

# FINANCIAL INFORMATION FORUM

August 21, 2024

**By electronic mail**

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Attn: Theodore S. Venuti, Associate General Counsel, Division of Trading and Markets

**Re: Rule 606: Disclosure of order routing information**

Dear Mr. Venuti,

Financial Information Forum (“FIF”) members request that the Securities and Exchange Commission (the “Commission”) provide written guidance to broker-dealers on how to calculate the percentage of orders routed to different venues for purposes of reporting under Commission Rule 606(a)(1).<sup>1</sup> The Commission has not provided written guidance on this question subsequent to the Commission’s 2018 amendments to Rule 606, and this question is fundamental to Rule 606(a) reporting. Based on discussions with FIF members, it appears that examination personnel have provided conflicting guidance to different industry members over time. Given the importance of enabling a fair comparison across broker-dealers, it is important that the Commission provide written guidance to ensure that broker-dealers are reporting in a consistent manner.

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<sup>1</sup> 17 CFR §242.606(a)(1)(ii).

The FAQs published by the Commission in connection with the Commission’s 2018 amendments to Rule 606 do not appear to provide any guidance on this issue.<sup>2</sup> The FAQs published by the Commission in connection with the Commission’s initial adoption of Rule 606<sup>3</sup> also do not provide the necessary clarity on these questions. FAQ 10 (“Orders Executed at Multiple Venues”) published by the Commission discusses orders executed at multiple venues, and the FAQ does not discuss the routing of orders to multiple venues. FAQ 10 also is based on the assumption that a firm could only report one route for a parent order, which is no longer the case after the 2018 amendments. Finally, FAQ 10 provides that a firm “... may adopt any reasonable, consistent approach for assigning an execution venue ....”,<sup>4</sup> and FIF members believe that more specific guidance is required to enable consistent reporting, and a fair comparison, across broker-dealers.

In this letter, we present specific scenarios and request that the Commission provide written guidance on these scenarios. These scenarios are intended to highlight specific reporting principles that require clarification. The following are some of the reporting principles that FIF members seek to address through the scenarios below:

- Does percentage of “orders” refer to the parent order or the child routes?
- Does each parent order count equally regardless of the size of the parent order?
- If each parent order counts equally, how should the routes for a single parent order be counted if there are routes of the single parent order to multiple venues?
- How should an order be allocated when all or part of a parent order is routed to one or more “routing firms” that the Commission does not consider to be an execution venue for Rule 606(a) reporting?<sup>5</sup>
- What is the impact in the common scenario where the aggregate number of shares routed exceeds the size of the parent order?

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<sup>2</sup> “Responses to Frequently Asked Questions Concerning Rule 606 of Regulation NMS”, available at <https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/faq-rule-606-regulation>.

<sup>3</sup> Division of Market Regulation: Staff Legal Bulletin No. 13, “Frequently Asked Questions About Rule 11Ac1-6” (June 22, 2001), available at <https://www.sec.gov/interps/legal/mrslb13.htm#q10>.

<sup>4</sup> Ibid.

<sup>5</sup> Securities and Exchange Commission, Division of Examinations, “Risk Alert: Observations Related to Regulation NMS Rule 606 Disclosures” (Nov. 10, 2022), available at <https://www.sec.gov/files/reg-nms-rule-606-disclosures-risk-alert.pdf>, at 3 (“For example, the Staff observed the following deficiencies with respect to firms’ quantifiable disclosures: ... Improperly identifying routing firms rather than the venues to which they routed orders ‘for execution’ as required by Rule 606(a)(1)(ii)”). In the past, FIF has written to the Commission on behalf of FIF members to explain why routing firms are execution venues for Rule 606(a) reporting and why the Commission’s interpretation is not correct. For the scenarios in this letter that involve routing firms, FIF members are seeking guidance based on the Commission’s interpretation that routing firms are not execution venues notwithstanding that FIF members do not agree with this interpretation. It is noteworthy that the Commission, in its 2024 amendments to Rule 605, makes clear that firms (such as routing firms) that are not market centers receive orders “for execution.” 17 CFR §242.600(b)(103).

We make the following assumptions for the scenarios below:

- All of the customer orders are reportable under Rule 606(a).
- No trade executions occur unless expressly specified.
- All orders are of the same “type” for purposes of Rule 606(a). For example, assume that all the orders are “non-marketable limit orders”.

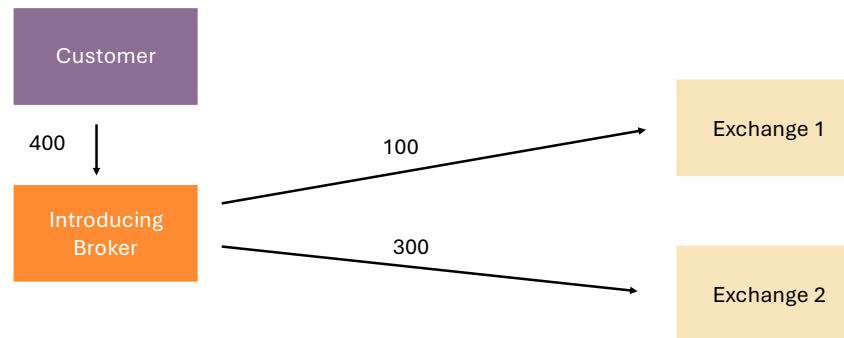
In each scenario below, we present different potential approaches for how the percentage could be calculated for each venue. There are many ways that routes can be allocated across venues, and the potential approaches discussed below represent a subset of the many potential approaches for how these scenarios could be reported. In the scenarios below, IB1 (Introducing Broker 1) refers to a broker-dealer that receives a held order from a customer that is reportable pursuant to Rule 606(a). The examples below are for equities, but the same principles should apply for options.

This letter presents seven scenarios. Scenario 7, in particular, reflects the complexities of reporting because Scenario 7 involves multiple parent orders and also involves routing to routing firms that the Commission does not consider to be execution venues. Scenarios 1 through 6 seek to highlight specific workflows that are then combined in Scenario 7. As the scenarios below demonstrate, the method that a firm uses to calculate the percentage of orders routed to different venues can have a significant impact on the reported percentages for each execution venue. At present, the most common approach for reporting by FIF members is to apply route weighting at the level of the route to the venue (see, for example, Approach 4 in Scenario 7), but not all FIF members report in this manner. FIF members request that the Commission provide guidance with respect to the scenarios below based on principles that are consistently applied across all the scenarios. FIF members are available to participate on a call with you and your colleagues to further discuss any of the scenarios below.

