
Overview

In November 2018, the Commission sought to adopt amendments to Rule 606 with the goal of bringing greater transparency to broker routing.

The proposed amendments ignited a healthy discussion that resulted in the SEC publishing responses to an industry-wide [FAQ](#) seeking clarity on parts of the amendments.

Clearpool has been vocal in this discussion and we support the proposed rule amendment as it brings more trust and transparency to our capital markets.

What do you need to know about the rule?

On November 2, 2018, the SEC adopted amendments to Rules 600, 605, and 606 of Regulation NMS under the Exchange Act. The recently adopted amendments to Rule 606 (b) supported more transparency in broker order routing and upon request of its customer, a broker-dealer must provide specific disclosures related to the routing and execution of the customer's NMS stock orders submitted on a not held basis for the prior six months, subject to two de minimis exceptions.

In addition, the recently adopted amendments to Rule 606 also amended the existing quarterly public order routing disclosure requirement in Rule 606(a) to apply to NMS held stock orders.

In August 2019, The Financial Information Forum (FIF) and the Securities Traders Association (STA) filed an application with the Securities Exchange Commission (SEC) for an exemption of certain requirements. In September 2019, the commission granted in an [order](#) certain relief exemptions. In summary, the relief from certain requirements are as follows:

1. All broker-dealers are exempt from the requirement to comply with Rule 606 (a) until January 1, 2020.
2. All broker-dealers that engage in self-reporting activity are exempt from the requirement to comply with Rule 606 (b3) until January 1, 2020
3. All broker-dealers that engage in outsourced routing activity are exempt from the requirement to comply with Rule 606 (b3) until April 1, 2020.

The Commission believes the delays will permit time for the industry to implement and provide consistent and complete data.

Rule 606 (a) – Public Order Routing Report

The SEC has allotted broker-dealers additional time to comply with the quarterly public reporting requirements of amended Rule 606 (a) pertaining to held orders and options until January 1, 2020. Upon compliance, a broker-dealer has an additional 3-months from the compliance date to produce its first public report by the end of April 2020.

According to the SEC, 606 (a) is meant to “enhance the aggregated order routing disclosures that broker-dealers must make publicly available on a quarterly basis for held orders.” It requires limit order information to be split into marketable and non-marketable categories; more detailed disclosure from brokers of payments received from or paid to certain trading centers; a description of any terms of payment for order flow arrangements and profit-sharing relationships; as well as keeping routing reports posted on a website that is free and readily accessible to the public for up to a three-year period.

Rule 606 (b) – Customer Order Routing Report

The SEC has provided broker-dealers engaged in self-routing activity 606 (b3) with additional time to finalize development efforts. Self-routing activity is defined as an initiating broker-dealer receives a customer order and uses their own routing technology to send orders directly to venues. Broker-dealers engaged in self-routing activities will have until January 1, 2020, to comply. Customer requests made on or before February 15, 2020, the broker-dealer will have an additional 7 business days from February 15, 2020, to provide the customer with January 2020 data.

For broker-dealers engaged in outsourced routing activity 606 (b3) the commission has decided as it relates to not-held orders to allow an additional 6 months to complete development i.e. XML Schema and PDF renderer, as well as coordinate receiving and processing look-through data from downstream executing brokers. Outsourced routing activity is defined when an initiating broker receives an order from their customer and then leverages an executing broker-dealer’s routing technology to route to venues. Broker-dealers have until April 1, 2020, to comply with the amended rule. For customer requests that are made on or before May 15, 2020, the broker-dealer will have an

additional 7 business days after May 15, 2020, to provide the customer with outsourced routing activity for April 2020 data.

Specifically, in the case of 606 (b) outsourced routing activity, the commission believes the extension will provide enough time for executing brokers who handle outsourced routing activity to develop systems required to produce the required XML schema and PDF renderer. Further, it will also allow for initiating brokers to evaluate and determine which execution partners are equipped and willing to provide look-through data on a trade-by-trade basis. It is important to note that look-through data to the execution destination is not an obligation of the executing broker-dealer. To comply with the rule, it is sufficient for the executing broker-dealer to simply report the order was routed to them. Initiating broker-dealers will have to conduct their own due diligence to discern which of their executing partners are amenable to going beyond their obligation to report look-through data.

