

"Best Execution": FAQs

Frequently Asked Questions About “Best Execution”

What is “best execution”?

While there is no specific definition of “best execution” under the securities laws, a broker-dealer has a duty to ensure that customers receive best execution on their orders by taking into account all the facts and circumstances surrounding a customer order. Factors a broker-dealer may consider include, among other things, the price of an order, the size of an order, and the trading characteristics of the security involved.

What is an investment adviser’s duty regarding best execution?

Under the [Investment Advisers Act of 1940](#), every registered investment adviser, including an investment adviser to a mutual fund, has a duty to obtain “best execution” on all securities transactions for their clients.

Doesn’t best execution mean obtaining the best price for a transaction?

No, it’s more than that. Best price is only one factor in best execution. In seeking to achieve best execution, an adviser should consider the full range and quality of a broker’s services including the value of research provided, execution capabilities, commission rate, financial responsibility, and responsiveness.

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