***Scenario 1: Allocation of a single parent order routed to multiple venues***

In Scenario 1, we consider the question of how a single parent order should be allocated when IB1 routes child orders to two venues and the child routes are for different quantities. This scenario assumes that IB1 only has one non-marketable limit order for the applicable month, as set forth in the table below.

## Scenario 1

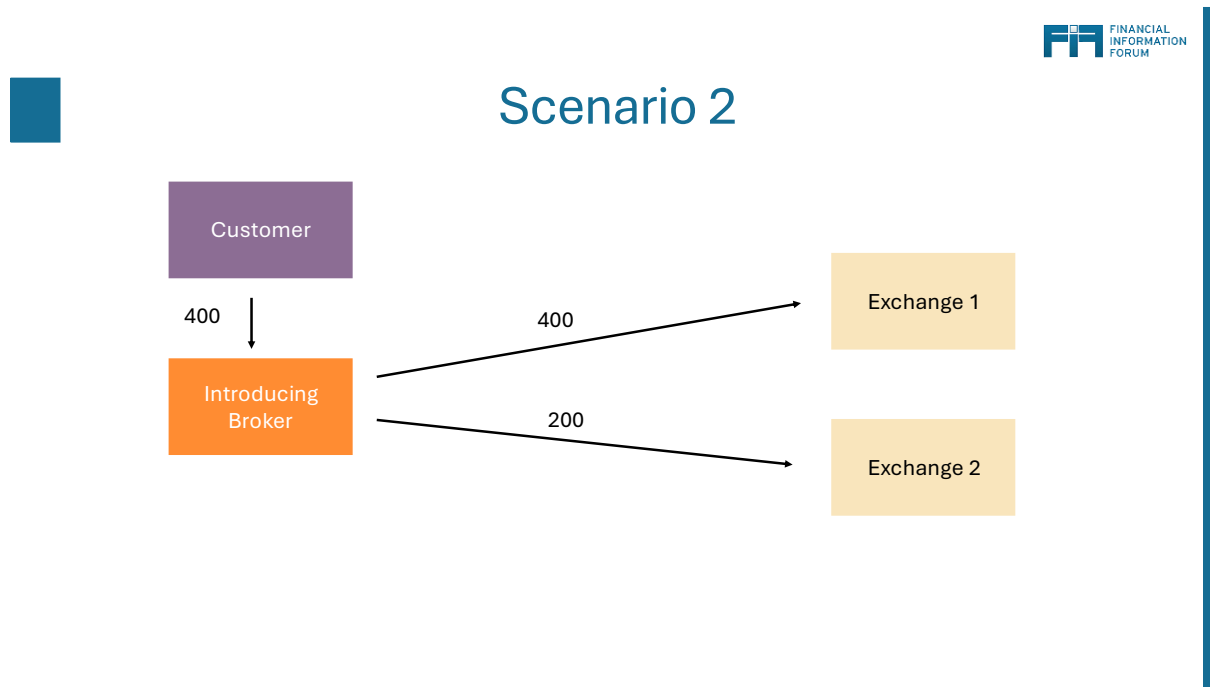


Event	Approach 1: Share Weighting	Approach 2: Route Weighting	Approach 3: Venue Where Largest Number of Shares are Routed
IB1 receives customer order for 400 shares			
IB1 routes 100 shares to Exchange 1	Exchange 1: 100/400	Exchange 1: 1/2	
Exchange 1 executes 100 shares			
IB1 routes 300 shares to Exchange 2	Exchange 2: 300/400	Exchange 2: 1/2	Exchange 2: 1/1
Exchange 2 executes 300 shares			
Reporting	Exchange 1: 25.0% [100/400] Exchange 2: 75.0% [300/400]	Exchange 1: 50.0% [1/2] Exchange 2: 50.0% [1/2]	Exchange 2: 100.0% [1/1]

Under Approach 1, which provides for share weighting, IB1 reports 25.0% for Exchange 1 and 75.0% for Exchange 2. Under Approach 2, which provides for route weighting, IB1 reports 50.0% for Exchange 1 and 50.0% for Exchange 2. Under Approach 3, which is permitted by FAQ 10 (discussed above), IB1 reports 100% for Exchange 2 because more shares were routed to Exchange 2 than to any other venue.

**Scenario 2: Aggregate quantity of child routes exceeds the quantity of the parent order**

Scenario 2 is the same as Scenario 1, except that the aggregate quantity of the child routes exceeds the quantity of the parent order. This scenario assumes that IB1 only has one non-marketable limit order for the applicable month.



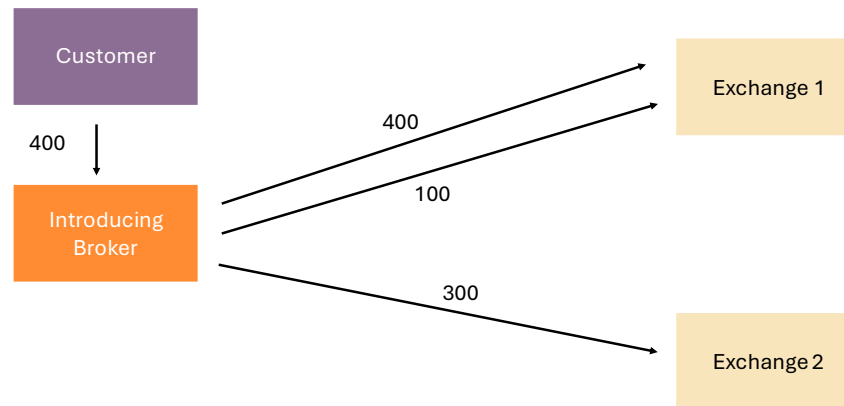
Event	Approach 1: Share Weighting	Approach 2: Route Weighting	Approach 3: Share Weighting (as percentage of parent)
IB1 receives customer order for 400 shares			
IB1 routes 400 shares to Exchange 1	Exchange 1: 400/600	Exchange 1: 1/2	Exchange 1: 400/400
IB1 cancels the route to Exchange 1			
IB1 routes 200 shares to Exchange 2	Exchange 2: 200/600	Exchange 2: 1/2	Exchange 2: 200/400
IB1 cancels the route to Exchange 2			
Customer cancels the parent order			
Reporting	Exchange 1: 66.7% [400/600] Exchange 2: 33.3% [200/600]	Exchange 1: 50.0% [1/2] Exchange 2: 50.0% [1/2]	Exchange 1: 100.0% [400/400] Exchange 2: 50.0% [200/400]

This scenario illustrates that share weighting could be calculated as a percentage of shares routed or as a percentage of parent order size.

