

Disclosure of Order Execution Information



On March 6, 2024, the Securities and Exchange Commission adopted amendments to the disclosure requirements of Rule 605 of Regulation NMS for executions on covered orders in NMS stocks, which are stocks listed on a national securities exchange. The adopted rule amendments expand the scope of entities subject to Rule 605, modify the categorization and content of order information reported under the rule, and require reporting entities to produce a summary report of execution quality. The Commission [proposed the amendments](#) on [December 14, 2022](#). The public comment file is [available online](#).

Why This Matters

Rule 605 was adopted in 2000 to help the public compare and evaluate execution quality among national securities exchanges, national securities associations, market makers, and alternative trading systems. Although Rule 605 has provided significant insight into execution quality, the content of the required disclosures has not been substantively updated since 2000, despite changes in the speed and nature of trading.

How This Rule Applies

The amendments expand the scope of reporting entities subject to Rule 605 to include broker-dealers who introduce or carry 100,000 or more customer accounts. The amendments also specify that broker-dealers operating single dealer platforms must prepare a separate report for activity specific to these platforms. Further, the amendments change the scope and content of the standardized monthly reports required under Rule 605.

Specifically, the amendments:

- Expand the definition of “covered order” to include certain orders submitted outside of regular trading hours, certain orders submitted with stop prices, and non-exempt short sale orders;
- Modify the existing order size categories to base them on both notional dollar value and whether an order is for a fractional share, for an odd-lot, or for a round lot or greater rather than number of shares;
- Establish four new order type categories: marketable immediate-or-cancel orders, market orders submitted with stop prices, marketable limit orders submitted with stop prices, and non-marketable limit orders submitted with stop prices; and

- Replace three existing categories of non-marketable order types with four new categories of order types: midpoint-or-better limit orders, midpoint-or-better immediate-or-cancel orders, non-marketable limit orders, and non-marketable immediate-or-cancel orders. The amendments also scope in non-marketable orders and orders submitted with stop prices if they become executable during regular trading hours.

Further, the Commission amended the content of the reports required under Rule 605 as follows:

- The time-to-execution reporting categories will be modified to use more granular time-to-execution buckets with timestamp conventions of a millisecond or finer;
- Realized spread statistics will be required to be calculated using additional time horizons ranging from less than 100 microseconds to 5 minutes after the time of order receipt; and
- New statistical measures of execution quality will be required, including:
 - Average effective divided by average quoted spread (a percentage-based metric that represents how much price improvement an order received);
 - Percentage-based effective and realized spread statistics that complement certain dollar-based statistics;
 - A size improvement benchmark that could be used to calculate whether orders received an execution of more than the displayed size at the quote;
 - A size improvement statistic that indicates the amount of size improvement in those instances in which an order could have received size improvement;
 - Certain statistical measures that could be used to measure execution quality of non-marketable orders; and
 - Additional price improvement statistics for market and marketable orders showing price improvement relative to the best available displayed price in the market, which could be a displayed odd-lot price.

Finally, the amendments require all entities subject to the rule to make a summary report publicly available that would be formatted in the most recent versions of the schema for comma separated values format (CSV) and associated portable document format (PDF) renderer as published on the Commission's website.

What's Next

The amendments will become effective 60 days after the date of publication of the adopting release in the Federal Register. The amendments have a compliance date of 18 months after the effective date.