commission is requiring that the reports be broken down by month for each quarterly report and organized in a way that makes more sense for the way investors view the markets today. For example, S&P 500 stocks will be separated from all other major stocks and will no longer be categorized by listing market.

Chairman Clayton and I have both spoken publicly about the need for greater transparency as our markets continue to evolve.[2] Adopting these broker order handling and routing disclosure rules is an important part of the Division's transparency agenda. These disclosures will serve as an important tool to help investors evaluate whether their broker is ultimately performing well for them.

[1] This statement represents the views of the Director of the Division of Trading and Markets. It is not a rule, regulation, or statement of the Securities and Exchange Commission (the "Commission"). Further, the Commission has neither approved nor disapproved its content.
[2] *See* Jay Clayton, Chairman, Securities and Exchange Commission, Remarks at the Equity Market Structure Symposium Sponsored by the University of Chicago and the STA Foundation, *available at* https://www.sec.gov/news/speech/speech-clayton-2018-04-10; and Brett Redfearn, Director,Division of Trading and Markets, Commission, Remarks at the Equity Market Structure Symposium Sponsored by the University of Chicago and the STA Foundation, *available at*https://www.sec.gov/news/speech/speech-redfearn-2018-04-10.