***Scenario 3: Multiple routes to a single venue***

Scenario 3 involves multiple routes to a single venue. Scenario 3 assumes that IB1 only has one non-marketable limit order for the applicable month.

### Scenario 3



Event	Approach 1: Share Weighting	Approach 2: Route Weighting	Approach 3: Share Weighting (as percentage of parent)	Approach 4: Venue Weighting
IB1 receives customer order for 400 shares				
IB1 routes 400 shares to Exchange 1	Exchange 1: 400/800	Exchange 1: 1/3	Exchange 1: 400/400	Exchange 1: 1/2
IB1 cancels the route to Exchange 1				
IB1 routes 300 shares to Exchange 2	Exchange 2: 300/800	Exchange 2: 1/3	Exchange 2: 300/400	Exchange 2: 1/2
IB1 cancels the route to Exchange 2				
IB1 routes 100 shares to Exchange 1	Exchange 1: 100/800	Exchange 1: 1/3	Exchange 1: 100/400	
IB1 cancels the route to Exchange 1				

Event	Approach 1: Share Weighting	Approach 2: Route Weighting	Approach 3: Share Weighting (as percentage of parent)	Approach 4: Venue Weighting
Customer cancels the parent order				
Reporting	Exchange 1: 62.5% [500/800] Exchange 2: 37.5% [300/800]	Exchange 1: 66.7% [2/3] Exchange 2: 33.3% [1/3]	Exchange 1: 125.0% [500/400] Exchange 2: 75.0% [300/400]	Exchange 1: 50.0% [1/2] Exchange 2: 50.0% [1/2]

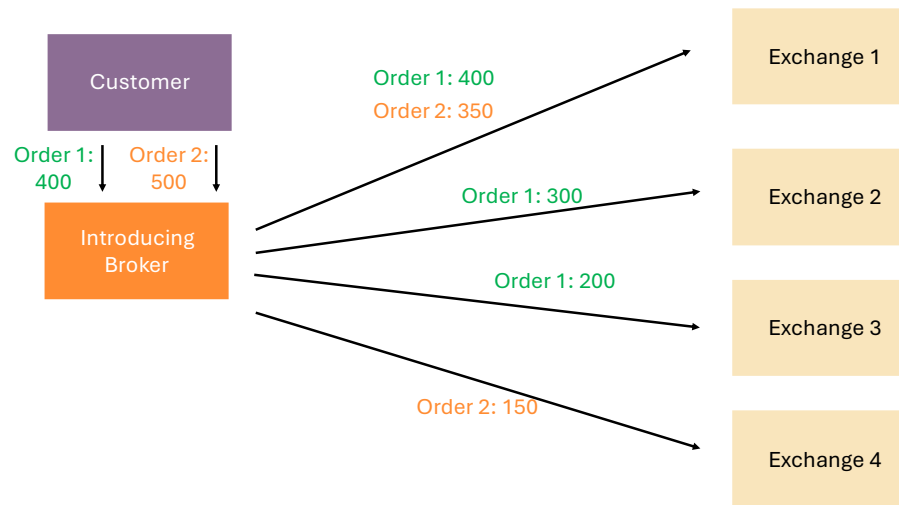
The first three approaches are the same as the three approaches in Scenario 3. Under Approach 4, the sending of a second route to Exchange 1 does not change the weighting for Exchange 1.

***Scenario 4: Allocating across orders***

Scenario 4 is the first scenario presented that involves multiple orders. In this scenario, IB1 receives two non-marketable limit orders for a month.



## Scenario 4



Event	Approach 1: Share Weighting at Child Level	Approach 2: Share Weighting at Parent and Child Levels	Approach 3: Share Weighting at Child Level (weighted by parent count)	Approach 4: Route Weighting at Child Level (weighted by parent order size)	Approach 5: Route Weighting at Child Level	Approach 6: Route Weighting at Child Level (weighted by parent count)
IB1 receives customer order 1 for 400 shares						
IB1 routes 400 shares to Exchange 1	Exchange 1: 400/1,400	Exchange 1: (400/900) * (400/900)	Exchange 1: (400/900) * (1/2)	Exchange 1: (1/3) * (400/900)	Exchange 1: 1/5	Exchange 1: (1/3) * (1/2)
IB1 cancels the route to Exchange 1						

Event	Approach 1: Share Weighting at Child Level	Approach 2: Share Weighting at Parent and Child Levels	Approach 3: Share Weighting at Child Level (weighted by parent count)	Approach 4: Route Weighting at Child Level (weighted by parent order size)	Approach 5: Route Weighting at Child Level	Approach 6: Route Weighting at Child Level (weighted by parent count)
IB1 routes 300 shares to Exchange 2	Exchange 2: 300/1,400	Exchange 2: (300/900) * (400/900)	Exchange 2: (300/900) * (1/2)	Exchange 2: (1/3) * (400/900)	Exchange 2: 1/5	Exchange 2: (1/3) * (1/2)
IB1 cancels the route to Exchange 2						
IB1 routes 200 shares to Exchange 3	Exchange 3: 200/1,400	Exchange 3: (200/900) * (400/900)	Exchange 3: (200/900) * (1/2)	Exchange 3: (1/3) * (400/900)	Exchange 3: 1/5	Exchange 3: (1/3) * (1/2)
IB1 cancels the route to Exchange 3						
Customer cancels the parent order for customer order 1						
IB1 receives customer order 2 for 500 shares						
IB1 routes 350 shares to Exchange 1	Exchange 1: 350/1,400	Exchange 1: (350/500) * (500/900)	Exchange 1: (350/500) * (1/2)	Exchange 1: (1/2) * (500/900)	Exchange 1: 1/5	Exchange 1: (1/2) * (1/2)
IB1 cancels the route to Exchange 2						
IB1 routes 150 shares to Exchange 4	Exchange 4: 150/1,400	Exchange 4: (150/500) * (500/900)	Exchange 2: (150/500) * (1/2)	Exchange 2: (1/2) * (500/900)	Exchange 4: 1/5	Exchange 4: (1/2) * (1/2)

