



October 23, 2014

Chair Mary Jo White
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Customer-Specific Order Routing Disclosures for Institutional Investors

Dear Chair White:

The Investment Company Institute (ICI),¹ Managed Funds Association (MFA),² and the Securities Industry and Financial Markets Association (SIFMA)³ (together, the “Associations”) are writing to support efforts to improve the transparency of the equity markets. Specifically, we have prepared an order routing disclosure template for the minimum disclosure of order routing and execution quality information that institutional investors could request from their broker-dealers. We hope that the template (attached as Annex A) will inform any potential rulemaking by the Securities and Exchange Commission (“SEC” or “Commission”) staff as it prepares a recommendation for a rule

¹ The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$17.2 trillion and serve over 90 million shareholders.

² Managed Funds Association represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry’s contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, North and South America, and many other regions where MFA members are market participants.

³ The Securities Industry and Financial Markets Association brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

that would require, upon institutional investor request, disclosure of useful, reliable, and uniformly available customer-specific order routing information.⁴

Currently, institutional investors receive a range of information from their broker-dealers regarding how their equity market orders are routed, the potential conflicts of interest broker-dealers face, and the execution quality provided by the different broker-dealers and trading venues. Institutional investors have access to publically-available order routing and execution quality statistics pursuant to Rules 605 and 606 of Regulation NMS as well as through ad hoc reports that broker-dealers prepare in response to individual requests. Those reports, however, do not provide information to measure broker-dealers' and execution venues' performance with respect to specific institutional investors. In addition, those reports are not presented in a uniform manner that allows for easy comparison across different broker-dealers and venues.

To address buy-side interest in enhancing the level of transparency around equity market structure in general and execution quality in particular, including through better disclosure of statistical data regarding order routing and execution, ICI organized a transparency initiative industry working group. To achieve broad industry consensus, the working group included representatives of investment managers, broker-dealers, exchanges and other trade associations—including MFA and SIFMA.⁵ The working group was tasked with developing, among other things, a standardized disclosure template that each broker would provide to its clients. The disclosure would provide a broad range of statistical data regarding the broker's handling of a specific customer's orders, along with the execution quality achieved by the broker at each execution venue.

The working group has produced this template for the minimum disclosure of order routing and execution quality information, which would be provided by broker-dealers at regular intervals. The Associations believe that receipt of the information in the template would provide institutional investor clients of broker-dealers, including funds and their managers, with standardized information about their broker-dealers' order routing practices and execution quality. The standardized information would provide institutional investor clients with data for further analysis and comparison and would help institutional investors begin a dialogue with their broker-dealers about order routing practices and the management of conflicts of interest. We also note that in the continuously evolving and innovating markets, different types of information may become more relevant or useful over time. In this regard, we encourage the Commission to make any regulations in this area flexible so that information disclosures that become obsolete can be readily replaced with disclosures that become relevant.

⁴ See Mary Jo White, Chair, Securities and Exchange Commission, *Enhancing Our Equity Market Structure* (June 5, 2014) available at <http://www.sec.gov/News/Speech/Detail/Speech/1370542004312>.

⁵ Several members of the Commission's staff also were invited to the working group's meetings as observers.

This template has been endorsed by each Association as the product of collaboration among a broad segment of industry participants. The Associations believe that increased, uniform transparency will assist institutional investors with determining execution quality and increase overall investor confidence in the equity markets. We hope that this template will be of assistance to the Commission's staff as it prepares recommendations for rulemaking in this area. We would be pleased to discuss the template with you, your fellow commissioners, or the Commission's staff at the Commission's convenience.

If you have any questions or need further information, please do not hesitate to contact the undersigned or Jennifer Choi of ICI, at (202) 326-5876, Jennifer Han of MFA, at (202) 730-2600, or T. R. Lazo of SIFMA at (202) 962-7383.

Sincerely,

/s/

Dorothy M. Donohue
Deputy General Counsel
Investment Company Institute

/s/

Stuart J. Kaswell
Executive Vice President & Managing Director,
General Counsel
Managed Funds Association

/s/

Randy Snook
Executive Vice President
Securities Industry and Financial Markets
Association

Enclosure

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Page 4 of 4

cc: Luis A. Aguilar, Commissioner
Daniel M. Gallagher, Commissioner
Kara M. Stein, Commissioner
Michael S. Piwowar, Commissioner

Stephen Luparello, Director, Division of Trading and Markets
David S. Shillman, Associate Director, Division of Trading and Markets
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