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September 26, 2016

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: *Disclosure of Order Handling Information (File No. S7-14-16)*

Dear Mr. Fields:

The Investment Company Institute (“ICI”)<sup>1</sup> strongly supports the Securities and Exchange Commission’s (“SEC” or “Commission”) proposal to improve transparency in the equity markets by enhancing investor access to information about the order handling practices of broker-dealers.<sup>2</sup> The proposal would afford institutional investors greater visibility into how broker-dealers route and execute their orders and improve the ability of funds and other institutional investors to evaluate broker and venue performance. We urge the Commission to act quickly to adopt these rule changes with minor modifications.

Our letter address four aspects of the proposal. First, we explain how the proposal will benefit funds and their shareholders by providing institutional investors with greater insights into broker-dealer order handling practices. Second, we recommend that the Commission expand the definition of “institutional order” to encompass all orders submitted by institutional investors. Third, we request that the Commission modify the organization of the proposed order handling disclosures to require broker-dealers to classify their order routing strategies using objective criteria, rather than predictions of how an algorithm will behave. Fourth, we suggest certain refinements to the proposal that would improve the usability of reported data for funds and other institutional investors.

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<sup>1</sup> ICI is a leading, global association of regulated funds, including mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI’s US fund members manage total assets of \$18.4 trillion and serve more than 90 million US shareholders.

<sup>2</sup> *Disclosure of Order Handling Information*, Securities Exchange Act Release No. 78309 (July 13, 2016), 81 FR 49432 (July 27, 2016) (“Release”).

## **I. The Proposal Addresses Institutional Investors' Need For Greater Insight Into Broker-Dealer Order Handling Practices**

The proposed revisions to Rule 606 of Regulation NMS will greatly enhance the information available to funds and other institutional investors. These market participants currently have access to publically-available order routing and execution quality statistics pursuant to Rules 605 and 606 of Regulation NMS, but reports provided by these rules focus on retail orders and, in any event, do not provide sufficient information to enable institutional investors to assess satisfactorily the performance of broker-dealers and execution venues. Funds and other institutional investors can request ad hoc reports on the routing and execution quality of their equity market orders, but broker-dealers have the discretion whether to provide these reports and can provide them in varying formats.

To address buy-side interest in enhancing the level of transparency regarding order routing and execution, ICI in 2014 spearheaded efforts to develop a standardized disclosure template that each broker would provide to its institutional clients. The disclosure template was intended to provide a broad range of statistical data regarding a broker's handling of a specific customer's orders, along with the execution quality achieved by the broker at each execution venue. ICI along with other trade associations submitted this template to the SEC as the product of collaboration among a broad segment of industry participants and to assist the staff in its rulemaking efforts in this area.<sup>3</sup> We appreciate that the Commission has taken our template as a foundation for its current proposal.

As the Commission has noted, institutional investors "have a compelling interest in the order handling decisions of their executing brokers."<sup>4</sup> In a "fragmented market structure with many different market centers trading the same security, the order routing decision is critically important, both to the individual investor whose order is routed and to the efficiency of the market structure as a whole."<sup>5</sup> Having access to uniform, comprehensive disclosures about the order handling practices of broker-dealers would enhance the ability of all funds and other institutional investors (regardless of size or market power) to: (1) understand a broker-dealer's decision to expose, route, and execute an order; (2) evaluate the execution quality provided by a particular broker-dealer or trading venue; (3) determine whether the pricing structure of a trading center influences a broker-dealer's order handling decisions; and (4) assess information leakage with the routing of their orders.<sup>6</sup> Ultimately, these disclosures would

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<sup>3</sup> See Letter from Dorothy M. Donohue, Deputy General Counsel, ICI, Stuart J. Kaswell, Executive Vice President & Managing Director, General Counsel, Managed Funds Association, and Randy Snook, Executive Vice President, Securities Industry and Financial Markets Association, to Mary Jo White, Chair, Commission, dated October 23, 2014, *available at* <https://www.ici.org/pdf/28480.pdf>.

<sup>4</sup> Release at 49433.

<sup>5</sup> *Id.* at 49435 (quoting from an earlier release on order handling disclosure rules).

