



## **Penson Rule 606 Disclosure :: 3Q2007**

Penson Financial Services, Inc. (Penson) 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, Penson 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. American Stock Exchange and regional exchanges listed securities
4. Exchange listed options

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

This report was prepared by Quantum5, a third party market surveillance and auditing firm. Questions regarding this report should be addressed to the Penson Compliance Department at (800) 696-3585.



## 1. New York Stock Exchange Securities

<i>For quarter ending 9/30/07</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Citadel Derivatives Group LLC<sup>1</sup></b>	<b>32.11%</b>	<b>62.85%</b>	<b>20.10%</b>	<b>18.33%</b>
<b>    Knight Equity Markets<sup>2</sup></b>	<b>27.70%</b>	<b>26.67%</b>	<b>24.09%</b>	<b>75.13%</b>
<b>    Direct Edge ECN<sup>3</sup></b>	<b>23.92%</b>	<b>0.00%</b>	<b>36.23%</b>	<b>0.00%</b>
<b>    Bats Trading Inc.<sup>4</sup></b>	<b>6.68%</b>	<b>0.00%</b>	<b>10.12%</b>	<b>0.00%</b>
<b>    Automated Trading Desk<sup>5</sup></b>	<b>5.08%</b>	<b>9.45%</b>	<b>3.42%</b>	<b>2.65%</b>
<b>Total PENSON Orders</b>	<b>83.0%</b>	<b>28.3%</b>	<b>66.0%</b>	<b>5.6%</b>

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

### New York Stock Exchange

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

<sup>1</sup> Penson receives payment from Citadel Derivates Group LLC (Citadel) for directing NYSE order flow to Citadel. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Citadel averaged less than \$0.001 per share for the period 3Q2007.

<sup>2</sup> Penson receives payment from Knight Capital Markets L.P. for directing NYSE order flow to Knight Capital Markets L.P. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Knight Capital Markets L.P. averaged less than \$0.001 per share for the period 3Q2007.

<sup>3</sup> Penson received payment from Direct Edge ECN for orders that add liquidity to Direct Edge ECN and are subsequently executed. The rate for adding liquidity to Direct Edge ECN of 3Q2007 was \$0.0026 per share. PFSI is charged for removing liquidity from Direct Edge ECN. The rate for removing liquidity from Direct Edge for 3Q2007 was \$0.0026 per share.

<sup>4</sup> Penson receives payment from Bats Trading Inc. for orders that add liquidity to Bats Trading Inc. and are subsequently executed. The rate for adding liquidity to Bats Trading Inc. for 3Q2007 was \$0.0022 per share. PFSI is charged for removing liquidity from Bats Trading Inc. The rate for removing liquidity from Bats Trading Inc. for 3Q2007 was \$0.0024 per share.

<sup>5</sup> Penson receives payment from Automated Trading Desk (ATD) for directing NYSE order flow to ATD. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from ATD averaged less than \$0.001 per share for the period 3Q2007.

Penson receives payment from NYSE Arca for orders that add liquidity to NYSE Arca and are subsequently executed. The rate for adding liquidity to NYSE Arca for 3Q2007 was \$0.002 per share. PFSI is charged for removing liquidity from NYSE Arca. The rate for removing liquidity from NYSE Arca for 3Q2007 was \$0.003 per share.

Penson receives payment from Nasdaq Execution Services, LLC. for orders that add liquidity to Nasdaq Execution Services, LLC. and are subsequently executed. The rate for adding liquidity to Nasdaq Execution Services, LLC. for 3Q2007 was \$0.002 per share. PFSI is charged for removing liquidity from Nasdaq Execution Services, LLC. The rate for removing liquidity from Nasdaq Execution Services, LLC. for 3Q2007 was \$0.003 per share.



