



## Southwest Rule 606 Disclosure :: 2011Q1

Southwest Securities, Inc. (Southwest) has prepared this report pursuant to a U.S. Securities and Exchange Commission rule requiring all brokerage firms to make available to the public quarterly reports about their order routing practices.

The report provides information on the routing of "non-directed orders" -- any order that the customer has not specifically instructed to be routed to a particular venue for execution. For these non-directed orders, Southwest has selected the execution venue on behalf of its customers.

The report is divided into four sections:

1. New York Stock Exchange listed securities
2. Nasdaq Stock Market listed securities
3. NYSE Amex Stock Exchange and regional exchanges listed securities
4. Exchange listed options

For each section, this report identifies the venues most often selected by Southwest, sets forth the percentage of various types of orders routed to the venues, and discusses the material aspects of Southwest's relationship with the venues.

This report has been reviewed by S3, a third party market surveillance and auditing firm. Questions regarding this report should be addressed to the Southwest Securities Compliance Department.

## 1. New York Stock Exchange Securities

| <i>For quarter ending 3/31/2011</i>  | <b>Non-Directed<br/>Orders</b> | <b>Market<br/>Orders</b> | <b>Limit<br/>Orders</b> | <b>Other<br/>Orders*</b> |
|--------------------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|
| <b>Orders Routed to:</b>             |                                |                          |                         |                          |
| <b>Automated Trading Desk</b>        | <b>61.69%</b>                  | <b>59.19%</b>            | <b>63.42%</b>           | <b>1.50%</b>             |
| <b>Knight Capital Markets</b>        | <b>27.25%</b>                  | <b>18.18%</b>            | <b>31.94%</b>           | <b>42.93%</b>            |
| <b>Citadel Derivatives Group LLC</b> | <b>10.07%</b>                  | <b>21.12%</b>            | <b>3.91%</b>            | <b>55.57%</b>            |
| <b>Total SOUTHWEST Orders</b>        | <b>99.8%</b>                   | <b>34.5%</b>             | <b>65.1%</b>            | <b>0.4%</b>              |

\* Other Orders are Stop Orders and Stop Limit Orders.

### **New York Stock Exchange**

The table above shows the percentages of orders placed for securities trading on the New York Stock Exchange (NYSE).

Southwest receives financial remuneration from Knight Capital Management for orders routed and executed at this market center. Orders for securities priced below \$1.00 receive no financial remuneration. In addition, certain exchanges offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. There are times when the amount of the credit that Southwest receives from one or more of these exchanges exceeds the amount that Southwest is charged. Such payment may also constitute payment for order flow.

## 2. NASDAQ Stock Exchange Securities

| <i>For quarter ending 3/31/2011</i>  | <b>Non-Directed<br/>Orders</b> | <b>Market<br/>Orders</b> | <b>Limit<br/>Orders</b> | <b>Other<br/>Orders*</b> |
|--------------------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|
| <b>Orders Routed to:</b>             |                                |                          |                         |                          |
| <b>Automated Trading Desk</b>        | <b>53.77%</b>                  | <b>51.31%</b>            | <b>55.40%</b>           | <b>0.57%</b>             |
| <b>Knight Capital Markets</b>        | <b>33.09%</b>                  | <b>24.94%</b>            | <b>36.89%</b>           | <b>52.51%</b>            |
| <b>Citadel Derivatives Group LLC</b> | <b>12.30%</b>                  | <b>21.84%</b>            | <b>7.38%</b>            | <b>46.92%</b>            |
| <b>Total SOUTHWEST Orders</b>        | <b>99.4%</b>                   | <b>32.5%</b>             | <b>66.9%</b>            | <b>0.6%</b>              |

\* Other Orders are Stop Orders and Stop Limit Orders.

### **Nasdaq**

The table above shows the percentages of orders placed for securities trading on the Nasdaq Stock Market (Nasdaq).

Southwest receives financial remuneration from Knight Capital Management for orders routed and executed at this market center. Orders for securities priced below \$1.00 receive no financial remuneration. In addition, certain exchanges offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. There are times when the amount of the credit that Southwest receives from one or more of these exchanges exceeds the amount that Southwest is charged. Such payment may also constitute payment for order flow.

### 3. NYSE Amex / Regional Stock Exchange Securities

| <i>For quarter ending 3/31/2011</i>  | <b>Non-Directed<br/>Orders</b> | <b>Market<br/>Orders</b> | <b>Limit<br/>Orders</b> | <b>Other<br/>Orders*</b> |
|--------------------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|
| <b>Orders Routed to:</b>             |                                |                          |                         |                          |
| <b>Automated Trading Desk</b>        | <b>54.65%</b>                  | <b>43.43%</b>            | <b>60.12%</b>           | <b>0.84%</b>             |
| <b>Knight Capital Markets</b>        | <b>35.07%</b>                  | <b>35.26%</b>            | <b>34.63%</b>           | <b>74.70%</b>            |
| <b>Citadel Derivatives Group LLC</b> | <b>8.58%</b>                   | <b>18.27%</b>            | <b>4.13%</b>            | <b>24.46%</b>            |
| <b>Total SOUTHWEST Orders</b>        | <b>99.7%</b>                   | <b>30.6%</b>             | <b>68.8%</b>            | <b>0.6%</b>              |

\* Other Orders are Stop Orders and Stop Limit Orders.

