



February 19, 2019

MEDIA ADVISORY

MEDIA ADVISORY

MEDIA ADVISORY

## GUIDE FOR INVESTORS: WHAT IS PRICE IMPROVEMENT AND 635 MILLION REASONS IT MATTERS

[Fidelity Investments](#) is committed to providing investors with more clarity and simplicity across all of our products and services, especially for the millions of people that rely on Fidelity's trading expertise and quality. In 2018, Fidelity customers saved more than \$635 million through price improvement<sup>i</sup>. This is why we are offering investors a simple guide on what price improvement is, why it is important, and the questions they can ask their broker to ensure transparency.

### **What is Price Improvement?**

Price improvement is the amount of savings an investor may receive on a stock, ETF or option trade compared to the quoted price when the order is submitted. Markets are constantly moving and prices can change in an instant; investors should expect their orders are filled quickly and at a competitive price. When a customer places a stock, ETF or option trade, a brokerage firm can intelligently access multiple market centers and select the venues that deliver a better price. If a market center can offer a better price than the best quote market price or National Best Bid and Offer (e.g., \$14.98 instead of \$15.00 on 500 shares), the broker will pass along the savings to its customer -- in this example, \$10.00 in price improvement.

However, some brokers send the majority of stock and ETF trades to market makers in exchange for payment. These brokers might be using this payment for order flow to bolster their own bottom line instead of finding the best price and then passing on savings to customers.

## **Why Price Improvement Matters and How Investors Can Benefit by Working with Fidelity**

Fidelity customers executing 1,000 share marketable stock trades average \$17.26 in price improvement per order, which is six times the industry average of \$2.86<sup>ii</sup>. Fidelity can achieve this because it does not receive payment for order flow from market makers for stock and ETF trades, and instead uses price as the primary criterion for executing trades and returns price improvement savings to customers on their order executions automatically.

In fact, StockBrokers.com ranked Fidelity #1 for order execution in its [2019 Broker Review](#), published today<sup>iii</sup>. The review states: “After factoring in order execution quality, where Fidelity reigns supreme, Fidelity’s \$4.95 stock trades consistently yield additional value for customers,” and, “Rare in the industry, Fidelity does not accept payment for order flow (PFOF), which results in cost savings for customers when placing stock trades.” Read StockBrokers.com’s 2019 Order Execution Guide [here](#) and Fidelity’s review [here](#).

In the spirit of transparency, Fidelity displays pricing summary for how much a customer has saved on each trade<sup>iv</sup>, and on monthly, year-to-date, and previous 12-month timeframes. Fidelity has a dedicated [web page](#) that displays order execution and price improvement statistics, and a simple, two-step [tool](#) where investors can calculate their potential price improvement savings. Importantly, Fidelity is the *only* firm to voluntarily report full price improvement savings statistics using the Financial Information Forum (FIF) Rule 605/606 Working Group standards. The FIF has been working on improving access to execution quality statistics for individual investors.

Fidelity believes an apples-to-apples comparison of statistics is essential for investors to make a well-informed decision about where they make their trades.

### **Questions to Ask Your Broker about Price Improvement**

If a broker is keeping investors in the dark about how they execute trades, it is time to start asking questions.

- What criteria do you use when executing my trades?
- Do you receive payment for order flow from market centers?
- Do you have a Web page that displays a summary of your order execution stats?
- Do I receive the savings when you achieve price improvement for my trades?

For More Information, please contact:

Robert Beauregard  
(401) 292-7440  
[robert.beauregard@fmr.com](mailto:robert.beauregard@fmr.com)

Corporate Communications  
(617) 563-5800  
[fidelitycorporateaffairs@fmr.com](mailto:fidelitycorporateaffairs@fmr.com)

**Investing involves risk, including the risk of loss.**

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Prior to trading options, please read [Characteristics and Risks of Standardized Options](#), and call 800-343-3548 to be approved for options trading. Supporting documentation for any claims, if applicable, will be furnished upon request.

Fidelity Investments and Fidelity are registered service marks of FMR LLC.

Fidelity Brokerage Services LLC, Member NYSE, SIPC  
900 Salem Street, Smithfield, RI 02917

800000.1.0

© 2019 FMR LLC. All rights reserved.

---

<sup>i</sup> Based on internal business data from Jan. 1, 2018 through Dec. 31, 2018.

<sup>ii</sup> Based on data from IHS Markit for SEC Rule 605 eligible orders executed at Fidelity between October 1, 2017 and September 30, 2018. The comparison is based on an analysis of price statistics that include all SEC Rule 605 eligible market and marketable limit orders of 100-1,999 shares. For both the Fidelity and Industry savings per order figures used in the example, the figures are calculated by taking the average savings per share for the eligible trades within the respective order size range and multiplying each by 1000, for consistency purpose. Fidelity's average retail order size for SEC Rule 605 eligible orders (100-9,999 shares) during this time period was 848 shares. The average retail order size for the Industry for the same shares range and time period was 326 shares. Price improvement examples are based on averages and any price improvement amounts related to your trades will depend on the particulars of your specific trade.

<sup>iii</sup> StockBrokers.com 2019 Online Broker Review, February 19, 2019: Fidelity was ranked No. 1 for Order Execution out of 16 online brokers evaluated in the StockBrokers.com 2019 Online Broker Review. Fidelity was also rated No. 1 for Investor App and Client Dashboard, and named Best in Class in 12 of 14 categories, including Commission & Fees, Offering of Investments, Platform & Tools, Research, Customer Service, Mobile Trading, Education, Ease of use, Banking, Beginners, Active Trading, and Overall.

<sup>iv</sup> Price improvement details are provided for domestic stock and single-leg option orders entered during market hours after the primary opening, provided there is a National Best Bid and Offer (NBBO) at the time the order is placed. Price improvement details are provided for informational purposes only and are not used for regulatory reporting purposes.

NBBO price is determined with the best-single leg prices on a single market from any of the available option exchanges at the time the order is executed or within 30 seconds of the order being received by the CBOE's order routing system.