Event	Approach 1: Share Weighting at Child Level	Approach 2: Share Weighting at Parent and Child Levels	Approach 3: Share Weighting at Child Level (weighted by parent count)	Approach 4: Route Weighting at Child Level (weighted by parent order size)	Approach 5: Route Weighting at Child Level	Approach 6: Route Weighting at Child Level (weighted by parent count)
IB1 cancels the route to Exchange 2						
Customer cancels the parent order for customer order 2						
Reporting	Exchange 1: 53.6% [750 / 1,400] Exchange 2: 21.4% [300 / 1,400] Exchange 3: 14.3% [200 / 1,400] Exchange 4: 10.7% [150 / 1,400]	Exchange 1: 58.7% [19.8% + 38.9%] Exchange 2: 14.8% Exchange 3: 9.9% Exchange 4: 16.7%	Exchange 1: 57.2% [22.2% + 35.0%] Exchange 2: 16.7% Exchange 3: 11.1% Exchange 4: 15.0%	Exchange 1: 42.6% [14.8% + 27.8%] Exchange 2: 14.8% Exchange 3: 14.8% Exchange 4: 27.8%	Exchange 1: 40.0% [20.0% + 20.0%] Exchange 2: 20.0% Exchange 3: 20.0% Exchange 4: 20.0%	Exchange 1: 41.6% [16.7% + 25.0%] Exchange 2: 16.7% Exchange 3: 16.7% Exchange 4: 25.0%

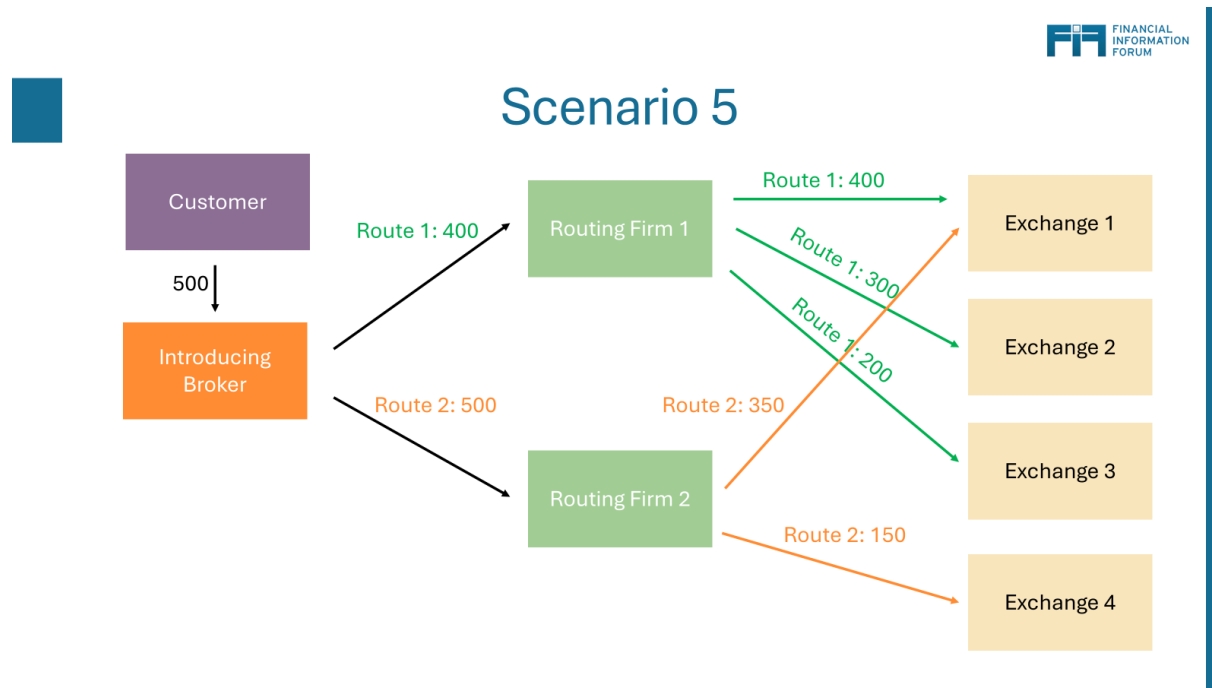
We have presented six potential approaches for reporting this scenario, but there are many other potential approaches for reporting. The following is a description of each approach set forth in the table above:

- Approach 1: This approach only look at the child routes and applies share weighting across all child routes.
- Approach 2: This approach applies share weighting across parent orders and then applies a second level of share weighting within each individual parent order.
- Approach 3: This approach weighs each parent order equally and then applies share weighting within each individual parent order.
- Approach 4: This approach applies share weighting across parent orders and then applies route weighting within each individual parent order.

- Approach 5: This approach only looks at the child routes and applies route weighting across all child routes.
- Approach 6: This approach weighs each parent order equally and then applies route weighting within each individual parent order.

**Scenario 5: Allocating single parent order routed through routing firms**

Scenario 5 is similar to Scenario 4, except that there is one parent order and IB1 routes child orders through Routing Firm 1 (RF1) and Routing Firm 2 (RF2).



