

September 25, 2026

Jennifer Piorko Mitchell
Office of Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

Re: FINRA Requests Comment on Modernizing FINRA's Best Execution Guidance
Regulatory Notice 26-15

PTG¹ appreciates the opportunity to comment on Regulatory Notice 26-15 (the "Notice"), in which FINRA requests comment on modernizing its best execution guidance under Rule 5310 as part of the FINRA Forward rule modernization initiative and in light of the Securities and Exchange Commission's (the "Commission") proposal to rescind the trade through rule under Rule 611 and the locked and crossed market provisions under Rule 610(e) of Regulation NMS. PTG supports FINRA's preliminary view that Rule 5310's principles-based framework remains sound. That framework, however, rests on a body of interpretive guidance built up over several decades, beginning with guidance NASD issued before the adoption of Regulation NMS in 2005 and continuing through guidance FINRA developed alongside Rule 611's trade through protections since its formation in 2007. The Commission's proposal to rescind Rule 611 presents FINRA with a timely opportunity to revisit that body of best execution guidance.

Given the significance and complexity of these issues, FINRA should provide market participants an opportunity to comment on any proposed new or materially revised best execution guidance before it is finalized. Changes to FINRA's guidance could have significant implications for firms' order handling, routing practices, systems, and compliance programs, and would benefit from industry input regarding their practical effects. FINRA should also coordinate closely with the Commission before finalizing any such guidance. The Commission's consideration of whether and how to modify Rule 611 could materially affect the role that best execution is expected to play, including firms' obligations regarding venue connectivity, displayed quotations, and the NBBO. FINRA's guidance should therefore be developed in coordination with, and informed by, the Commission's ultimate approach to Rule 611 rather than assuming a particular outcome while that rulemaking remains pending.

¹ PTG, formerly known as the FIA Principal Traders Group ("FIA PTG"), is a leading trade association of principal trading firms advocating for fair, transparent, and robust markets. Members provide essential liquidity and facilitate price discovery, both critical to well-functioning markets. PTG engages with policymakers and regulators to safeguard market integrity by offering expert guidance on market structure while highlighting the positive contributions of liquidity providers.

I. A Best Practices Function for Best Execution Guidance

On April 21, 2025, FINRA President and Chief Executive Officer Robert Cook launched FINRA Forward, a broad initiative to modernize FINRA's regulatory framework, organized around three pillars: modernizing FINRA's rules, empowering member firm compliance, and strengthening cybersecurity and fraud risk management. In describing the compliance pillar, Mr. Cook committed FINRA to strengthening the feedback loop between its regulatory programs and its member firms.

Firms develop their policies, procedures, and disclosures based on their interpretation of Rule 5310 and its supporting guidance, often without learning if FINRA agrees until an examination reveals otherwise. FINRA could improve compliance with Rule 5310 by providing clearer guidance, including examples of practices it considers effective or problematic, so that firms understand FINRA's expectations and can adjust their practices before issues arise during an examination.

An approach of this kind has served both regulators and market participants well in other jurisdictions. The UK Financial Conduct Authority, for example, conducts periodic thematic reviews of best execution practices across the industry and publishes anonymized examples of both good and poor practice before pursuing individual enforcement. This approach gives all market participants an opportunity to close identified gaps before facing supervisory action.² Similarly, the European Securities and Markets Authority is required, when developing regulatory technical standards for best execution reporting under MiFID II, to conduct a public consultation before those standards are finalized, soliciting industry input and then publishing its conclusion for the benefit of the market as a whole, rather than relying primarily on case-by-case enforcement to communicate its expectation.³

PTG recommends that FINRA develop a best practices approach specific to best execution that:

- Is grounded in a periodic, thematic review that publishes examples of both effective and objectionable practices;
- Is developed and refreshed through recurring consultation with industry input, not limited to a single rulemaking comment period; and
- Is paired with clearer guidance on how firms are expected to use it.