## 2. NASDAQ Stock Exchange Securities

<i>For quarter ending 9/30/07</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Direct Edge ECN<sup>1</sup></b>	<b>32.40%</b>	<b>0.23%</b>	<b>47.16%</b>	<b>0.00%</b>
<b>Knight Equity Markets<sup>2</sup></b>	<b>29.90%</b>	<b>27.40%</b>	<b>26.14%</b>	<b>81.63%</b>
<b>Citadel Derivatives Group LLC<sup>3</sup></b>	<b>28.96%</b>	<b>63.30%</b>	<b>17.82%</b>	<b>12.57%</b>
<b>Total PENSON Orders</b>	<b>98.9%</b>	<b>25.2%</b>	<b>68.6%</b>	<b>6.2%</b>

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

### Nasdaq

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

<sup>1</sup> Penson receives payment from Direct Edge ECN for orders that add liquidity to Direct Edge ECN and are subsequently executed. The rate for adding liquidity to Direct Edge ECN for 3Q2007 for NASDAQ securities was \$0.0026 per share. PFSI is charged for removing liquidity from Direct Edge ECN. The rate for removing liquidity from Direct Edge ECN for 3Q2007 was \$0.0026 per share.

<sup>2</sup> Penson receives payment from Knight Equity Markets L.P. for directing Nasdaq order flow to Knight Equity Markets L.P. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Knight Equity Markets L.P. averaged less than \$.001 per share for the period 3Q2007.

<sup>2</sup> Penson receives payment from Citadel Derivatives Group LLC (Citadel) for directing Nasdaq order flow to Citadel. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Citadel averaged less than \$.001 per share for the period 3Q2007.

Penson receives payment from NYSE Arca for orders that add liquidity to NYSE Arca and are subsequently executed. The rate for adding liquidity to NYSE Arca for 3Q2007 was \$0.002 per share. PFSI is charged for removing liquidity from NYSE Arca. The rate for removing liquidity from NYSE Arca for 3Q2007 was \$0.003 per share.

Penson receives payment from Nasdaq Execution Services, LLC. for orders that add liquidity to Nasdaq Execution Services, LLC. and are subsequently executed. The rate for adding liquidity to Nasdaq Execution Services, LLC. for 3Q2007 was \$0.002 per share. PFSI is charged for removing liquidity from Nasdaq Execution Services, LLC. The rate for removing liquidity from Nasdaq Execution Services, LLC. for 3Q2007 was \$0.003 per share.

Penson receives payment from Automated Trading Desk (ATD) for directing order flow to ATD. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from ATD averaged less than \$0.001 per share for the period 3Q2007.

Penson receives payment from Bats Trading Inc. for orders that add liquidity to Bats Trading Inc. and are subsequently executed. The rate for adding liquidity to Bats Trading Inc. for 3Q2007 was \$0.0022 per share. PFSI is charged for removing liquidity from Bats Trading Inc. The rate for removing liquidity from Bats Trading Inc. for 3Q2007 was \$0.0024 per share.



### 3. American / Regional Stock Exchange Securities

<i>For quarter ending 9/30/07</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Knight Capital Markets<sup>1</sup></b>	<b>33.31%</b>	<b>27.79%</b>	<b>32.15%</b>	<b>74.64%</b>
<b>Citadel Derivatives Group LLC<sup>2</sup></b>	<b>29.91%</b>	<b>62.91%</b>	<b>18.01%</b>	<b>17.00%</b>
<b>Direct Edge ECN<sup>3</sup></b>	<b>27.30%</b>	<b>0.00%</b>	<b>40.20%</b>	<b>0.00%</b>
<b>Total PENSON Orders</b>	<b>80.7%</b>	<b>26.6%</b>	<b>67.9%</b>	<b>5.5%</b>

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

#### **AMEX/Other**

The chart above shows the percentages of orders placed for securities trading on the American Stock Exchange (AMEX) and regional exchanges.