Event	Approach 1: Share Weighting at Child Level	Approach 2: Share Weighting at Child and First-Route Levels	Approach 3: Route Weighting at Child Level	Approach 4: Route Weighting at Child and First-Route Levels	Approach 5: Route Weighting at First-Route Level <sup>6</sup>
IB1 receives customer order 1 for 400 shares					
IB1 routes 400 shares to RF1					RF1: 1/2
RF1 routes 400 shares to Exchange 1	Exchange 1: 400/1,400	Exchange 1: (400/900) *	Exchange 1: 1/5	Exchange 1: (1/3) * (1/2)	
RF1 cancels the route to Exchange 1					
RF1 routes 300 shares to Exchange 2	Exchange 2: 300/1,400	Exchange 2: (300/900) *	Exchange 2: 1/5	Exchange 2: (1/3) * (1/2)	
RF1 cancels the route to Exchange 2					
RF1 routes 200 shares to Exchange 3	Exchange 3: 200/1,400	Exchange 3: (200/900) *	Exchange 3: 1/5	Exchange 3: (1/3) * (1/2)	
RF1 cancels the route to Exchange 3					
IB1 cancels the route to RF1					
IB1 routes 500 shares to RF2					RF2: 1/2

<sup>6</sup> FIF members continue to believe that reporting by an introducing broker based on the parties to which an introducing broker routes an order (as opposed to reporting based on look-through) most accurately reflects the routing practices and incentives of the introducing broker.

Event	Approach 1: Share Weighting at Child Level	Approach 2: Share Weighting at Child and First-Route Levels	Approach 3: Route Weighting at Child Level	Approach 4: Route Weighting at Child and First-Route Levels	Approach 5: Route Weighting at First-Route Level <sup>6</sup>
RF2 routes 350 shares to Exchange 1	Exchange 1: 350/1,400	Exchange 1: (350/500) * (500/900)	Exchange 1: 1/5	Exchange 1: (1/2) * (1/2)	
RF2 cancels the route to Exchange 2					
RF2 routes 150 shares to Exchange 4	Exchange 4: 150/1,400	Exchange 4: (150/500) * (500/900)	Exchange 4: 1/5	Exchange 4: (1/2) * (1/2)	
RF2 cancels the route to Exchange 2					
IB1 cancels the route to RF2					
Customer cancels the parent order					
Reporting	Exchange 1: 53.6% [750 / 1,400] Exchange 2: 21.4% [300 / 1,400] Exchange 3: 14.3% [200 / 1,400] Exchange 4: 10.7% [150 / 1,400]	Exchange 1: 58.7% [19.8% + 38.9%] Exchange 2: 14.8% Exchange 3: 9.9% Exchange 4: 16.7%	Exchange 1: 40.0% [20.0% + 20.0%] Exchange 2: 20.0% Exchange 3: 20.0% Exchange 4: 20.0%	Exchange 1: 41.6% [16.7% + 25.0%] Exchange 2: 16.7% Exchange 3: 16.7% Exchange 4: 25.0%	RF1: 50.0% RF2: 50.0%

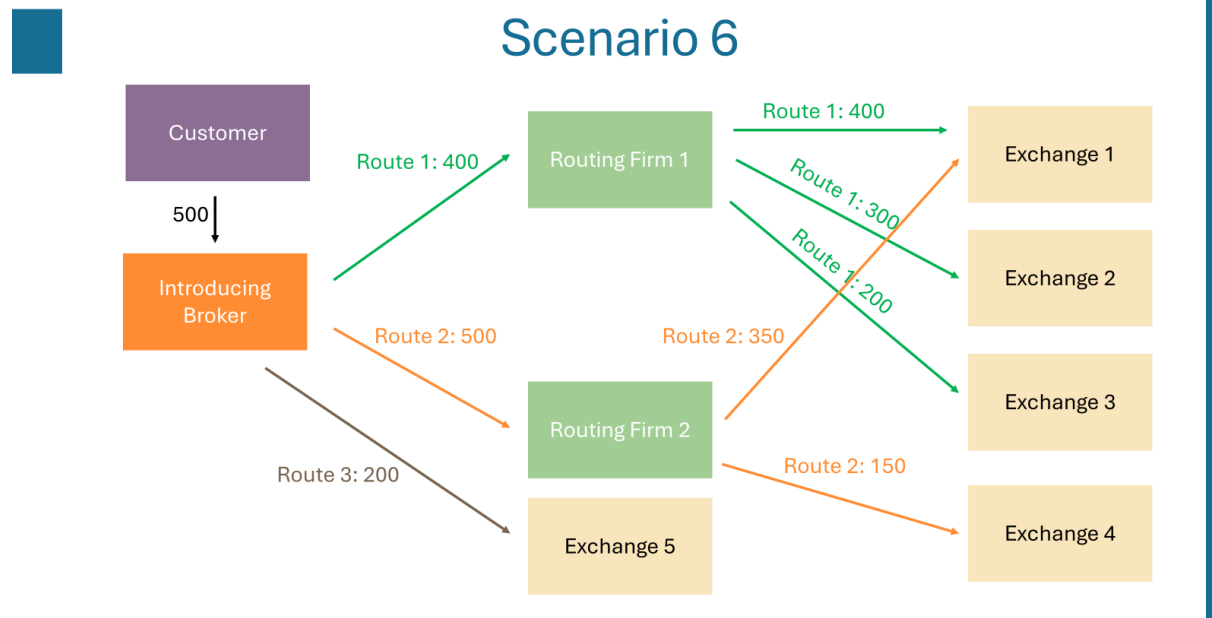
In this scenario and the scenarios below, weighting at the “First-Route Level” means weighting based on routes by IB1 and weighting at the “Child Level” means weighting based on routes to a venue.

We have presented five potential approaches for reporting this scenario, but there are many other potential approaches for reporting. The following is a description of each approach set forth in the table above:

- Approach 1: This approach only look at the routes to the exchanges and applies share weighting across all routes to exchanges.
- Approach 2: This approach applies share weighting across the first-level routes and then applies a second level of share weighting within each first-level route.
- Approach 3: This approach only looks at the routes to the exchanges and then applies route weighting across all routes to exchanges.
- Approach 4: This approach applies route weighting across the first-level routes and then applies a second level of route weighting within each first-level route.
- Approach 5: This approach only looks at the first-level routes and applies route weighting to the first-level routes.

**Scenario 6: Allocating single parent order routed through routing firms and directly to exchanges**

Scenario 6 is the same as Scenario 5 except that IB1 also routes directly to an exchange (Exchange 5).



Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and First-Route Levels	Approach 3: Route Weighting at the Child Level	Approach 4: Route Weighting at the Child and First-Route Levels	Approach 5: Route Weighting at the First-Route Level
IB1 receives customer order 1 for 400 shares					
IB1 routes 400 shares to RF1					RF1: 1/3
RF1 routes 400 shares to Exchange 1	Exchange 1: 400/1,600	Exchange 1: (400/900) * (400/1,100)	Exchange 1: 1/6	Exchange 1: (1/3) * (1/3)	
RF1 cancels the route to Exchange 1					
RF1 routes 300 shares to Exchange 2	Exchange 2: 300/1,600	Exchange 2: (300/900) * (400/1,100)	Exchange 2: 1/6	Exchange 2: (1/3) * (1/3)	
RF1 cancels the route to Exchange 2					
RF1 routes 200 shares to Exchange 3	Exchange 3: 200/1,600	Exchange 3: (200/900) * (400/1,100)	Exchange 3: 1/6	Exchange 3: (1/3) * (1/3)	
RF1 cancels the route to Exchange 3					
IB1 cancels the route to RF1					
IB1 routes 500 shares to RF2					RF2: 1/3
RF2 routes 350 shares to Exchange 1	Exchange 1: 350/1,600	Exchange 1: (350/500) * (500/1,100)	Exchange 1: 1/6	Exchange 1: (1/2) * (1/3)	



Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and First-Route Levels	Approach 3: Route Weighting at the Child Level	Approach 4: Route Weighting at the Child and First-Route Levels	Approach 5: Route Weighting at the First-Route Level
RF2 cancels the route to Exchange 2					
RF2 routes 150 shares to Exchange 4	Exchange 4: 150/1,600	Exchange 4: (150/500) * (500/1,100)	Exchange 4: 1/6	Exchange 4: (1/2) * (1/3)	
RF2 cancels the route to Exchange 2					
IB1 cancels the route to RF2					
IB1 routes 200 shares to Exchange 5	Exchange 5: 200/1,600	Exchange 5: 200/1,100	Exchange 5: 1/6	Exchange 5: 1/3	Exchange 5: 1/3
IB1 cancels the route to Exchange 5					
Customer cancels the parent order					
Reporting	Exchange 1: 46.9% [750 / 1,600] Exchange 2: 18.8% [300 / 1,600] Exchange 3: 12.5% [200 / 1,600] Exchange 4: 9.4% [150 / 1,600] Exchange 5: 12.5% [200 / 1,600]	Exchange 1: 48.0% [16.2% + 31.9%] Exchange 2: 12.1% Exchange 3: 8.1% Exchange 4: 13.6% Exchange 5: 18.2%	Exchange 1: 33.3% [16.7% + 16.7%] Exchange 2: 16.7% Exchange 3: 16.7% Exchange 4: 16.7% Exchange 5: 16.7%	Exchange 1: 27.8% [11.1% + 16.7%] Exchange 2: 11.1% Exchange 3: 11.1% Exchange 4: 16.7% Exchange 5: 33.3%	RF1: 33.3% RF2: 33.3% Exchange 5: 33.3%

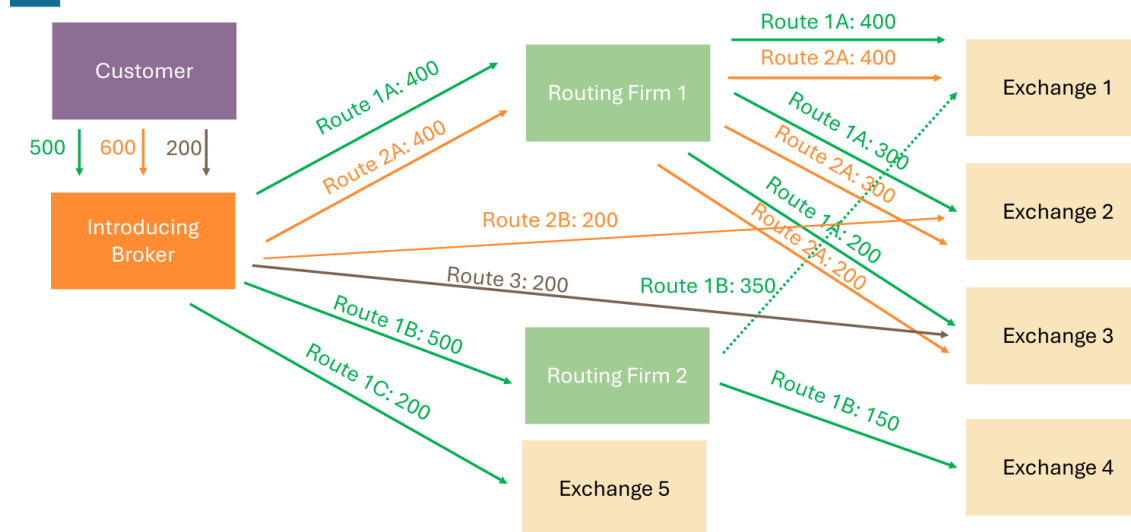
We have presented five potential approaches for reporting this scenario, but there are many other potential approaches for reporting. The following is a description of each approach set forth in the table above:

- Approach 1: This approach only look at the routes to the exchanges and applies share weighting across all routes to exchanges.
- Approach 2: This approach applies share weighting across the first-level routes and then applies a second level of share weighting within each first-level route.
- Approach 3: This approach only looks at the routes to the exchanges and then applies route weighting across all routes to exchanges.
- Approach 4: This approach applies route weighting across the first-level routes and then applies a second level of route weighting within each first-level route.
- Approach 5: This approach only looks at the first-level routes and applies route weighting to the first-level routes.

***Scenario 7: Allocating across orders routed through routing firms and directly to exchanges***

Scenario 7 combines the prior scenarios. Scenario 7 involves multiple parent orders and routing through routing firms and directly to exchanges. Scenario 7 represents a common scenario for reporting.

