FINANCIAL INFORMATION FORUM

June 12, 2025

By electronic mail

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attn: Theodore S. Venuti, Assistant Director, Division of Trading and Markets

Financial Industry Regulatory Authority, Inc.
1735 K Street, NW
Washington, DC 20006-1596
Attn: Robert McNamee, Associate General Counsel, Office of General Counsel

Re: Draft Rule 606(a) FAQs

Dear Mr. Venuti and Mr. McNamee,

Financial Information Forum ("FIF") is writing as a follow-up to a letter that FIF submitted to the Securities and Exchange Commission ("Commission") and the Financial Industry Regulatory Authority ("FINRA") on February 26, 2025.[1] In the February 2025 letter, FIF members expressed concern that the Commission has not provided clear written guidance for how broker-dealers should report pursuant to Commission Rule 606(a) for the common scenario where a reporting broker-dealer routes a customer order to multiple venues. The February 2025 letter requests that FINRA hold-off on any steps towards the implementation of FINRA Rule 6470 until the Commission has provided written guidance on how broker-dealers should report for this scenario. The February 2025 letter also discusses other problematic aspects of the current Rule 606(a) reporting, including the look-through requirement, and requests that FINRA hold-off on any steps towards the implementation of FINRA Rule 6470 until this issue has been properly addressed. The February 2025 letter also highlights the current lack of clarity as to which of the FAQs relating to Rule 606 published by the Commission prior to the 2018 amendments to Rule 606 (the "2018 amendments") are still applicable.

On April 10, 2025, FIF members participated on a call with Commission representatives to discuss the February 2025 letter. During the April call, Commission representatives suggested that FIF submit draft

[1] Available at https://fif.com/index.php/working-groups/category/271-comment-letters?download=3200:fif-letter-to-the-sec-and-finra-relating-to-sec-rule-606-a-and-the-implementation-of-finra-rule-6470&view=category.

FAQs for the Commission's consideration relating to how to report the percentage of orders routed to different venues. Commission and FIF representatives also discussed FIF members identifying their understanding as to which of the pre-2018 FAQs are still in effect and which of these FAQs were superseded by the 2018 amendments. Section A below presents draft FAQs for discussion with Commission representatives; Section B below considers which of the pre-2018 FAQs should still be in effect.

The draft FAQs in this letter do not seek to modify the Commission's current guidance relating to look-through[2] as Commission representatives did not request FIF members to submit draft FAQs that would change the current Commission guidance relating to look-through. While the draft FAQs below do not seek to modify the Commission's current guidance relating to look-through, look-through remains a significant concern for FIF members. The draft FAQs below address how the percentage of orders routed to different venues should be calculated in scenarios that involve look-through, but this is based on the Commission's current guidance relating to look-through. If the Commission were to change its current interpretative guidance to remove look-through, as requested by FIF members, the draft FAQ provisions below relating to look-through would no longer apply.

While the draft FAQs below reference equity orders and shares, the approaches discussed below are intended also to apply for Rule 606(a) reporting for options orders and contracts.

Draft FAQs 1 through 6 below relate specifically to reporting the second through sixth columns of the Venues table of the Rule 606(a) report. These are the columns where a broker-dealer reports the percentage of orders of each order type routed to each reported venue. Draft FAQs 1 through 6 do not apply to the eight columns on the right-side of the Venues table where broker-dealers report net payments paid and received, as the columns on the right-side of the table are focused on trade executions as opposed to routes. The right-side columns of the Venues table are discussed in FAQ 7.

For the second through sixth columns of the Venues table of the Rule 606(a) report, the draft FAQs below propose route weighting and share weighting as two permitted approaches for reporting as well as reporting based on the first route and first execution. FIF members understand that, at present, for broker-dealers that apply weighting, the common industry practice is to apply route weighting rather than share weighting.

We have numbered the draft FAQs below for ease of reference, but FIF members understand that the numbering of any FAQs adopted by the Commission would be revised by the Commission to conform to the then-current ordering of the Commission's Rule 606 FAQs.

FIF members appreciate the opportunity to submit these draft FAQs for consideration by the Commission and look forward to further dialogue with respect to these issues. FIF members will require

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[2] See, for example, 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)").

a reasonable time period to implement any reporting changes that are required as a result of the future publication of new FAQs or FAQ updates, including new FAQs or FAQ updates published by the Commission in response to the draft FAQs proposed in this letter.