<sup>6</sup> For additional information about the harms that result when fund trading strategies leak to other market participants, see Section I of ICI's recent letter on the proposed national market system plan governing the consolidated audit trail. See Letter from David W. Blass, General Counsel, ICI, to Brent J. Fields, Secretary, Commission, dated July 18, 2016, *available at* <https://www.ici.org/pdf/30042.pdf>.

provide funds and their asset managers with a much-needed tool to improve the execution quality of fund orders and deliver long-term returns to fund shareholders.

The proposed revisions to Rule 606 of Regulation NMS will go a long way to address buy-side concerns about the transparency of broker-dealers' order handling practices and to enhance the information available to funds and other institutional investors. The proposal would provide funds and other investors with order handling information in two ways. First, proposed Rule 606(b)(3) of Regulation NMS would provide a specific institutional investor with more than 20 discrete pieces of information about the routing and execution of its orders for a period of up to six months. In an effort to allow institutional investors to determine how routing strategies perform at different trading centers, the proposal would require broker-dealers to categorize the data elements required by the rule according to the trading center and order routing strategy used. The disclosures required by proposed Rule 606(b)(3) would enable funds and other institutional investors to better understand the routing and execution of their orders in today's fragmented and complicated equity market structure. Second, proposed Rule 606(c) of Regulation NMS would require broker-dealers to make public reports describing their institutional order handling activities on an aggregated basis.<sup>7</sup> We support both of these proposed revisions to Rule 606 of Regulation NMS, but our comments focus primarily on the investor-specific disclosures in proposed Rule 606(b)(3), which we believe will provide the most substantial benefits to funds and their shareholders.

## **II. The Commission Should Expand the Definition of "Institutional Order" to Encompass All Orders Submitted by Institutional Investors**

We urge the Commission to reconsider its proposal to apply the institutional order handling disclosures only to orders that have a market value of at least \$200,000 ("institutional orders").<sup>8</sup> Distinguishing retail orders from institutional orders based on this dollar threshold will exempt the vast majority of orders submitted by institutions from the institutional order handling disclosures, diminish the value of these disclosures for customers, and frustrate the Commission's objective of providing institutional investors with the information necessary to understand order routing decisions in today's fragmented markets. In contrast, adopting a definition of "institutional order" that would apply to all orders, regardless of size, that an institutional customer submits to its broker-dealers would ensure that institutional investors receive from their broker-dealers standardized reports on the handling of all their orders and reduce the need for investors and broker-dealers to engage in burdensome individualized negotiations and data standardization exercises.

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<sup>7</sup> This letters refers to the proposed revisions to Rules 606(b)(3) and (c) of Regulation NMS as the proposed institutional order handling disclosure rules.

<sup>8</sup> See Proposed Rule 600(b)(31) of Regulation NMS, which would define "institutional order" as "an order to buy or sell an NMS stock that is not for the account of a broker or dealer and is an order for a quantity of an NMS stock having a market value of at least \$200,000."

**A. Using A Dollar Threshold to Determine “Institutional Order” Status Will Undermine the Commission’s Objective of Ensuring That Institutional Investors Have Access to the Data Necessary to Evaluate the Performance of Broker-Dealers and Trading Centers**

The proposed order handling disclosures are not likely to achieve the Commission’s goal of providing institutional investors with the information necessary to understand broker-dealer routing decisions if the Commission adopts the proposed definition of “institutional order.” This definition would omit many orders from funds and other institutions from the proposed disclosures and would perpetuate the need for institutional investors to engage in individualized negotiations to obtain basic order handling information from their broker-dealers. These time-consuming efforts result frequently in a fund obtaining inconsistent data that it must normalize before using. The Commission would reduce the costs associated with these ongoing individualized negotiations by applying the disclosures in proposed Rule 606(b)(3) of Regulation NMS to all orders submitted by an institutional investor.

Many orders submitted by institutions would fail to meet the dollar threshold necessary for inclusion in the reports required by the proposed institutional order handling rules. According to the Commission, 83.2% of orders submitted by “institutions” are smaller than \$200,000 and therefore would not qualify as “institutional orders” for purposes of the proposed institutional order handling disclosures.<sup>9</sup> The Commission further notes that the percentage of orders from institutions that would meet the definition of “institutional order” varies by the activity level of the stock, with a higher portion meeting the definition in more active stocks. In the least active stocks, the Commission found that less than 3% of orders from institutions would meet the proposed definition of “institutional order.”<sup>10</sup> We find these statistics troubling because suboptimal order routing practices in less actively-traded securities could raise significant information leakage concerns that could be evaluated and addressed through order handling disclosures.<sup>11</sup>

We also are concerned that the proposed definition of “institutional order” could exclude disproportionately more orders of smaller funds and their asset managers from the order handling disclosures even though smaller institutions are more likely to have difficulty in obtaining this information from their broker-dealers. Institutions with a greater percentage of smaller orders are precisely the group of institutional investors that would need this rule to obtain reliably standardized information about their orders because they have less power to negotiate individualized disclosure than institutions that generally have large dollar orders. Firms of all sizes would benefit from receiving

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<sup>9</sup> See Release at 49483.