### Scenario 7



Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and Parent Levels	Approach 3: Share Weighting at the Child, First-Route and Parent Levels	Approach 4: Route Weighting at the Child Level	Approach 5: Route Weighting at the Child, First-Route and Parent Levels	Approach 6: Route Weighting at the First-Route Level
IB1 receives customer order 1 for 500 shares						
IB1 routes 400 shares to RF1						RF1: 1/6
RF1 routes 400 shares to Exchange 1	Exchange 1: 400/2,900	Exchange 1: (400/1,600) * (500/1,300)	Exchange 1: (400/900) *	Exchange 1: 1/11	Exchange 1: (1/3) * (1/3) *	

Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and Parent Levels	Approach 3: Share Weighting at the Child, First-Route and Parent Levels	Approach 4: Route Weighting at the Child Level	Approach 5: Route Weighting at the Child, First-Route and Parent Levels	Approach 6: Route Weighting at the First-Route Level
			(400/1,100) * (500/1,300)			
RF1 cancels the route to Exchange 1						
RF1 routes 300 shares to Exchange 2	Exchange 2: 300/2,900	Exchange 2: (300/1,600) * (500/1,300)	Exchange 2: (300/900) * (400/1,100) * (500/1,300)	Exchange 2: 1/11	Exchange 2: (1/3) * (1/3) * (1/3)	
RF1 cancels the route to Exchange 2						
RF1 routes 200 shares to Exchange 3	Exchange 3: 200/2,900	Exchange 3: (200/1,600) * (500/1,300)	Exchange 3: (200/900) * (400/1,100) * (500/1,300)	Exchange 3: 1/11	Exchange 3: (1/3) * (1/3) * (1/3)	
RF1 cancels the route to Exchange 3						
IB1 cancels the route to RF1						
IB1 routes 500 shares to RF2						RF2: 1/6
RF2 routes 350 shares to Exchange 1	Exchange 1: 350/2,900	Exchange 1: (350/1,600) * (500/1,300)	Exchange 1: (350/500) * (500/1,100) * (500/1,300)	Exchange 1: 1/11	Exchange 1: (1/2) * (1/3) * (1/3)	
RF2 cancels the route to Exchange 2						

Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and Parent Levels	Approach 3: Share Weighting at the Child, First-Route and Parent Levels	Approach 4: Route Weighting at the Child Level	Approach 5: Route Weighting at the Child, First-Route and Parent Levels	Approach 6: Route Weighting at the First-Route Level
RF2 routes 150 shares to Exchange 4	Exchange 4: 150/2,900	Exchange 4: (150/1,600) * (500/1,300)	Exchange 4: (150/500) * (500/1,100) * (500/1,300)	Exchange 4: 1/11	Exchange 4: (1/2) * (1/3) * (1/3)	
RF2 cancels the route to Exchange 2						
IB1 cancels the route to RF2						
IB1 routes 200 shares to Exchange 5	Exchange 5: 200/2,900	Exchange 5: (200/1,600) * (500/1,300)	Exchange 5: (200/1,100) * (500/1,300)	Exchange 5: 1/11	Exchange 5: (1/3) * (1/3)	Exchange 5: 1/6
IB1 cancels the route to Exchange 5						
Customer cancels customer order 1						
IB1 receives customer order 2 for 600 shares						
IB1 routes 400 shares to RF1						RF1: 1/6
RF1 routes 400 shares to Exchange 1	Exchange 1: 400/2,900	Exchange 1: (400/1,100) * (600/1,300)	Exchange 1: (400/900) * (400/600) * (600/1,300)	Exchange 1: 1/11	Exchange 1: (1/3) * (1/2) * (1/3)	

Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and Parent Levels	Approach 3: Share Weighting at the Child, First-Route and Parent Levels	Approach 4: Route Weighting at the Child Level	Approach 5: Route Weighting at the Child, First-Route and Parent Levels	Approach 6: Route Weighting at the First-Route Level
RF1 cancels the route to Exchange 1						
RF1 routes 300 shares to Exchange 2	Exchange 2: 300/2,900	Exchange 2: (300/1,100) * (600/1,300)	Exchange 2: (300/900) * (400/600) * (600/1,300)	Exchange 2: 1/11	Exchange 2: (1/3) * (1/2) * (1/3)	
RF1 cancels the route to Exchange 2						
RF1 routes 200 shares to Exchange 3	Exchange 3: 200/2,900	Exchange 3: (200/1,100) * (600/1,300)	Exchange 3: (200/900) * (400/600) * (600/1,300)	Exchange 3: 1/11	Exchange 3: (1/3) * (1/2) * (1/3)	
RF1 cancels the route to Exchange 3						
IB1 cancels the route to RF1						
IB1 routes 200 shares to Exchange 2	Exchange 2: 200/2,900	Exchange 2: (200/1,100) * (600/1,300)	Exchange 2: (200/600) * (600/1,300)	Exchange 2: 1/11	Exchange 2: (1/2) * (1/3)	Exchange 2: 1/6
IB1 cancels the route to Exchange 2						
Customer cancels customer order 2						

Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and Parent Levels	Approach 3: Share Weighting at the Child, First-Route and Parent Levels	Approach 4: Route Weighting at the Child Level	Approach 5: Route Weighting at the Child, First-Route and Parent Levels	Approach 6: Route Weighting at the First-Route Level
IB1 receives customer order 3 for 200 shares						
IB1 routes 200 shares to Exchange 3	Exchange 3: 200/2,900	Exchange 3: 200/1,300	Exchange 3: 200/1,300	Exchange 3: 1/11	Exchange 3: 1/3	Exchange 3: 1/6
IB1 cancels the route to Exchange 3						
Customer cancels customer order 3						
Reporting	Exchange 1: 39.7% [1,150 / 2,900] Exchange 2: 27.6% [800 / 2,900] Exchange 3: 20.7% [600 / 2,900] Exchange 4: 5.2% [150 / 2,900]	Exchange 1: 34.8% [9.6% + 8.4% + 16.8%] Exchange 2: 28.2% [7.2% + 12.6% + 8.4%] Exchange 3: 28.6% [4.8% + 8.4% + 15.4%] Exchange 4: 3.6% <sup>7</sup> Exchange 5: 4.8% <sup>8</sup>	Exchange 1: 32.1% [6.2% + 12.2% + 13.7%] Exchange 2: 30.4% [4.7% + 10.3% + 15.4%] Exchange 3: 25.3% [3.1% + 6.8% + 15.4%] Exchange 4: 5.2% Exchange 5: 7.0%	Exchange 1: 27.3% [3/11] Exchange 2: 27.3% [3/11] Exchange 3: 27.3% [3/11] Exchange 4: 9.1% Exchange 5: 9.1%	Exchange 1: 14.9% [3.7% + 5.6% + 5.6%] Exchange 2: 26.0% [3.7% + 5.6% + 16.7%] Exchange 3: 42.6% [3.7% + 5.6% + 33.3%] Exchange 4: 5.6% Exchange 5: 11.1%	RF1: 33.3% [2/6] RF2: 16.7% [1/6] Exchange 2: 16.7% [1/6] Exchange 3: 16.7% [1/6] Exchange 5: 16.7% [1/6]

