

September 26, 2016

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File No. S7-14-16; Disclosure of Order Handling Information

Dear Mr. Fields:

The FIX Trading Community¹ (FIX) (<http://www.fixtradingcommunity.org/>) would like to provide feedback to the Securities and Exchange Commission (SEC) on File No. S7-14-16 – Disclosure of Order Handling Information. We will leave it to our member firms and industry associations such as the Financial Information Forum² (FIF) to reply on the specific requests for comment throughout this release but would like to inform the SEC of an initiative that has been carried out by the FIX Trading Community and is in line with what is being proposed by the Commission with respect to institutional orders.

FIX Trading Community has an active Global Buy-Side Committee which provides a platform for buy-side participants to discuss how the needs impacting this sector can be more efficiently met by the automated trading community. A key issue prioritized was an inconsistent response from the broker-dealer community with regards to broker reporting of the execution venue on each fill. To address this issue, recommended global best practices for execution venue reporting were developed years ago, encouraging increased consistency and enhanced transparency for buy-side clients about where and how their orders are executed by their brokers.

Within the regulation, for “institutional orders”, SEC proposes amendments to Rule 606 to require broker dealers to:

- Provide, upon request, order routing and execution information for the prior six months, broken down by calendar month:
 - the handling of the customer’s institutional orders at the broker-dealer;
 - the routing of the customer’s institutional orders to various trading centers;
 - the execution of those orders, and the quality of execution; and
 - the extent to which such orders provided liquidity or removed liquidity, and
 - the average transaction rebates received or fees paid by the broker-dealer.

The global best practices created within the FIX Trading Community focus on requesting sell-side firms to ‘tag’ trade execution reports with specific details using the FIX Protocol, which is the messaging language used by the global trading community. These ‘tags’ are designed to provide the following information in a consistent format and covers some of the information that the SEC is looking to obtain as per the above requirements list:

- On which venue or exchange the order was executed

¹ FIX Trading Community is the non-profit, industry-driven standards body at the heart of global trading. The organization is independent and neutral, dedicated to addressing real business and regulatory issues impacting multi-asset trading in global markets through standardization, delivering operational efficiency, increased transparency, and reduced costs and risks for all market participants. Central to FIX Trading Community’s work is the continuous development and promotion of the [FIX family of standards](#), including the core [FIX Protocol](#) messaging language, which has revolutionized the trading environment and has successfully become the way the world trades. Visit www.fixtradingcommunity.org for more information.

² The Financial Information Forum (FIF) addresses the implementation issues that impact the securities industry across the order lifecycle. FIF provides a collaborative environment for subscribers to make an impact on industry issues affecting operations and technology.

- To uniquely identify markets, including market segments where it is appropriate to distinguish between lit and dark order books
- Whether the order was executed as a result of having traded passively by posting liquidity, or aggressively by taking liquidity
- Whether the trades were executed on an agency or principal basis

Over the past number of years, the buy-side participants have encouraged the sell-side community to implement these best practices after consulting with their clients on the readiness of the client's systems and the practices have been successfully implemented by a majority of the sell-side community. We have included the actual guidelines in the Appendix which can be found on the pages that follow.

In regards to where the initiative is going next and the routing of customers' institutional orders to various trading centers, interest has been expressed by many buy-side participants in achieving greater transparency of order routing decisions, including linkage between routes and the trades arising from them. This has yet to be addressed in the aforementioned best practices but remains an active topic of discussion. We thank you for allowing us to submit our comments and would be happy to directly discuss this ongoing initiative under the FIX Trading Community umbrella in more detail at a future time.

Sincerely,



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Appendix - FIX Execution Venue Reporting Recommended Best Practices

1 - Executive Summary

Ensuring that the needs of the buy-side community are effectively addressed is a central goal of the FIX Trading Community, the non-profit industry standards organization at the heart of the global trading community. To achieve this goal, we have launched Investment Management Working Groups in the Americas, EMEA and Asia Pacific regions. These groups provide a platform for buy-side participants to discuss how the needs impacting this sector can be more efficiently met by the automated trading community. A key issue prioritized was an inconsistent response from the broker-dealer community with regards to broker reporting of the execution venue on each fill. To address this issue, recommended best practices for execution venue reporting have been developed, encouraging increased consistency and enhanced transparency.

This document is an update to a document published in May 2012 and brings this topic up to date in light of market developments and evolution in requirements.

2 - Objective

The best practices define the usage expectations for the FIX fields that describe the final destination point of an execution, the capacity of the broker for that execution and the nature of liquidity (added or taken) for that trade. The buy-side participants would like to encourage the sell-side community to implement these best practices after consulting with their clients on the readiness of the client's systems. The following recommendations have been produced by the FPL Americas Buy-Side Execution Venue Subgroup, working primarily with the EMEA Business Practices Subcommittee.

3 - Scope

The best practice recommendations focus on the following FIX tags:

- LastCapacity(29)
- LastMkt(30)
- LastLiquidityInd(851)

4 – LastCapacity(29)

LastCapacity(29) – Broker capacity in order execution. This field is applicable only for OrdStatus of Partial or Filled.

Valid Values:

Value	Usage in Americas	Usage in EMEA
1 (agent)	<ul style="list-style-type: none"> • An execution on an exchange or alternative execution venue external to the executing broker-dealer, where the broker-dealer is acting as agent on behalf of the client. 	