A. Draft FAQs

FAQ 1. Definition of "orders" for Rule 606(a) reporting

Question: Rule 606(a) requires broker-dealers to report the percentage of orders (and the percentage of certain categories of orders) routed to different venues. Does the word "orders" refer to the parent order or the child routes of a parent order?

Answer: The word "order" refers to the parent order. This means that each parent order should be weighed equally. For example, assume that a broker-dealer receives two orders of a particular order category for a security for a calendar month. Assume that the broker-dealer has one child route for Order 1 and sends that child route to Exchange A. Also assume that the broker-dealer has nine child routes for Order 2 and sends those child routes to Exchange B. In this scenario, the broker-dealer should report 50.00 for each exchange as opposed to reporting 10.00 for Exchange A and 90.00 for Exchange B.

FAQ 2. Cancel/replace of a parent order

Question: Rule 606(a) requires broker-dealers to report the percentage of orders (and the percentage of certain categories of orders) routed to different venues. Is a cancel/replace considered a new order for purposes of Rule 606(a) reporting?

Answer: Yes. A broker-dealer should treat a cancel/replace as a new order for purposes of Rule 606(a) reporting.

FAQ 3. Multiple child routes for a parent order

Question: If a parent order has multiple child routes, which route or routes should a broker-dealer use for reporting?

Answer: One permitted approach would be to consider all child routes and apply route weighting or share weighting of these child routes. Please see FAQs 4-6 below for details on how these weighting approaches would be implemented. Another permitted approach would be to report based on the first executed child order (if there is a child order execution) or first child route (if there is no order execution). This guidance is not intended to exclude other permitted approaches for reporting, provided that these other approaches are reasonable and consistent.

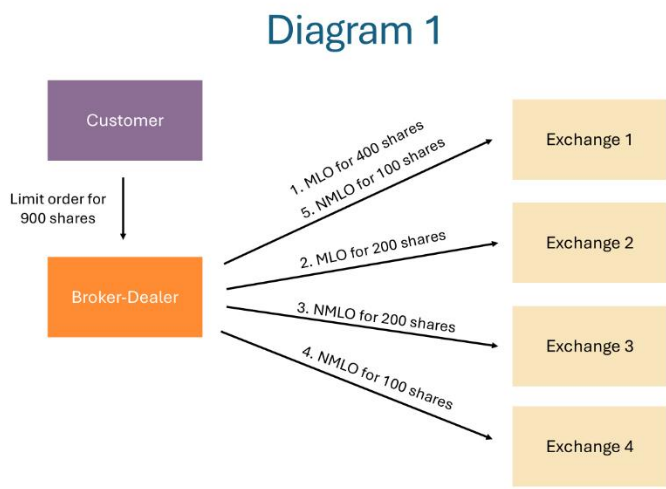
FAQ 4. Classifying the order type for a parent order for the scenario where a parent order has multiple child routes with different order types

Question: Given that a parent order can have multiple child routes, how should a broker-dealer classify a parent order that has multiple child routes when the child routes are different order types (for example, one or more of the child routes is a marketable limit order and one or more of the child routes is a non-marketable limit order)? More specifically, how should a broker-dealer determine the denominator to be allocated to each order type for the Venues section of the report?

Answer: As discussed in FAQ 1, each order from a customer (i.e., each parent order) should be counted as one order. This raises a question relating to the classification of individual limit orders as marketable or non-marketable because, according to FAQ 11.02, broker-dealers are required to classify an order as marketable or non-marketable as of the time of order routing. If a parent order has multiple routes and the order is marketable at the time of some of these routes and non-marketable at the time of other routes, how should a broker-dealer classify this single parent order? This question impacts the denominator to be used when calculating the percentage of orders of each type routed to each venue.

One permitted approach, when classifying the parent order type, would be to weigh each child route using a reasonable weighting method. The following are two permitted weighting methods: (i) weight based on the number of routes of each type (referred to as "route weighting"); and (ii) weight based on the number of shares of each route (referred to as "share weighting"). Another permitted approach would be to classify the parent order type based on the first executed child order (if there is a child order execution) or first child route (if there is no order execution). For example, it is permitted for a broker-dealer to classify the parent order type as follows: if one or more child orders are executed, report based on the first child order that is executed; if no child order is executed, report based on the first child order route.

If a broker-dealer implements a weighting approach, the broker-dealer will need to perform certain calculations. The examples below illustrate a permitted approach for a broker-dealer to perform these calculations.



For example, assume, as illustrated in Diagram 1 above, that a broker-dealer has the following five child routes for a parent order of 900 shares:

- 400 shares routed when the order is marketable
- 200 shares routed when the order is marketable
- 200 shares routed when the order is non-marketable
- 100 shares routed when the order is non-marketable
- 100 shares routed when the order is non-marketable .