II. Best Execution Post 611 and 610(e)

A. Venue Connection Decisions

We believe genuine execution quality factors, including liquidity, price, reliability, cost, execution speed, and fill likelihood, should drive a firm's decision to connect to, or disconnect from, a

² See UK Financial Conduct Authority, Best Execution: Thematic Review Findings (most recent review of wholesale banks' best execution practices, assessing scoping of obligations, governance and oversight, monitoring, and conflicts management in order internalization).

³ See Markets in Financial Instruments Directive 2014/65/EU, Art. 27(6), 27(10)(a) (mandating that the European Securities and Markets Authority develop regulatory technical standards governing best execution reporting); Regulation (EU) No. 1095/2010, Art. 10 (requiring public consultation on draft regulatory technical standards before submission to the European Commission).

particular venue. FINRA's guidance should distinguish between venues that offer fair, non-discriminatory access and those that do not. A displayed quote is only a meaningful execution quality factor if it is genuinely and equally accessible to all market participants. Venues that condition access on the type of market participant, or that reserve favorable treatment for a subset of members, present a materially different execution quality profile than venues offering uniform access. FINRA's guidance should direct firms to account for this distinction when evaluating and documenting venue connection decisions.

Intentional access delays warrant the same scrutiny. A delay of even a few hundred microseconds can allow a venue's liquidity providers to adjust or cancel quotes before an incoming order reaches them, converting what appears to be firm, displayed liquidity into liquidity that is conditional and less reliable in practice. Guidance should make clear that a firm's assessment of a venue's execution quality must account for whether displayed quotes are actually accessible, not merely whether they are displayed.

Firms' order flow characteristics differ, and a venue connection decision that is appropriate for one firm may not be appropriate for another. We caution FINRA against adopting guidance that effectively creates a fixed list of venues that every firm must access. If exchanges are given more latitude to experiment with matching models that depart from strict price/time priority, firms will need updated guidance on how to document their routing and posting decisions under those models.

We support guidance directing firms to evaluate and document routing decisions using measures such as price improvement, execution speed, fill likelihood, order size and total cost, and to contextualize those evaluations based on the nature of their order flow and the characteristics of the venues they use, including the reason certain venues may be excluded from a firm's benchmark set. In evaluating cost, guidance should make clear that the relevant consideration is a venue's all-in-cost, including fixed connectivity and market data costs, not only the per share access fee, so that firms are not incentivized to favor venues with a low headline fee but high fixed costs that are ultimately passed through to customers.

B. The NBBO as a Benchmark

We believe the NBBO should remain the default benchmark for measuring execution quality, including for purposes of Rule 605 reporting and best execution analysis generally. The NBBO's reliability has always depended on a baseline accessibility standard. Historically, a quote qualified as a part of the NBBO only if it was immediately and genuinely accessible, not merely displayed. Absent that standard, a delayed or conditional quote can appear indistinguishable from a firm, accessible one. A firm relying on the NBBO to measure execution quality, or a customer relying on it to assess whether their order was well executed, would have no way to tell the difference.

FINRA should preserve this minimum accessibility standard for any quote that contributes to the NBBO. FINRA should also require that any changes to Alternative Display Facility ("ADF") quoting participation proceed through public notice and comment. FINRA's ongoing role, through the ADF, as a gatekeeper for the quotes that feed the NBBO is central to maintaining the benchmark's integrity. Without a comparable accessibility requirement in place, the NBBO could increasingly reflect quotes that are not available on the terms they display. This would undermine

its reliability as a benchmark for Rule 605 reporting, best execution analysis, and the other rules that depend on it.

Preserving the NBBO's integrity is critical. A reliable NBBO is also essential to FINRA's ability to consistently assess and enforce firms' compliance with their best execution obligations. FINRA should therefore work with the Commission to ensure that, if the Commission proceeds with rescinding Rule 611, quotations contributing to the NBBO continue to satisfy appropriate accessibility and reliability standards. Allowing the NBBO to deteriorate and requiring firms to construct or rely on alternative benchmarks would result in inconsistent standards for measuring execution quality across the industry, to the detriment of investors, regulators and the market as a whole. FINRA and the Commission should therefore preserve a reliable and uniform NBBO rather than permit the development of firm-specific alternatives.