Value	Usage in Americas	Usage in EMEA
2 (cross as agent)	<ul style="list-style-type: none"> An execution between two clients of the executing broker-dealer, where the broker-dealer is acting as agent on behalf of both clients, including when the execution takes place within the broker-dealer's electronic matching engine in an agency capacity (i.e. client order vs. another client order). 	<ul style="list-style-type: none"> An execution between two clients of the executing broker-dealer taking place within the broker dealer. This also applies where the other order is a house order generated specifically to hedge a swap.
3 (cross as principal)	<ul style="list-style-type: none"> An execution between two clients of the executing broker-dealer, where the broker is acting as a principal solely for the purpose of effecting the execution between the clients, including when the broker is acting as principal to collect consideration for the transaction by printing one or both clients at net prices. An execution performed on a public market in riskless principal capacity. An execution taking place within the broker-dealer's electronic matching engine in a principal capacity (e.g. client order vs. a house order). 	<ul style="list-style-type: none"> An execution performed on a public market in riskless principal capacity. An execution between a client order and a house risk order taking place within the broker-dealer.
4 (principal)	<ul style="list-style-type: none"> An execution where the broker-dealer is acting as a dealer and is the principal on the opposite side of the client execution. 	<ul style="list-style-type: none"> An execution where the broker-dealer is acting as a dealer and is the principal on the opposite side of the client execution. Where the FIX execution message is being used to communicate an indicative price and quantity (for example when being used by the broker to write a swap), regardless of the source of liquidity.

5 – LastMkt(30)

LastMkt(30) – Market of execution for last fill, or an indication of the market where an order was routed.

General comments

- Use only Market Identifier Codes (MICs) regardless of FIX version.

- The actual destination where the fill was executed should be relayed in the tag (i.e. intermediate hops that were taken to get to the final point of execution are irrelevant for scope of this effort and should not be considered a valid entry for LastMkt(30).
- For a list of current MICs or information on how to apply for a MIC follow this link - [Market Identifier Code Homepage](#).

Trading Venue Executions

- All market centers, including broker crossing systems and alternative trading systems, should register or be encouraged to register for a MIC code. Where a market center has separate segregated order books, such as a 'Dark' and a 'Lit' order book, run by a single exchange or MTF, the market center should register for a separate MIC for each order book. Where a market centre runs an integrated order book containing both dark and lit orders, then this will have a single MIC.
- If the venue does not distinguish dark/lit, the convention is to base the dark/lit nature of an execution as being taken from the order that caused that execution. So if the order was a lit order, all executions will be treated as lit (even if the order crossed with a dark order, where the market counterparty's executions would be flagged as dark).
- If a valid MIC doesn't exist on the venue that the trade occurred, then use the XXXX MIC code as per the [List of ISO 10383 Exchange/MarketIdentifier Codes \(xls\)](#).
- Markets should be asked to apply for MIC codes and where possible to use separate MIC codes for Dark/Lit venues when a gap is discovered.

Broker Executions

- All brokers are to have an operator-level MIC in each major location in which they operate³.
- All brokers that operate automated execution systems (e.g. BCN, MTF, ATS) should have a segment-level MIC for each one and use that MIC in LastMkt(30) on executions arising from these systems.
- Systematic internalisers are to have their own MICs.
- For OTC executions outside systematic internalisers, brokers may either use the appropriate operator-level MIC in LastMkt(30) or have separate segment-level MICs at their discretion.

The use of MICs is standard from FIX version 4.3 and on, but the proliferation of markets has made it imperative to use this standard in the earlier versions of FIX as well. This departure from the FIX 4.2 protocol is recognized but from our viewpoint is unavoidable and necessary.

It is noted that some trading venues have multiple MICs and, to reduce implementation complexity for both buy-side and sell-side firms, we have created a list of 'recommended' MICs to be used when trading against trading venues⁴. The list can be found [here](#).

6 – LastLiquidityInd(851) (Alternative UDF: 8010)

LastLiquidityInd(851) – This is a FIX 4.4 field the buy-side is advocating be used in <= FIX 4.3 sessions. For systems unable to use LastLiquidityInd(851) over <= FIX 4.3, the equivalent custom tag 8010 can be used to convey the same information. Indicator to identify whether this fill was a result of a liquidity provider providing or a liquidity taker taking the liquidity. This field is applicable only for OrdStatus of Partial or Filled.

Valid Values: 1 = Added Liquidity
2 = Removed Liquidity
3 = Liquidity Routed Out
4 = Auction

³ This is a requirement from SWIFT, the registration authority (RA) for the ISO MIC standard.

⁴ It should be noted that this list is intended to be used only for LastMkt(30) on execution report messages from sell-side to buy-side firms as an informational field and hence may differ from the MIC represented on transaction reports, the trading venue's own data etc.

These tags should be required, for the purposes of these best practices, for each and every execution where fill information is being relayed and that the information be as accurate as possible.

The EMEA Business Practices Sub-Committee recommends the following usage of these fields for trading EMEA equities:

- **1 (added liquidity) or 2 (removed liquidity)** to be used where the venue explicitly provides it. If not explicitly provided by the venue, then do not supply this field at all (except where a value 4 is appropriate).
- **3 (liquidity routed away)** used for liquidity from external liquidity providers routed to from other venues or by a specific liquidity provision service provided by this venue.
- **4 (auction)** for auction uncrosses. This applies to any auction, including intraday auctions and those arising from volatility interruptions and similar. Note that executions taking place on a venue not itself in an auction phase while another market (e.g. primary market) is in an auction phase will not count as '4'.

The following two values (which are not part of the official value set for this tag⁵) can be used for conditional order executions:

- **8** for conditional order executions arising during continuous trading
- **9** for conditional order executions arising during auctions

⁵ The official mechanism for communicating this information is to use MatchType(574) which has values for 'auto-match with last look' and 'cross auction with last look'.