

Focus on Funds: Order Routing Transparency Is an Industry Trend

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Technological advances are making it possible for asset managers to gain insights into their trading orders and make improvements that benefit funds and their investors. In the March 4, 2016, edition of *Focus on Funds*, ICI Associate Counsel George Gilbert recounts highlights from a recent discussion at ICI's Capital Markets Conference.

Transcript

Stephanie Ortvals-Tibbs, ICI Director, Media Relations: Funds and their investors are experiencing an explosion in the amount of data and information transparency they can gain regarding trading venues and order routing. In the midst of all this there's sea change for the industry. Here are some insights on what's going on and what's next.

George Gilbert, ICI Associate Counsel: Order routing and venue analysis is a daunting task because essentially what you're doing is, you're going out to your broker-dealers and you're saying, "tell me everything that there is to know about my orders and about how they've been executed." And that generates a massive amount of information. So one of our panelists noted that if you don't have a sense of what your objectives are, it's a little like boiling the ocean because you get all of this information and that you then need to distill, but you need to know at the outset what your objectives are in asking for that information. And maybe you have the sense that you're not getting great executions from a particular venue and you want to take a look at a type of strategies, for example, that your broker-dealer is implementing, the algorithms, perhaps. So you have a sense that maybe something is not working as well as it could be and then you start formulating questions around that and trying to optimize from there but it's very much an iterative process, you go back and forth with your broker-dealer to try to get the information, then to try to fine-tune it.

Ortvals-Tibbs: Eventually some of this discussion may also be influenced by what the U.S. Securities and Exchange Commission does. ICI has asked the SEC to get involved in gathering some additional data. Tell me about what we've asked for and what we might expect in this coming year.

Gilbert: Right, so I think the access to information is really critical and then there's the question of who has the access to information. So what ICI did, this was certainly over a year ago, maybe even during 2014, we asked the SEC to create a standardized template for broker-dealers to report order-routing information back to institutional clients. They have not yet acted on that, so what's happened in the interim, there has been this iterative process that we've heard about to sort of fill this regulatory void. Now it still seems that there's a desire to have a standardized set of disclosures because that would be very helpful in facilitating this dialogue and get to a point where you get usable data more quickly if you start from a standardized template as opposed to starting from really

nothing or not much at all.

Additional Resources

- Speech from 2016 ICI Capital Markets Conference: [“Promoting the Buyside Voice on Market Structure”](#)
- *Focus on Funds* video: [ICI Insights on the SEC's Market Structure Agenda](#)

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