In this example, 1,000 shares are routed for a parent order of 900 shares.[3]

When using route weighting, the broker-dealer would allocate the parent order type as follows:

- Allocate .4 as marketable (2/5 routes)
- Allocate .6 as non-marketable (3/5 routes).

When using share weighting, the broker-dealer would allocate the parent order type as follows:

- Allocate .6 as marketable (600/1,000 shares)
- Allocate .4 as non-marketable (400/1,000 shares).

For share weighting, we consider the total shares routed and not the size of the parent order.

These weightings would apply to determine the denominator for each cell of the second through sixth columns of the Venues table.

[3] There are various scenarios where the total shares routed for an order will exceed the shares of the parent order (for example, as a result of the cancellation of one or more child orders).

This guidance is not intended to exclude other approaches to address the scenario where a single parent order has multiple child routes and the child routes include both marketable and non-marketable limit orders, provided that these other approaches are reasonable and consistent.

FAQ 5. Calculating the percentage routed to each execution venue where child routes for a parent order are routed to multiple venues

Question: In the scenario where a parent order has multiple child routes, and the child routes are routed to different venues, how should a broker-dealer calculate the percentage of orders for the applicable order type routed to each reportable venue? In addition, how should a broker-dealer report if these child routes include marketable and non-marketable routes?

Answer: A broker-dealer may adopt any reasonable, consistent approach for assigning one or more execution venues to an order. More specifically:

- A broker-dealer is permitted to allocate a parent order to one or more execution venues to which an order is routed regardless of whether a reported execution venue actually executed any shares on the order.
- A broker-dealer is permitted to apply route weighting or share weighting, as described in the FAQs above and this FAQ.
- A broker-dealer is permitted to report based on the first executed child order (if there is a child order execution) or based on the first route (if there is no child order execution). For example, it is permitted for a broker-dealer to report as follows: if one or more child orders are executed, report based on the first child order that is executed; if no child order is executed, report based on the first child order route.

If a broker-dealer implements a weighting approach, the broker-dealer will need to perform certain calculations. The examples below illustrate a permitted approach for a broker-dealer to perform these calculations.

Assume the same scenario as illustrated in Diagram 1 above. When using route weighting, the broker-dealer would allocate the portion routed to each exchange as follows:

- Allocate .2 (1/5 routes) as marketable to Exchange 1
- Allocate .2 (1/5 routes) as marketable to Exchange 2
- Allocate .2 (1/5 routes) as non-marketable to Exchange 3
- Allocate .2 (1/5 routes) as non-marketable to Exchange 4
- Allocate .2 (1/5 routes) as non-marketable to Exchange 1.

When using share weighting, the broker-dealer would allocate the portion routed to each exchange as follows:

- Allocate .4 (400/1,000 shares) as marketable to Exchange 1
- Allocate .2 (200/1,000 shares) as marketable to Exchange 2

- Allocate .2 (200/1,000 shares) as non-marketable to Exchange 3
- Allocate .1 (100/1,000 shares) as non-marketable to Exchange 4
- Allocate .1 (100/1,000 shares) as non-marketable to Exchange 1.

These weightings would apply to determine the numerator for each cell of the Venues table.

If we assume further that this is the only order that a broker-dealer reports for a month, the broker-dealer would report as follows if it applies route weighting (please note that the footnotes in the tables below are solely to clarify the underlying calculation and would not be part of the report):

Venues

Venue – Non-directed Order Flow	Marketable Limit Orders (%)	Non-Marketable Limit (Orders (%)
Exchange 1	50.00[4]	33.33[5]
Exchange 2	50.00[6]	0.00
Exchange 3	0.00	33.33[7]
Exchange 4	0.00	33.33[8]

Alternatively, the broker-dealer would report as follows if it applies share weighting:

Venues

Venue – Non-directed Order Flow	Marketable Limit Orders (%)	Non-Marketable Limit Orders (%)
Exchange 1	66.67[9]	25.00[10]
Exchange 2	33.33[11]	0.00
Exchange 3	0.00	50.00[12]
Exchange 4	0.00	25.00[13]

This FAQ is not intended to exclude other potential approaches for allocating a parent order to one or more execution venues, provided that these other approaches are reasonable and consistent.

The example above involves reporting for a single parent order. If a reporting broker-dealer has multiple parent orders, the reporting broker-dealer would apply the calculations described above for each individual parent order and then compute the average across all parent orders (with each parent order having equal weighting).