<sup>10</sup> See *id.*

<sup>11</sup> The Commission also found that although the proposed definition of “institutional order” would account for a minority of orders submitted by institutions, it would capture 92% of total dollar volume of these orders. See *id.* This statistic combined with the fact that orders for less active stocks are less likely to meet the definition of “institutional order” suggests to us that few orders in small capitalization stocks would be considered “institutional orders.”

standardized order routing disclosures, especially smaller firms that have fewer resources available to normalize inconsistent disclosures.

We do not understand the Commission’s rationale for proposing a test that would treat most orders from institutions as “retail orders.” According to the Release, the “proposed definition of ‘institutional order’ is intended to complement the current definition of ‘customer order’” in Rule 600 of Regulation NMS, which covers only orders below \$200,000.<sup>12</sup> The Commission states that “market participants are accustomed to considering an order of \$200,000 or more as an institutional order rather than a customer order” and that it would “be more straightforward for broker-dealers using a defined standard that is commonly recognized in the industry.”<sup>13</sup> We respectfully disagree that this analysis is appropriate for purposes of this rule. Although we recognize that the proposed definition may have the benefit of familiarity, the definition constricts too narrowly the scope of the proposed institutional order handling disclosures as evidenced by the Commission’s data.

The Commission’s factual statement that Regulation NMS today classifies orders below \$200,000 as customer orders has no bearing on whether using this threshold to define “institutional order” would accomplish the Commission’s objectives of providing institutional investors with the information necessary to address their “compelling interest” in understanding broker-dealer order handling decisions.<sup>14</sup> To conduct a comprehensive analysis of a broker-dealer’s order handling practices, an institutional investor must have access to uniform information about all of its orders handled by that broker-dealer, but the proposal would provide institutional investors with granular handling information for less than 20% of their orders.<sup>15</sup> Although institutional investors could obtain limited order handling disclosures for their orders under \$200,000 under other provisions of Rule 606 of Regulation NMS—just as they can today—manifestly, these disclosures have proven inadequate to allow institutional investors to evaluate broker-dealer or venue performance.<sup>16</sup>

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<sup>12</sup> *See id.* at 49445. The Commission notes that broker-dealers often divide orders received from institutional investors into smaller orders and route these smaller orders to trading centers. *See id.* The Commission proposes to include all smaller orders derived from orders greater than \$200,000 within the definition of “institutional order.” We strongly recommend that the Commission adopt this proposed requirement to ensure that the institutional status of an order persists for the duration of that order.

<sup>13</sup> *Id.*

<sup>14</sup> *See id.* at 49433.

<sup>15</sup> We note that sub-optimal handling practices on orders below \$200,000 can, in aggregate, create a meaningful drag on fund performance, e.g., by leaking information about fund trading strategies.

<sup>16</sup> *See* Release at 49436-49440 (describing the “Need for Enhanced Disclosures for Institutional Orders”). The Commission proposes to enhance disclosure requirements applicable to “retail orders,” but not in a manner that would help funds or other institutions evaluate the order handling practices of their broker-dealers.

## **B. The Definition of “Institutional Order” Should Encompass All Orders Submitted by Funds**

To empower funds, their asset managers, and other institutional investors to evaluate the performance of broker-dealers and trading venues, we urge the Commission to adopt a definition of “institutional order” that would apply to all orders submitted to broker-dealers by institutions, including funds. The Commission requests comment on whether customers should designate which orders qualify as an institutional order and how that could be done. We believe that broker-dealers can designate an order as “institutional” according to the type of customer that submits the order rather than designating an order based on a dollar threshold. Including all orders from institutional customers within the disclosure would advance the Commission’s objective of providing institutional investors with the tools to understand broker-dealer order handling practices, monitor execution quality, and assess information leakage in order routing strategies.