C. Access to Displayed Liquidity at an Inferior Price

We support a principles-based framework that focuses on execution outcomes, not on a requirement to access every displayed quote irrespective of its cost or reliability. Firms should retain the flexibility to tailor their approach across the range of institutional and retail trading strategies they support, while remaining accountable for the routing decisions they make. The relevant test should be whether a firm can demonstrate that the outcomes it delivers are consistent with what its customers want.

III. Access Fees and Transaction Costs

Transaction costs, including venue access fees, are already a recognized factor in a firm's best execution analysis under Supplementary Material .09(b)(6) to Rule 5310, so any change to the fee structure firms operate under has direct implications for that analysis. Under Rule 611, the access fee cap in Rule 610(c) served, in part, to prevent venues from exploiting the mandatory routing obligation created by the trade through rule. Without that obligation, venues could charge excessive fees for the liquidity that firms were required to access. If Rule 611 is rescinded, that mandatory routing obligation disappears and the policy rationale for maintaining the access fee cap in its current form weakens. Rules 610, 611, and 612 are interdependent. FINRA should sequence any updated best execution guidance addressing transaction costs with the Commission's ongoing review of Rule 610(c), rather than finalizing guidance that assumes the current fee cap structure will remain unchanged.

A firm's decision to pass through or absorb access fees and rebates is a commercial decision. It should remain within the firm's discretion and may vary by customer. We do not believe FINRA's guidance should mandate a uniform approach to this question. FINRA should recognize transaction costs as a legitimate component of best execution and provide firms appropriate flexibility to consider all-in execution costs.

FINRA should recognize that firms may permissibly consider volume-based fee tiers as part of assessing a venue's all-in-cost under Rule 5310.09(b)(6). A firm's ability to cost effectively route orders ultimately inures to the benefit of their clients through lower commissions and/or improved prices.

IV. Best Execution Review Standards

We believe a smart order router with embedded best execution logic can satisfy the spirit of an order-by-order review. Firms design and test their routing systems, including through simulation and structured experimentation, to deliver optimal outcomes across the full population of order flow. A firm can design and validate its routing logic to satisfy Rule 5310's regular and rigorous review requirement. A firm should be able to demonstrate compliance through appropriately designed, tested, and regularly reviewed routing logic, while remaining accountable for whether that logic produces outcomes consistent with its best execution obligations for individual customer orders. We also support FINRA establishing minimum standards addressing internalization and payment for order flow arrangements. This would help ensure that the flexibility inherent in a principles-based framework does not result in inconsistent or self-serving interpretations of the duty of best execution.

V. Institutional Orders

We do not believe additional prescriptive guidance is needed with respect to institutional order flow. Institutional customers are sophisticated market participants that negotiate execution strategies, service levels, and information leakage protections directly with their broker dealers. To the extent FINRA updates its guidance in this area, guidance should direct firms to contextualize execution quality evaluations based on the nature of the order flow and the characteristics of the venues used. This should include the reasons particular venues may be excluded from a firm's benchmark set.

VI. Introducing and Receiving Firm Obligations

A receiving firm's commercial allocation arrangements are separate from its independent obligation to conduct its own regular and rigorous review under Rule 5310. The metrics that inform those commercial arrangements should not be conflated with the metrics relevant to that review. Some metrics, such as marketable execution quality or non-marketable fill rates, may be relevant to both. Others may be purely commercial and should not be treated as satisfying, or substituting for, a firm's Rule 5310 obligations.

Amended Rule 605 reports will be an important complement to this framework. The expanded reporting requirements will extend to larger introducing broker-dealers. They will offer data and analysis covering price improvement, size improvement, and effective over quoted spread, with greater granularity across order types and time. FINRA should centralize access to these disclosures, so that investors and regulators can readily evaluate execution quality across introducing and receiving firms alike.

VII. Extended Trading Hours

Venues are rapidly extending their trading hours. SIP data availability, clearing arrangements, and exchange session hours are all changing at the same time. The operational and liquidity dynamics of extended hours differ meaningfully from the core session. We believe the same overarching best execution principles should continue to apply. The specific application of those principles, however, will be difficult to codify while the underlying market structure is still developing.

