

Susan Light Speaks With *Financial Planning* About SEC's Proposed Overhaul of Best Execution Obligations

December 23, 2022

Susan Light, Financial Markets and Funds partner, was quoted by *Financial Planning* in an article covering the Securities and Exchange Commission's (SEC) recent package of proposed rules designed to protect the interests of individual investors and increase scrutiny of the policies and practices of broker-dealers. The four proposals, released on December 14, are intended to improve transparency and increase competition for the execution of marketable orders by individual investors.

The *Financial Planning* article observed that one practice that would fall under greater scrutiny is "payment for order flow," which generally involves broker-dealers routing investors' orders to wholesale market makers or exchanges and receiving small commissions in return. Under the SEC's proposed "Regulation Best Execution," broker-dealers would be required to document any payment for order flow arrangements, and on a broader level, would be required to review the execution quality of customer transactions at least quarterly – which would include a comparison to the execution quality that might have been obtained from other markets. Such a review could include an assessment of several factors, including the "existence of internalization or payment for order flow arrangements."

Sue noted that SEC Chairman Gary Gensler previously expressed interest in banning the practice of payment for order flow, which the proposed rules fall short of doing. However, she explained that the same goal might be accomplished with the combination of an SEC Regulation Best Execution and the proposed auction rule – another one of the SEC's proposals that would require select orders of individual investors to initially undergo a qualified auction.

"Right now, under [the Financial Industry Regulatory Authority] and the [Municipal Securities Rulemaking Board], payment for order flow is alive and well. But this could make it so difficult that funds might not be able to use it," Sue told *Financial Planning*.

"Brokers Could Stagger Under Paperwork Burden From SEC Market Overhaul," *Financial Planning*, December 16, 2022

**Subscription may be required for article access.*

CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.



Susan Light
+1.212.940.8599
susan.light@katten.com

Attorney advertising. Published as a source of information only. The material contained herein is not to be construed as legal advice or opinion.

©2026 Katten Muchin Rosenman LLP.

All rights reserved. Katten refers to Katten Muchin Rosenman LLP and the affiliated partnership as explained at katten.com/disclaimer.