Rule 606 (b) – Customer Order Routing Report

Rule	Compliance Date	First Report Available
Rule 606 (a) – public report	January 1, 2020	April 30, 2020
Rule 606 (b3) – self-routing activity	January 1, 2020	February 25, 2020 (7 business days after February 15, 2020, to access January 2020 data)
Rule 606 (b3) – outsourced routing activity	April 1, 2020	May 26, 2020 (7 business days after May 15, 2020, to access April 2020 data)

Clearpool 606 Solutions

Transparency in order routing is in our DNA. Since our inception, we have provided our clients with real-time order routing and performance analytics in our Algorithmic Management System (AMS).

Unlike other executing brokers, providing look-through data is not a “heavy-lift” for Clearpool. With our “look-through” data we intend to empower our clients to determine what level of transparency they

wish to provide to their end client. We will deliver 606 (b3) routing data in the various formats described below.

Clearpool 606 (b3) Standard Report

This standard report is aggregated across trade date and provides route and execution details per destination for each order received. Clearpool customers can produce this required regulatory order routing report mapped to SEC guidelines via XML or PDF. Upon generating this report in the AMS or requesting this report for delivery via FTP, the formatted file meets the obligation of the rule. Customers who use Clearpool for 100% of their flow can deliver the 606 (b3) report to their end-client with no further manipulation. Broker-dealers that send Clearpool a subset of their flow can still produce the report, but they will need to coordinate the delivery of the file to their vendor of choice to “stitch” the complete order routing detail back together.

Clearpool 606 (b3) Detailed Report

The detailed reports provide in-depth routing of child-level orders. They can only be requested via FTP. To meet the 606 (b3) regulatory requirement requestors of these reports will need to “stitch” the order flow data back together themselves or via a 3rd party vendor to comply with the rule in order to deliver a 606 (b3) standard report to their end-client.

Orders Report

The order report provides parent-level order (i.e. client order) detail for each order received.

Routes Report

The route report provides child-level route and execution details per destination for each order received.

Trades Report

The trades report provides child-level trade details for each order received.

Details regarding the specifications for look-through data are available in our [606 Report Look-Through Specification](#) document. Clients with custom reporting needs outside the scope of the specification document will need to contact their Relationship Manager.

606 (b3) Report Requests

Standard reports are available in the AMS via the report center. How a firm is configured in the AMS will determine the depth in which a report can be produced, either at the firm level or the account (client) level. Detailed reports are not available in the AMS and arrangements must be made to determine the frequency of delivery, as well as the identification of the FTP drop location. The table below describes a few scenarios.

Scenario	606 Solution
Firm ABC wants a standard 606 (b3) report for their firms' overall activity	Firm ABC logs in to the AMS, navigates to the report center and runs a report for the firm. The method of delivery is XML or PDF. If the preferred delivery format is FTP, contact your relationship manager.
Firm ABC wants a standard 606 (b3) report for an individual client	Firm ABC logs in to the AMS, navigates to the report center, chooses an account and runs a report for the individual client account. The method of delivery is XML or PDF. If the preferred delivery format is FTP, contact your relationship manager.
Firm ABC wants detailed 606 (b3) reports	Firm ABC contacts their relationship manager to determine the frequency and FTP drop location for report delivery. All detailed reports are delivered via FTP.

From building custom strategies to order execution, transparency is a pillar of our success with the AMS. We pride ourselves on building transformative trading technologies designed to democratize electronic trading through transparency, trust and control. Empowering our clients to take ownership of their differentiated electronic trading solution ensures they are more productive by putting them in control of their outcomes and allowing them to build trust with their clients. Clearpool's 606 solutions are just another step in delivering greater transparency in electronic trading.

Questions regarding Clearpool's 606 solutions contact:

Clearpool Clients Service Desk – e: helpdesk@clearpoolgroup.com t: 212.531.8543

Clearpool Sales Team – e: salesteam@clearpoolgroup.com t: 212.531.8545

Disclaimer: Clearpool assumes no responsibility or liability for any errors or omissions in the content of its Rule 606 Reports. The information is provided on an "as is" basis with no guarantees of completeness, accuracy, or timeliness.

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