Designating an order as “institutional” or not according to the type of investor that submits the order is a straightforward way to increase the ability of institutional investors to assess their execution quality. To ensure that funds and their asset managers will qualify as institutional investors, any definition of “institutional order” should include, at a minimum, all orders submitted by: (1) any investment company registered with the Commission under section 8 of the Investment Company Act of 1940; (2) any investment adviser registered either with the Commission under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like function); and (3) any “institutional investment manager,” as defined in Section 13(f)(6)(A) of the Securities Exchange Act of 1934 (“Exchange Act”).

The Commission also should consider whether to designate orders submitted by other types of institutions as “institutional orders.” The Release, for example, refers to at least two categories of institutional investors. One category, described as “institutional customers” of broker-dealers, includes pension funds, mutual funds, investment advisers, insurance companies, investment banks, and hedge funds.<sup>17</sup> We agree that these entities should qualify as institutional investors and believe that defining “institutional order” as any order to buy or sell an NMS stock that a broker-dealer receives from one of these customers would address our concern. Elsewhere in the Release, the Commission staff estimates the volume of orders that originated from “institutions” that would meet the proposed definition of “institutional order.”<sup>18</sup> The Commission could consider using the criteria its staff used in its estimates to establish a list of the types of investors that submit institutional orders. Alternatively, the Commission could reference other portions of the securities laws to define “institutional order” in a manner that uses customer-status rather than dollar amount.<sup>19</sup> Finally, if the Commission prefers not

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<sup>17</sup> See *id.* at 49433, n. 1.

<sup>18</sup> The Commission does not discuss how it defined “institution” for this estimate. It is not clear whether institutions that submitted orders for purposes of the staff’s analysis were the same types of institutions described in footnote 1 of the Release.

<sup>19</sup> For example, Exchange Act Rule 240.15a-6 contains a definition of “U.S. institutional investor” that could provide parameters for determining the scope of institutional orders. Under this rule, a “U.S. institutional investor” includes: (1)

to enumerate the categories of entities that fall within the scope of investors that submit institutional orders, it could create a status-based definition of “institutional orders,” by referencing categories of investors—such as accounts held by a natural person—that do not submit institutional orders.<sup>20</sup> As requested by the Commission, an alternative definition for an institutional order based on the type of customer would without doubt capture more “institutional orders” than what the Commission has estimated would be covered by the dollar-threshold approach.

Designating orders as “institutional” or not based on the status of the customer rather than the order’s dollar amount would improve the quality of the information provided by proposed 606(b)(3) of Regulation NMS by ensuring that the reports broker-dealers provide under this rule do not exclude information about a majority of orders submitted by institutions. These reports could serve as the starting point for funds and other institutional investors to conduct a rigorous analysis of the order handling practices of their broker-dealers. Including information about all orders from a specific institutional customer on the reports required by proposed Rule 606(b)(3) of Regulation NMS also would reduce costs that broker-dealers and institutional investors incur as a result of individualized requests for order handling information from institutional customers.

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any investment company registered with the Commission under section 8 of the Investment Company Act of 1940 or (2) a bank, savings and loan association, insurance company, business development company, small business investment company, or employee benefit plan defined in Rule 501(a)(1) of Regulation D under the Securities Act of 1933 (17 CFR 230.501(a)(1)); a private business development company defined in Rule 501(a)(2) (17 CFR 230.501(a)(2)); an organization described in section 501(c)(3) of the Internal Revenue Code, as defined in Rule 501(a)(3) (17 CFR 230.501(a)(3)); or a trust defined in Rule 501(a)(7) (17 CFR 230.501(a)(7)). FINRA Rule 2210 also provides a definition of “institutional investor” that could inform the Commission’s consideration of the types of investors that should obtain disclosures pursuant to proposed rules 606(b)(3) and (c) of Regulation NMS. Under this rule, an institutional investor includes any bank, savings and loan association, insurance company, or registered investment company, any investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission, any other person with total assets of at least \$50 million, certain employee benefit plans, and FINRA members or registered persons of a FINRA member, and any person acting solely on behalf of any such institutional investor. Another FINRA rule, 4512(c) defines “institutional account” in a manner that would include funds and other institutions with an interest in receiving the proposed order handling disclosures. Importantly, because all broker-dealers that handle customer orders for equity securities are FINRA members, these market participants should be accustomed to using the standards supplied in FINRA’s rules.