FINRA should develop best practices guidance specific to this area rather than a single, static guidance document. Surveillance, system resiliency, and operational readiness for expanded trading sessions are all still being addressed. Guidance should be developed iteratively, in coordination with the industry, as this work continues.

VIII. Held and Not Held Orders

FINRA should provide greater clarity regarding how held and not held designations are defined and applied in practice. While FINRA and the Commission have described the general concept of held and not held orders, neither has articulated clear, consistent standards for when an order's classification should change between the two, or how that discretion should be exercised in practice. This creates uncertainty for firms attempting to determine whether reclassification is warranted, either based on the instructions accompanying it or on current trading activity.

We support best practices guidance addressing when a firm may exercise discretion to slow the execution of an order whose instructions are inconsistent with prevailing market conditions. FINRA should also address circumstances in which a not held designation may be inappropriate, particularly where a retail customer reasonably expects an order to be executed immediately.

IX. Listed Options

FINRA's notice invites comment on additional or clarifying guidance for other specific types of securities beyond NMS stocks. We address listed options and fixed income securities below.

A. Listed Options

We generally agree that the best execution principles applicable to equities should extend to listed options. Rule 5310's reasonable diligence standard is not, by its terms, specific to any one market structure. Applying that standard sensibly to options, however, requires accounting for the material differences between the two markets. We support FINRA addressing options in a standalone discussion for that reason.

Some notable differences between the equity and options markets are listed below:

- With over two million strikes listed, the options market is quote driven, unlike the equities market, which is order driven.
- Unlike equities, all options trading occurs on exchange, with no equivalent to the Trade Reporting Facility.
- Options exchanges also maintain trading floors.
- Most exchanges offer electronic price improvement auctions.

All-in-costs, including market data infrastructure costs, are proportionally more significant in the options market given the lower transaction volume associated with any individual series relative to equities, reflecting higher quote-to-trade costs in options than in equities. Together with the market structure differences described above, these factors support the continued use of a regular

and rigorous review standard, rather than an order-by-order standard, for matters such as price improvement in the options market.

B. Fixed Income Securities

While fixed-income markets differ from equity markets, and market structures vary across products within fixed income, the principles underlying best execution remain applicable. Rule 5310 and FINRA's related guidance provide an appropriately flexible framework that accommodates differences in liquidity, quotation accessibility, transaction size and customer objectives.

Increasing electronification, greater availability of pricing and transaction data, participation by a diverse range of liquidity providers, and newer products and protocols like fixed-income ETFs and portfolio trading, have strengthened competition, liquidity, and price discovery. It is important that the regulatory framework supports continued innovation, competitive liquidity provision and informed assessment of execution quality. Institutional and other investors in fixed income have benefited from competition and enhancements to fixed income markets and continue to be served well by the existing best execution framework. FINRA should retain its principles-based best execution framework for fixed income and continue to preserve the obligation to seek the most favorable terms reasonably available under the circumstances.

X. Emerging Technologies

Tokenized securities should be subject to the same best execution principles as their conventional counterparts. Where a tokenized instrument represents the same underlying security, prices available for the conventional security, including the NBBO, should remain relevant to evaluating execution quality. Differences in trading, funding, settlement, collateral, or transaction costs may appropriately be considered as part of that analysis, but tokenization should not, by itself, permit firms to disregard prices available for the same security in the broader market.

FINRA should also work with the Commission to ensure that any platform trading tokenized NMS stocks that contributes quotations to the NBBO satisfies the same accessibility and reliability standards applicable to other market centers. Applying consistent standards across conventional and tokenized trading environments will help prevent differences in technology or market structure from creating gaps in best execution protections.

PTG appreciates the opportunity to comment on Regulatory Notice 26-15 and FINRA's ongoing efforts to modernize its best execution guidance. Please contact jmallers@ptgmarkets.org if you would like to discuss these comments.

Sincerely,

PTG



Joanna Mallers
Secretary