SEC RULE 606 UPDATE – WHAT YOU NEED TO KNOW

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The SEC has finalized their comments on the revised Rule 606. Barring any last-minute changes, the implementation dates are now set. Here are some thoughts on the 606 timeline (including some not so obvious implications):

Rule	Data Collection Date	First Request Date	Latest Reporting Date	Time Frame	Note
606 (b)(1)	1-Oct-19	1-Nov-19	7-Nov-19	One-month report, scaling to Six months	➢ On Demand by Client ➢ Sectioned; Held, Exempt Not-Held and Options ➢ Includes; Order ID, venue and Time stamps
606 (a)(1)	1-Jan-20		30-Apr-20	Quarterly report	➢ Public facing report ➢ Disclosure of "Material Aspects" "fee/costs" ➢ Sectioned by SP500, Non-SP500 and Options
606 (b)(3)	1-Jan-20	15-Feb-20	26-Feb-20	Self-routing; one-month report, scaling to Six	➢ On demand by client – subject to de minimus hurdle ➢ Look through to terminus venue only ("Self-routing") ➢ Sectioned by SP500, Non-SP500 and Options
	1-Apr-20	15-May-20	26-May-20	Full look-through; one-month report, scaling to Six	➢ On demand by client – subject to de minimus hurdle ➢ Full look-through from third party execution partners ➢ Sectioned by SP500, Non-SP500 and Options

606(b)(1) Customer-Facing Report – Data Collection Start – October 1, 2019

The data collection requirement for **606(b)(1)** began on October 1st for reporting the first week of November. A broker's clients can request their **606(b)(1)** as early as November 1st, though brokers have until November 7th to comply with their client's request.

When fully implemented, brokers will need to make available **606(b)(1)** reports to clients on a monthly basis. The report needs to include six months of historical data covering the entirety of a client's trading activity including equities and options. We suspect an increase in clients requesting the **606(b)(1)** as part of an initial effort to take advantage of the new transparency of the rule.

The **606(b)(1)** report is fairly simple because it lacks the summary level and detail routing level of the **606(b)(3)**. When fully implemented, the **(b)(1)** report should provide six months of historical look-back. As the default report for clients not meeting the de minimis hurdle for the more detailed **606(b)(3)**, we expect this to be the most common report sent by brokers to their clients.

606(a)(1) Public-Facing Report – Data Collection Start – January 1, 2020
One of the biggest changes to the **SEC Rule 606** is in the public facing report which now has a data collection start of January 1, 2020, for posting no later than April 30, 2020.

This report must contain both a summary-level and a detailed venue analysis section made up of 14 distinct data points. One of the major developments in the scope of this rule is that it includes *orders*, not just executions. There is also a new focus on payment for order flow. Eight of the 14 columns in the public facing report pertain to the "Net Payment Paid/Received" for each of the venues reported. Further clarification on how these net payments were obtained is required via a "Material Aspects" disclosure section.

606(b)(3) – Detailed-Customer Facing Report – Data Collection Start – January 1, 2020
In terms of implementation, the **606(b)(3)** report has generated the most scrutiny, resulting in the most confusion (as to how, and when). Like the **(b)(1)** report, **606(b)(3)** is a customer facing report to be provided monthly on demand from the broker's clients. While much more detailed than the **(b)(1)**, a client's ability to request the report is subject to two de minimis hurdles. If eligible for the report, the client should receive a summary level report plus a detailed synopsis of their orders and fills, by venue, across 22 distinct data points.

Six of the 22 columns in **(b)(3)** concern execution relative to the spread: *mid-point, near-touch & far-touch*. An additional seven columns are similar in nature to the public report and relate to payment for order flow.

As of this writing, **606(b)(3)** data collection requirement begins on January 1, 2020 for the first report on February 15th (due the 26th at the latest). Note that this is only for orders and executions a broker controls and routes directly. Orders passing through a separate broker's technology are not required for data collection until April 1st, with reports due May 26th at the latest.

READ SEC RESPONSES TO FAQs REGARDING RULE 606

TIMING CONSIDERATIONS

The compliance date was October 1st. This means brokers need to start archiving required 606 data NOW. It also means that the first customer request for client specific reports can be made on Nov 1st with a deadline for the broker providing the data no later than Nov

7th!

Details of note:
606(b)1 revised de minimis considerations have effectively eliminated previous exemptions at the broker level
Fee/rebate data is to be taken from broker's **actual invoices** (not projected/estimated) and must include any commissions an introducing broker pays to an executing broker/venue
Brokers to provide six months of data back from **most recently completed data**, then fill in as more becomes available - meaning intra period updates are necessary

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- **605** market center reporting
- Online posting of **606(a)(1)** reports
- On-demand or scheduled **606(b)(3)** routing reports
- **606(b)(1)** exemption reports
- **TCA-generated contextual data** to show order handling, best execution, and fee/rebate evaluation
- Easy-to-use analytics interface
- Unparalleled client services team to help manage the process

To learn more, please contact us at info@abelnoser.com **or visit our** DEDICATED 606 WEB PAGE.