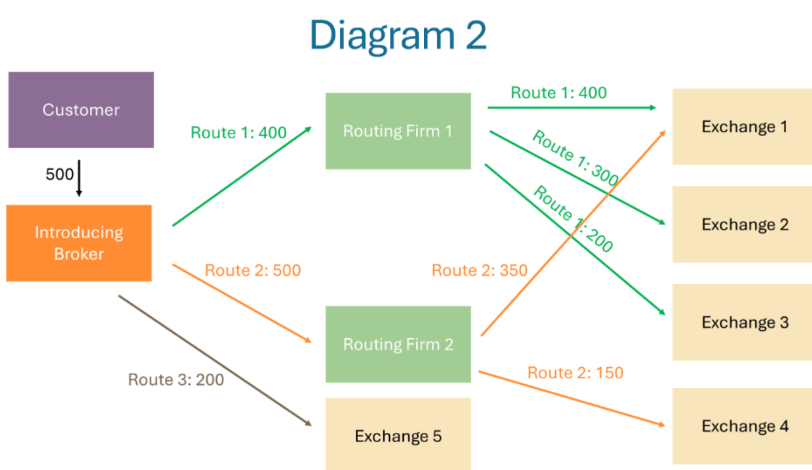
[4] .2/.4 = 50%.
[5] .2/.6 = 33.33%
[6] .2/.4 = 50%.
[7] .2/.6 = 33.33%.
[8] .2/.6 = 33.33%.
[9] .4/.6 = 66.67%.
[10] .1/.4 = 25%
[11] .2/.6 = 33.33%.
[12] .2/.4 = 50%.
[13] .1/.4 = 25%.

FAQ 6. Calculating the percentage routed to each venue for look-through scenarios

Question: How should a broker-dealer apply the calculations above for scenarios that involve look-through?

Answer: A broker-dealer is permitted to adopt any reasonable, consistent approach for assigning one or more execution venues to an order, including for scenarios that involve look-through. These include all the permitted approaches referenced in the prior FAQs. A broker-dealer should apply the approach that it adopts for scenarios that do not involve look-through and report as-if the broker-dealer had routed directly to the venues to which any routing-only broker (as defined below) routed.

The examples below illustrate how a broker-dealer that applies weighting would report for a look-through scenario.



Assume, as illustrated in Diagram 2 above, that a broker-dealer has the following routes for a parent order:

- 400 shares to Routing Firm 1
- 500 shares to Routing Firm 2
- 200 shares to Exchange 5.

Assume that Routing Firms 1 and 2 are not execution venues for purposes of Rule 606(a) reporting, as interpreted by the Commission staff (we refer to Routing Firms 1 and 2 as “routing-only brokers"). Further assume the following routes by Routing Firms 1 and 2:

- Routing Firm 1 routes 400 shares to Exchange 1
- Routing Firm 1 routes 300 shares to Exchange 2
- Routing Firm 1 routes 200 shares to Exchange 3
- Routing Firm 2 routes 350 shares to Exchange 1
- Routing Firm 2 routes 150 shares to Exchange 4.

Further assume that all the routes are non-marketable limit orders.

If the broker-dealer applies route weighting, the broker-dealer would report as follows:

- Allocate .3333 (2/6 routes) to Exchange 1
- Allocate .1667 (1/6 routes) to Exchange 2
- Allocate .1667 (1/6 routes) to Exchange 3
- Allocate .1667 (1/6 routes) to Exchange 4
- Allocate .1667 (1/6 routes) to Exchange 5.

If the broker-dealer applies share weighting, the broker-dealer would report as follows:

- Allocate .4688 (750/1,600 shares) to Exchange 1
- Allocate .1875 (300/1,600 shares) to Exchange 2
- Allocate .1250 (200/1,600 shares) to Exchange 3
- Allocate .0938 (150/1,600 shares) to Exchange 4
- Allocate .1250 (200/1,600 shares) to Exchange 5.

If look-through applies, it is permitted for a reporting broker-dealer to classify an order as marketable or non-marketable (i) based on the books and records of the reporting broker-dealer at the time that the reporting broker routed to a routing-only broker or execution venue (as applicable), or (ii) based on the books and records of the routing-only broker at the time that the routing-only broker routed to an execution venue.

FAQ 7. Classifying a child route as marketable or non-marketable when calculating net payments paid or received

Question: When calculating and reporting net payments paid or received for a route that results in an execution, how should a broker-dealer classify the child route?