<sup>20</sup> We believe that designating an order as “institutional” or not based on the status of the investor submitting the order is the most precise way to define the scope of orders subject to the proposed order handling disclosure rules because it would ensure that all orders submitted by institutional investors are subject to the disclosures. Defining “institutional order” with reference to other characteristics of an order could improve the proposal, but such a definition carries the risk that some orders submitted by institutions would be omitted from the disclosures or that orders submitted by retail investors would be included. For example, we believe that most “not-held” orders—orders that are unpriced and discretionary and with respect to which the customer has granted its broker-dealer price and time discretion—are submitted by institutions. We understand, however, that such a definition also would include some orders submitted by retail investors, which could compromise the usefulness of aggregated order handling disclosures for consumers of that information. Despite this potential concern, we believe that a definition of “institutional order” that encompasses all not held orders likely would cover a greater portion of orders submitted by institutions than the definition proposed by the Commission.

### **III. Broker-Dealers Should Classify Their Order Routing Strategies Based on Objective Criteria**

We commend the Commission's proposal to require institutional order handling reports to organize information according to order routing strategy and trading venue. Understanding how order routing strategies perform at different trading venues will enable funds to work with their broker-dealers to optimize order handling practices, improve execution quality, and reduce the risk that information about fund trading strategies will leak to market participants that would seek to profit from this information at the expense of fund shareholders. We urge the Commission to require broker-dealers to provide routing strategy information in the reports required by any final order handling disclosure rules it adopts.

We have concerns, however, with the manner in which the Commission proposes to require broker-dealers to classify their order routing strategies. The proposal would require a broker-dealer to classify each of its order routing strategies as passive, aggressive, or neutral depending on the way the strategy prioritizes execution speed and price impact.<sup>21</sup> The rapid advancement in order routing algorithms over the past few years makes us question the viability of categorizing a particular strategy in this manner. Many algorithms adjust their behavior to account for market conditions in real-time, but the proposal would force broker-dealers to classify these complex and dynamic routing strategies in an artificially simplistic way. To complete this categorization exercise and comply with the proposal, broker-dealers would have to make a series of judgment calls that likely will vary from one firm to the next.<sup>22</sup>

Rather than requiring broker-dealers to undertake this difficult and somewhat arbitrary task of categorizing their algorithms into the three buckets (as a proxy for the strategy of a particular order), we recommend that broker-dealers disclose factual information about their routing intentions for each order routed to a venue. For example, broker-dealers could categorize broadly whether their routing intention/strategy for a particular institutional order is to remove liquidity, post displayed liquidity, or rest undisplayed on a trading center's order book.<sup>23</sup> Alternatively, the Commission could require broker-dealers to disclose objective routing strategy information in a more specific manner—e.g., by requiring the broker-dealer to specify the order type used to implement the strategy.

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<sup>21</sup> See Release at 49450 and proposed Rule 606(b)(3)(v) of Regulation NMS.

<sup>22</sup> We note that the proposal would not require broker-dealers to disclose the methodologies that they use to assign their order routing strategies to categories and does not provide clear guidance to explain the steps that a broker-dealer should take if it decides to change the classification of a particular strategy. In addition, because the proposal would allow each broker-to use a different methodology to classify its order routing strategies, this categorization process could yield inconsistent results across broker-dealers, which would severely limit the usefulness and the reliability of the proposed disclosures.

<sup>23</sup> Our suggestion would provide data that would complement the data in proposed Rules 606(b)(3)(iii) and (iv), which require disclosure of certain information for executions that provided or removed liquidity.



#### **IV. The Commission Should Make Certain Improvements to the Proposed Institutional Order Handling Disclosures to Enhance the Usability of Reported Data**

We recommend that the Commission make three modifications to the proposal to further enhance the disclosures for institutional investors. In addition, if the Commission decides to adopt a dollar amount threshold for defining “institutional order,” we recommend a fourth modification to improve the quality of the quarterly reports under proposed Rule 606(c).