<sup>1</sup> Penson receives payment from Knight Capital Markets L.P. for directing AMEX order flow to Knight Capital Markets L.P. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Knight Capital Markets L.P. averaged less than \$.001 per share for the period 3Q2007.

<sup>2</sup> Penson receives payment from Citadel Derivatives Group LLC (Citadel) for directing order flow to Citadel. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Citadel averaged less than \$.001 per share for the period 3Q2007.

<sup>3</sup> Penson receives payment from Direct Edge ECN for orders that add liquidity to Direct Edge ECN and are subsequently executed. The rate for adding liquidity to Direct Edge ECN for 3Q2007 was \$0.0026 per share. PFSI is charged for removing liquidity from Direct Edge ECN. The rate for removing liquidity from Direct Edge ECN for 3Q2007 was \$0.0026 per share.

Penson receives payment from NYSE Arca for orders that add liquidity to NYSE Arca and are subsequently executed. The rate for adding liquidity to NYSE Arca for 3Q2007 was \$0.002 per share. PFSI is charged for removing liquidity from NYSE Arca. The rate for removing liquidity from NYSE Arca for 3Q2007 was \$0.003 per share.

Penson receives payment from Nasdaq Execution Services, LLC. for orders that add liquidity to Nasdaq Execution Services, LLC. and are subsequently executed. The rate for adding liquidity to Nasdaq Execution Services, LLC. for 3Q2007 was \$0.002 per share. PFSI is charged for removing liquidity from Nasdaq Execution Services, LLC. The rate for removing liquidity from Nasdaq Execution Services, LLC. for 3Q2007 was \$0.003 per share.

Penson receives payment from Automated Trading Desk (ATD) for directing NYSE order flow to ATD. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from ATD averaged less than \$0.001 per share for the period 3Q2007.

Penson receives payment from Bats Trading Inc. for orders that add liquidity to Bats Trading Inc. and are subsequently executed. The rate for adding liquidity to Bats Trading Inc. for 3Q2007 was \$0.0022 per share. PFSI is charged for removing liquidity from Bats Trading Inc. The rate for removing liquidity from Bats Trading Inc. for 3Q2007 was \$0.0024 per share.



#### 4. Exchange Listed Options

<i>For quarter ending 9/30/07</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Chicago Board Options Exchange<sup>1</sup></b>	<b>53.54%</b>	<b>51.23%</b>	<b>54.26%</b>	<b>17.46%</b>
<b>International Securities Exchange<sup>2</sup></b>	<b>24.06%</b>	<b>27.87%</b>	<b>23.89%</b>	<b>10.13%</b>
<b>Citadel Derivatives Group LLC<sup>3</sup></b>	<b>14.25%</b>	<b>11.94%</b>	<b>13.73%</b>	<b>68.48%</b>
<b>Total PENSON Orders</b>	<b>100.0%</b>	<b>8.7%</b>	<b>90.1%</b>	<b>1.2%</b>

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

#### Exchange Listed Options

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

Penson routes options orders to the CBOE, ISE, PHLX, PCX, AMEX, BOX, ARCA, CitiGroup and Citadel. It is common for these venues to make payments to brokerage firms for orders they execute at those venues; while Penson has participated in discussions with a few of these specialists, in many cases payments are made to Penson on a basis determined solely by the specialists and does not know how the payments were computed. In other cases, recipients such as Penson are advised by the specialist of the basis for payments, but those terms are set unilaterally by the specialist.

The nature of these relationships by destination are as follows:

<sup>1</sup> Chicago Board Options Exchange	\$0.00 to \$0.60 per contract
<sup>2</sup> International Securities Exchange	\$0.00 to \$0.85 per contract
<sup>3</sup> Citadel	\$0.00 to \$0.45 per contract
Citigroup	\$0.00 to \$0.45 per contract
Philadelphia Stock Exchange	\$0.00 to \$1.10 per contract
Pacific Stock Exchange	\$0.00 to \$0.50 per contract