<sup>7</sup> Venue can be excluded if it represents less than 5% of orders and 90% of orders have been reported.

<sup>8</sup> Ibid.

Event	Approach 1: Share Weighting at the Child Level	Approach 2: Share Weighting at the Child and Parent Levels	Approach 3: Share Weighting at the Child, First-Route and Parent Levels	Approach 4: Route Weighting at the Child Level	Approach 5: Route Weighting at the Child, First-Route and Parent Levels	Approach 6: Route Weighting at the First-Route Level
	Exchange 5: 6.9% [200 / 1,600]					

We have presented six potential approaches for reporting this scenario, but there are many other potential approaches for reporting. The following is a description of each approach set forth in the table above:

- Approach 1: This approach only look at the routes to the exchanges and applies share weighting across all routes to exchanges.
- Approach 2: This approach applies share weighting across the parent orders, and then applies a second-level of share weighting within each parent order based on the shares routed to each exchange.
- Approach 3: This approach applies three levels of share weighting: share weighting at the parent order level; share weighting within each parent order based on shares routed by IB1; and further share weighting across routes by each routing firm.
- Approach 4: This approach only looks at the routes to the exchanges and applies route weighting across all routes to exchanges.
- Approach 5: This approach applies three levels of route weighting: route weighting at the parent order level; route weighting within each parent order based on routes by IB1; and further route weighting across routes by each routing firm.
- Approach 6: This approach only looks at the routes by IB1 and applies route weighting based on these routes.

While FIF sets forth six potential approaches for reporting in the table above, there are at least 24 potential approaches for reporting, as illustrated by the table below. This table assumes the following:

- At the parent order level, there could be no weighting, share weighting or equal weighting of each parent order.
- At the first-route and child levels, there could be no weighting, share weighting or route weighting, but there must be some type of weighting at either the first-route or child level.

	Parent Order	First-Level Route	Child Route
1			Share Weighting
2			Route Weighting



	Parent Order	First-Level Route	Child Route
3		Share Weighting	
4		Share Weighting	Share Weighting
5		Share Weighting	Route Weighting
6		Route Weighting	
7		Route Weighting	Share Weighting
8		Route Weighting	Route Weighting
9	Share Weighting		Share Weighting
10	Share Weighting		Route Weighting
11	Share Weighting	Share Weighting	
12	Share Weighting	Share Weighting	Share Weighting
13	Share Weighting	Share Weighting	Route Weighting
14	Share Weighting	Route Weighting	
15	Share Weighting	Route Weighting	Share Weighting
16	Share Weighting	Route Weighting	Route Weighting
17	Equal Weighting		Share Weighting
18	Equal Weighting		Route Weighting
19	Equal Weighting	Share Weighting	
20	Equal Weighting	Share Weighting	Share Weighting
21	Equal Weighting	Share Weighting	Route Weighting
22	Equal Weighting	Route Weighting	
23	Equal Weighting	Route Weighting	Share Weighting
24	Equal Weighting	Route Weighting	Route Weighting

If we consider that a firm also could apply weighting such that multiple first-level routes to the same recipient or multiple routes to the same venue would only count as one route (see, for example, Approach 4 in Scenario 3), this would create numerous other potential approaches beyond the 24 approaches set forth in the table above.

***Request for written guidance in draft form***

FIF members request that the Commission publish the written guidance requested by FIF members in draft form and provide an opportunity for reporting firms to comment on the draft written guidance. Based on the draft responses provided by the Commission, reporting firms could

identify additional scenarios (or variations on the above scenarios) where further guidance would be required. FIF members also request that the Commission explain the steps for how it calculates the percentage routed for each venue for each scenario above.

### ***Implementation timeframe***

As discussed above, FIF members request that the Commission provide written guidance for reporting the scenarios presented above. FIF members also request that the Commission provide industry members with a reasonable time period to implement the written guidance to be provided by the Commission to the extent that an industry member is required to change its current method of reporting to conform to the Commission's guidance.

### ***Legacy Rule 606 FAQs***

On June 24, 2024, FIF submitted a letter to the Commission relating to the implementation of the Commission's 2024 amendments to Rule 605.<sup>9</sup> In the June 24 letter, FIF recommended that the Commission evaluate all of the Rule 605 FAQs that were published prior to the 2024 amendments and either rescind or update the FAQs. FIF members further recommended that the Commission post all current Rule 606 FAQs in a single location so all industry participants could have a clear understanding as to the current set of applicable FAQs.

FIF members recommend that the Commission implement the same process for Rule 606. The Commission should evaluate every FAQ published prior to the 2018 amendments to Rule 606 and either rescind the FAQ or update the FAQ to conform to the 2018 amendments. The Commission should further add any FAQ that is not rescinded to the current set of Rule 606 FAQs. As discussed above, FAQ 10 from the 2001 Rule 606 FAQs is an example of an FAQ that is no longer relevant after the 2018 amendments, and the Commission should expressly rescind this FAQ.

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<sup>9</sup> Letter from FIF to the Commission (June 24, 2024), available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=2954:fif-letter-to-the-sec-relating-to-the-implementation-of-the-sec-s-amendments-to-rule-605&view=category>.

If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at [howard.meyerson@fif.com](mailto:howard.meyerson@fif.com).

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson  
Managing Director, Financial Information Forum

cc: Daniel Gray  
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