- **Require disclosure of certain additional data elements to permit investors to better assess broker-dealer performance.** The proposal aims to furnish investors with the information that they require to “more effectively assess the impact of order routing decisions on the quality of their executions.”<sup>24</sup> The Commission should require other meaningful data relating to execution quality to assist investors with this undertaking. Broker-dealers may face a potential conflict of interest between improving execution quality and minimizing costs. The proposal would provide part of the information necessary for investors to evaluate this concern by requiring enhanced transparency with respect to the economic incentives of broker-dealers. Institutional investors will have, however, an incomplete understanding of order handling practices without complementary information regarding execution quality. To evaluate holistically broker-dealer order handling decisions, investors need metrics that they can use to assess routing strategies and executions in the context of the conflicts of interest presented by fees and rebates. These metrics should be simple and focus on evaluating the routing decisions made by brokers.<sup>25</sup> We recommend that the proposed institutional order handling disclosures require reporting of information concerning the realized spread and the effective spread, as well as price improvement statistics and effective vs. quoted spread percentages to their customers.<sup>26</sup>

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<sup>24</sup> Release at 49434.

<sup>25</sup> Because institutional orders are generally divided into smaller “child” orders prior to routing to a trading center, metrics should provide information about the quality of the resultant “child” executions against the market context (e.g., the national best bid and offer as perceived by the broker-dealer’s systems at the time of routing, the number of shares available at the national best bid and offer, and other factors that a broker-dealer would consider in fulfilling its best execution obligations).

<sup>26</sup> These additional disclosures should impose minimal additional burdens on broker-dealers. Over the last few years, asset managers have increasingly found this type of information particularly helpful in evaluating order handling practices. In addition, Rule 605 of Regulation NMS requires market centers to disseminate measures of realized and effective spread and many market makers voluntarily provide price improvement statistics and effective vs. quoted spread percentages to their customers. A significant weakness of existing Rule 605 disclosures is that they cannot be used to facilitate comparisons across broker-dealers. Any analysis that seeks to combine the data from these reports must infer that the routing broker achieves the same performance at a market center as the average order executed on the venue; this presumption is tenuous, at best.

- **Require disclosure of the average time between order entry and execution for orders that remove liquidity.** The Release proposes to require broker-dealers to report the average time between order entry and execution for orders that provide liquidity, but not for orders that remove liquidity. We suggest that the rules also require broker-dealers to provide this information for orders that remove liquidity. Recent market structure changes, including the Commission’s approval of the national securities exchange application of IEX, may increase the time between order entry and execution for orders that take liquidity. The Commission should require disclosure of the average time between order entry and execution for orders that remove liquidity to ensure that institutional investors have the tools to assess the performance of all trading venues and order routing strategies.
- **Quarterly reports should separate information about directed orders from the aggregated order information.** Investors can submit orders that instruct a broker-dealer to use (or avoid) a particular trading venue—known as “directed orders.” Funds and other investors use these orders for a variety of reasons, based on their understanding of a venue’s execution quality. Proposed Rule 606(c) of Regulation NMS would require each broker-dealer to make publicly available on a quarterly basis a report that contains aggregate order handling disclosures for the institutional orders that it receives. We support this proposed requirement but believe that these aggregated disclosures would be more useful if they broke out separately information about the size (in shares) of directed orders. Disclosing separately information about directed order flow in Rule 606(c) reports would provide consumers of aggregated reports with a more complete picture of institutional order handling practices.
- **If the Commission retains the proposed definition of “institutional order,” broker-dealers should indicate on quarterly reports order flow that originates from accounts held by individuals.** The proposal to define “institutional order” based on dollar amount will result in large orders from retail customers being considered “institutional orders.” We suggest that the Commission require orders submitted by individuals to be reported separately on the aggregated reports required by proposed Rule 606(c) of Regulation NMS. Failing to distinguish between orders submitted by institutions and orders submitted by individuals will distort the data on aggregated reports to the detriment of the consumers of that information.

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ICI strongly supports the Commission's proposed institutional order handling disclosure rules and appreciates the opportunity to express our views. The proposal will improve greatly transparency into the order handling practices of broker-dealers to the benefit of funds and their shareholders. We believe that the modest changes to the proposal that we recommend in this letter would enhance the value of proposed disclosures to investors without imposing significant costs on broker-dealers or other market participants. We urge the Commission to finalize this rulemaking as quickly as possible. If you have any questions on our comment letter, please feel free to contact me at (202) 326-5815, Jennifer Choi, Associate General Counsel, at (202) 326-5876, or George Gilbert, Counsel, at (202) 326-5810.

Sincerely,

/s/ David W. Blass

David W. Blass  
General Counsel

cc: The Honorable Mary Jo White  
The Honorable Kara M. Stein  
The Honorable Michael S. Piwowar

Rick Fleming, Investor Advocate

Stephen Luparello, Director, Division of Trading and Markets  
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