

Order Routing Practices & Payment for Order Flow

SEC Rule 607 requires broker-dealers to disclose, upon opening a new customer account and on an annual basis thereafter, their policies regarding payment for order flow in connection with the routing of customer orders for NMS stocks (i.e., exchange-listed stocks and ETFs).

“Payment for order flow” or “PFOF” is any type of remuneration, compensation, or consideration paid to a broker-dealer by another broker-dealer or exchange in return for routing orders. As the introducing broker for your account, Coinbase Capital Markets Corporation (“CCM”) relays your equity orders to our fully-disclosed clearing firm, Apex Clearing Corporation (“Apex Clearing”). Apex Clearing then routes your order to different market makers for execution. Apex Clearing receives payment for order flow in connection with such trades. CCM does receive remuneration, through Apex Clearing, in exchange for order flow of customer trades placed using the Coinbase app or website. In particular, CCM receives 50% of the revenue received by Apex Clearing as payment for order flow. Apex Clearing routes customer orders to market makers based on a number of factors, including but not limited to, applicable order protection rules, price, liquidity, venue reliability, cost of execution, likelihood of execution, and potential for price improvement. Some market makers or broker-dealers may execute orders at prices superior to the publicly quoted market.