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Securities and Exchange Commission  
100 F St. NW  
Washington, DC 20549-9303  
[Rule-comments@sec.gov](mailto:Rule-comments@sec.gov)

Re: Disclosure of Order Execution Information  
File No. S7-29-22, also S7-32-22, S7-31-22, and S7-30-22

Dear SEC:

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<sup>1</sup> All opinions are strictly my own and do not necessarily represent those of Georgetown University or anyone else. I am very grateful to Georgetown University for financial support. Over the years I have served as a Visiting Academic Fellow at the NASD (predecessor to FINRA), served on the boards of the EDGX and EDGA stock exchanges, served as Chair of the Nasdaq Economic Advisory Board, and performed consulting work for brokerage firms, stock exchanges, other self-regulatory organizations, market makers, industry associations, and law firms. I am the academic director for the FINRA Certified Regulatory and Compliance Professional (CRCP®) program at Georgetown University. I've also visited over 75 stock and derivative exchanges around the world. As a finance professor, I practice what I preach in terms of diversification and own modest and well-diversified holdings in most public companies, including brokers, asset managers, market makers, and exchanges.

## **In summary**

- Right on!
- Reliance on round lots is obsolete.
- Execution quality should be measured against the displayed depth in the market including odd lots, not just the NBBO.
- All broker-dealers, not just the big ones, should be required to show execution quality information.
- Centralized repository is needed.
- Letting CAT prepare the reports will cost less and result in more consistency.
- The summary is most important.

On December 14, 2022, the SEC proposed four major rule proposals that would greatly change how the U.S. equity market operates. This comment letter deals with the proposed update to Rule 605 on disclosure of order execution information. However, these four rules are interrelated and should be examined as a whole and not just individually. In particular, better Rule 605 data and Best Execution Rules may reduce any perceived need for retail auctions. The changes in tick size and round lots contemplated in the other rule proposal clearly have an impact on the data displayed in Rule 605 reports. See my other comment letters on these rule filings for more on round lots and tick size.

## **Right on!**

This update provides much better order execution information. This is a great improvement. There are, however, more improvements to be made.

## **Round lots are obsolete. Focus on dollar sizes instead.**

One problem with the proposal is that it continues to use round lots, despite their obsolete nature. The buckets should be based on dollar amounts, not share amounts. See my other comment letter on the round lot proposal for details.

**Price improvement should be measured relative to the displayed book, not the NBBO.**

Odd lots are ignored in the calculation of the NBBO. A retail order that gets “price improvement” might still be getting a worse fill than if it just grabbed the visible liquidity in the market. It is ludicrous to measure price improvement while ignoring the visible odd lot liquidity. Price improvement should be measured for each order relative to the Effective Best Bid or Offer for the dollar amount of the order. See my round lot comment letter for details.

**A central repository is needed.**

As the proposal points out, it is currently a major pain to gather all of the 605 data. A central repository is needed. I like the proposal in the plan for an NMS plan to work out the details.

**Letting CAT do the work will result in less cost and more consistency.**

The proposal unfairly dismisses the alternative of letting the Consolidated Audit Trail do the work, on the grounds of cost and potential data leakage. Given that the CAT will already have all the data needed for the reports, all CAT would have to do is build some reports. This is far undoubtedly cheaper than having hundreds of entities duplicate the same effort, and would achieve a far more consistent result with less risk of intentionally biased reports. As the results would be aggregated, there is little risk of leaking personally identifiable information.

**All broker dealers should be included, not just the big ones.**

This is easy to do if CAT spits out the reports. The incremental cost will be quite low.

**The summary reports are most important.**

Unfortunately, the proposal does not clearly display what the summary reports would look like. Additional effort needs to be made to make sure they are human-friendly and provide useful data for comparing brokers.

**Be careful with averages. Medians are also needed.**

Given the notorious “fat tails” of financial markets, average numbers can be highly misleading. For example, price improvement of \$1 in a trade in a \$1,000 stock with a spread of \$10 is basically the same as a price improvement of \$.01 on a \$10 stock. However, averaging in the high \$10 price improvement could provide misleadingly high price improvement numbers.

For this reason, medians need to be included. Also, care should be taken to make sure there are percentages along with dollar amounts, with appropriate bins for the different dollar share prices.

Respectfully submitted,

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