#### **NYSE Amex/Other**

The table above shows the percentages of orders placed for securities trading on the NYSE Amex and regional exchanges.

Southwest receives financial remuneration from Knight Capital Management for orders routed and executed at this market center. Orders for securities priced below \$1.00 receive no financial remuneration. In addition, certain exchanges offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. There are times when the amount of the credit that Southwest receives from one or more of these exchanges exceeds the amount that Southwest is charged. Such payment may also constitute payment for order flow.

#### 4. Exchange Listed Options

| <i>For quarter ending 3/31/2011</i>      | <b>Non-Directed<br/>Orders</b> | <b>Market<br/>Orders</b> | <b>Limit<br/>Orders</b> | <b>Other<br/>Orders*</b> |
|------------------------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|
| <b>Orders Routed to:</b>                 |                                |                          |                         |                          |
| <b>Chicago Board Options Exchange</b>    | <b>28.61%</b>                  | <b>42.27%</b>            | <b>25.27%</b>           | <b>22.14%</b>            |
| <b>Nasdaq OMX PHLX</b>                   | <b>25.20%</b>                  | <b>13.91%</b>            | <b>27.81%</b>           | <b>41.72%</b>            |
| <b>NASDAQ Options Market</b>             | <b>23.29%</b>                  | <b>2.92%</b>             | <b>28.71%</b>           | <b>2.10%</b>             |
| <b>International Securities Exchange</b> | <b>9.11%</b>                   | <b>22.21%</b>            | <b>5.86%</b>            | <b>5.83%</b>             |
| <b>NYSE Amex Options</b>                 | <b>7.15%</b>                   | <b>16.00%</b>            | <b>4.72%</b>            | <b>21.45%</b>            |
| <b>Total SOUTHWEST Orders</b>            | <b>100.0%</b>                  | <b>19.9%</b>             | <b>79.0%</b>            | <b>1.1%</b>              |

\* Other Orders are Stop Orders and Stop Limit Orders.

#### **Exchange Listed Options**

The table above shows the percentages of orders placed for securities trading as Exchange Listed Options.

Southwest may receive financial remuneration for options orders routed to any of the options exchanges.



## **SEC Rule 606 – Report on Routing of Customer Orders**

2011 – 1<sup>st</sup> Quarter

### **Securities Listed on the New York Stock Exchange**

#### **Summary Statistics:**

|                                                            |        |
|------------------------------------------------------------|--------|
| Non-directed orders as percentage of total customer orders | 3.23%  |
| Market orders as percentage of total non-directed orders   | 20.00% |
| Limit orders as percentage of total non-directed orders    | 8.33%  |
| Other orders as percentage of total non-directed orders    | 7.14%  |

#### Venue Receiving Significant Percentage of Total Non-Directed Orders:

|      |         |
|------|---------|
| Auto | 10.00%  |
| BLZX | 100.00% |
| CRSS | 33.33%  |
| ISLD | 33.33%  |
| PFSI | 10.00%  |
| ARCA | 50.00%  |
| BELZ | 50.00%  |

### **Securities listed on the Nasdaq**

#### **Summary Statistics:**

|                                                            |        |
|------------------------------------------------------------|--------|
| Non-directed orders as percentage of total customer orders | 3.23%  |
| Market orders as percentage of total non-directed orders   | 20.00% |
| Limit orders as percentage of total non-directed orders    | 8.33%  |
| Other orders as percentage of total non-directed orders    | 7.14%  |

#### Venue Receiving Significant Percentage of Total Non-Directed Orders:

|      |        |
|------|--------|
| Auto | 10.00% |
| CRSS | 33.33% |
| ISLD | 33.33% |
| MLOB | 33.33% |
| PFSI | 10.00% |
| ARCA | 50.00% |

### **Securities listed on the AMEX or other regional exchanges**

#### **Summary Statistics:**

|                                                            |       |
|------------------------------------------------------------|-------|
| Non-directed orders as percentage of total customer orders | 1.12% |
| Market orders as percentage of total non-directed orders   | 6.25% |
| Limit orders as percentage of total non-directed orders    | 3.13% |
| Other orders as percentage of total non-directed orders    | 2.44% |

Venue Receiving Significant Percentage of Total Non- Directed Orders:

|      |        |
|------|--------|
| Auto | 3.33%  |
| CRSS | 9.09%  |
| ISLD | 11.11% |
| MLCO | 33.33% |
| NITE | 33.33% |
| PFSI | 3.33%  |

**Exchange listed Options**

Summary Statistics:

|                                                            |        |
|------------------------------------------------------------|--------|
| Non-directed orders as percentage of total customer orders | 16.67% |
| Market orders as percentage of total non-directed orders   | 50.00% |
| Limit orders as percentage of total non-directed orders    | 25.00% |