Answer: FAQ 11.01 provides that "A broker-dealer could determine whether a limit order is marketable or non-marketable at the time the broker-dealer routes the order to a venue for execution." A broker-dealer is permitted to apply the same approach for calculating and reporting net payments paid or received.

For example, assume that at the time a broker-dealer routes a child order to an execution venue, the order is non-marketable. Assume further that at the time of receipt of the child route by the execution venue, the order is marketable. The broker-dealer is permitted to classify this route as non-marketable when calculating and reporting net payments paid or received. The focus of Rule 606(a) is on the intention of the routing broker-dealer which, in this case, was to route a non-marketable order. It also adds complexity to the reporting process if a broker-dealer is required to obtain data relating to how an execution venue classified a child route.

If look-through applies, it is permitted for a reporting broker-dealer to classify an order as marketable or non-marketable (i) based on the books and records of the reporting broker-dealer at the time that the reporting broker routed to a routing-only broker or execution venue (as applicable), or (ii) based on the books and records of the routing-only broker at the time that the routing-only broker routed to an execution venue.

B. Pre-2018 FAQs

The table below sets forth the understanding of FIF members as to which of the pre-2018 FAQs remain in effect and the recommendation of FIF members as to whether these FAQs should be terminated or incorporated into the current Rule 606 FAQs. FIF members note that the pre-2018 FAQs refer to Rule 11Ac1-6 rather than to Rule 606.

While this letter provides general recommendations for each of the Rule 11Ac1-6 FAQs, this letter does not comment in detail on these FAQs. Accordingly, FIF members request that the Commission staff, prior to publishing updated FAQs, publish these FAQs in draft form with an opportunity for comment by market participants.

FAQ Number	FAQ Title	Recommendation
	Introduction	This is superseded by the introduction for the current Rule 606 FAQs
1	Format of Quarterly Reports	Terminate
2	Identifying Significant Execution Venues	Incorporate into current Rule 606 FAQs with applicable updates
3	Materiality of Order Percentage Figures	Incorporate into current Rule 606 FAQs; update reference to Rule 11Ac1-5; the Commission should clarify that the guidance in this FAQ also applies for reporting net payments paid or received (please see the discussion in Section A above)
4	Introducing Broker/Clearing Firm – Reporting Responsibility	FIF members believe that this FAQ has been superseded by FAQ 12.01 of the current Rule 606 FAQs but request confirmation on this point
5	Multiple Reports by a Broker-Dealer	Incorporate into current Rule 606 FAQs
6	Definition of Customer Orders - Large Order Exclusion	Incorporate into current Rule 606 FAQs; update to apply only to options orders
7	Definition of Customer Orders - Orders Received from Other Broker-Dealers or Foreign Banks Acting as Broker-Dealers	Incorporate into current Rule 606 FAQs
8	Definition of Directed Order - Default Routing Instructions	Incorporate into current Rule 606 FAQs with applicable updates
9	Classifying Market, Limit, and Other Orders	Incorporate into current Rule 606 FAQs with applicable updates

FAQ Number	FAQ Title	Recommendation
10	Orders Executed at Multiple Venues	This FAQ should be superseded by the FAQs discussed in Section A above
11	Execution Venue for Riskless Principal Orders	Incorporate into current Rule 606 FAQs with applicable updates
12	Nasdaq Execution Venues	Terminate
13	Disclosing Payment for Order Flow	FIF members believe that this FAQ has been superseded by subsequent guidance from the Commission and the current Rule 606 FAQs (including current FAQs 12.01, 13.01, 13.03, 14.01 and 14.02) but request confirmation on this point
14	Disclosing Internalized Order Flow	Incorporate into current Rule 606 FAQs
15	Procedures for Making Quarterly Reports Publicly Available	Incorporate into current Rule 606 FAQs with applicable updates; these updates should include the fact that FINRA now hosts the Rule 605 reports and that a broker-dealer is permitted to link to the FINRA website
16	Responding to Requests from Customers for Individual Information	Incorporate into current Rule 606 FAQs with applicable updates
17	Written Notice to Customers Concerning Availability of Quarterly Reports and Individual Information	Terminate
Attachment	Appendix A (Example of Quarterly Report)	Terminate

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Please contact me at howard.meyerson@fif.com after you and your colleagues have had the opportunity to review the items set forth above.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

Cc: Sarah Albertson, Division of Trading and Markets
Eric Juzenas, Division of Trading and Markets
David Saltiel, Division of Trading and Markets
Andrew Sherman, Division of Trading and Markets