

## Model Rule 605 and Rule 606 Customer Notice

Published by the Broker-Dealer & Investment Management Regulation Group

January 2012

Dear Customer,

Rules 605 and 606 promulgated under the Securities Exchange Act of 1934 require that certain broker-dealers and other market participants, including **[FIRM NAME]**, disclose their order execution and routing practices so that investors are able to make informed decisions about the firms with which they do business. Rule 605 requires that we make available to the public monthly reports that categorize our order executions and include statistical measures of execution quality. Rule 606 requires that we publicly disclose our order routing practices. Below is a brief description of Rules 605 and 606 and the procedures implemented by **[FIRM NAME]** for complying with the rules.

### Disclosure of Order Execution Information Under Rule 605

Rule 605 requires that broker-dealers such as **[FIRM NAME]**, as well as certain other market participants, prepare and make available to the public monthly reports in electronic format that set forth basic statistical measures regarding the quality of executions of certain types of orders for certain types of equity securities – generally exchange-listed stocks. This information, which is posted on our website here **[INSERT LINK or URL]**, is intended to facilitate the comparison of our execution quality with other broker-dealers and securities industry participants covered by the rule. The measures of execution quality we disclose include effective spread, rate of price improvement and disimprovement, fill rates, and speed of execution. The statistical information we disclose is categorized by individual security, by five types of orders (*i.e.*, market, marketable limit, inside-the-quote limit, at-the-quote limit, and near-the-quote limit), and four order sizes (*i.e.*, 100-499 shares, 500-1,999 shares, 2,000-4,999 shares, and 5,000 or more shares). For each subcategory of security, order type and order size, we provide eleven columns of information – the first five columns contain general information on the orders we received in a subcategory and the disposition of those orders. Thereafter, we provide statistical information, expressed in **[number of shares / share-weighted amounts]**.

### Disclosure of Order Routing Information Under Rule 606

Under Rule 606, **[FIRM NAME]** is required to prepare quarterly reports that disclose the identity of the venues to which we route customer orders for execution. These reports, which are posted on our website here **[INSERT LINK or URL]**, are intended to facilitate your understanding of our order routing practices, including any potential conflicts of interest that may influence such practices. The reports must disclose the nature of the relationship between us and those venues, including the existence of any internalization or payment for order flow arrangements. The reports are divided into four sections with respect to four different types of covered securities: (1) equity securities listed on the New York Stock Exchange; (2) equity securities qualified for inclusion in The Nasdaq Stock Market; (3) equity securities listed on the American Stock Exchange or any other national securities exchange; and (4) National Market System Securities that are options. For each of the four sections, we provide a quantitative description of the aggregate nature of our order flow, including (1) the percentage of total customer orders for a particular section that were non-directed orders, (2) the percentages of total non-directed orders for a section that were market orders, limit orders, and other orders, (3) the identity of the ten venues to which we routed the largest number of non-directed orders for a section for execution, and (4) any venue to which we routed five percent or more of non-

directed orders.

**[FIRM NAME]** executes **[ALL / CERTAIN OF ITS]** orders through **[A SINGLE EXECUTING BROKER / MULTIPLE EXECUTING BROKERS]: [NAME EXECUTING BROKERS]**. Our reports discuss the material aspects of our relationship with **[THIS / THESE FIRM[S]]**. Currently, we **[HAVE / DO NOT HAVE] [AN / ANY]** arrangement[s] for payment for order flow **[AND/ OR]** profit sharing with **[NAME EXECUTING BROKERS]**.

#### **Customer Inquiries Under Rule 606**

Rule 606 also requires that we disclose to you, upon request, the identity of the venue to which your order was routed for execution in the six months preceding your request. You are also entitled to know the time of any transaction resulting from the order. If you would like to know the venue to which your order was routed for execution, or the time of execution of your order, please contact **[NAME]** at **(TELEPHONE NO. OR OTHER CONTACT INFORMATION)** who will be pleased to provide you with the information.

Thank you.

---

This publication is a service to our clients and friends. It is designed only to give general information on the developments actually covered. It is not intended to be a comprehensive summary of recent developments in the law, treat exhaustively the subjects covered, provide legal advice, or render a legal opinion.

[www.proskauer.com](http://www.proskauer.com)

© 2012 PROSKAUER ROSE LLP. All Rights Reserved. Attorney Advertising.

Beijing | Boca Raton | Boston | Chicago | Hong Kong | London | Los Angeles |  
New Orleans | New York | Newark | Paris | São Paulo | Washington, DC