



A.B. Watley Rule 606 Disclosure :: 4Q2006

A.B. Watley Direct, Inc. (A.B. Watley) 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, A.B. Watley 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 A.B. Watley, sets forth the percentage of various types of orders routed to the venues, and discusses the material aspects of A.B. Watley'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 A.B. Watley Compliance Department.



1. New York Stock Exchange Securities

<i>For quarter ending 12/31/06</i>	Non-Directed Orders	Market Orders	Limit Orders	Other Orders*
Orders Routed to:				
Penson Financial Services	73.75%	76.16%	73.43%	42.70%
Knight Securities	25.94%	23.66%	26.19%	57.30%
Total A.B. WATLEY Orders	24.9%	30.0%	68.4%	1.6%

* 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).

A.B. Watley did not receive payment for order flow from any of the above firms for the period 4Q2006.



2. NASDAQ Stock Exchange Securities

<i>For quarter ending 12/31/06</i>	Non-Directed Orders	Market Orders	Limit Orders	Other Orders*
Orders Routed to:				
Knight Capital Markets	95.32%	99.82%	93.75%	100.00%
Penson Financial Services	4.51%	0.09%	6.05%	0.00%
Total A.B. WATLEY Orders	46.4%	25.2%	74.2%	0.7%

* 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).

A.B. Watley did not receive payment for order flow from any of the above firms for the period 4Q2006.



3. American / Regional Stock Exchange Securities

<i>For quarter ending 12/31/06</i>	Non-Directed Orders	Market Orders	Limit Orders	Other Orders*
Orders Routed to:				
Knights Securities	89.25%	96.16%	87.82%	78.57%
Penson Financial Services	10.46%	3.84%	11.82%	21.43%
Total A.B. WATLEY Orders	34.2%	17.8%	81.5%	0.7%

* 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.

A.B. Watley did not receive payment for order flow from any of the above firms for the period 4Q2006.



4. Exchange Listed Options

<i>For quarter ending 12/31/06</i>	Non-Directed Orders	Market Orders	Limit Orders	Other Orders*
Orders Routed to:				
International Securities Exchange	43.09%	17.65%	43.70%	14.12%
Chicago Board Options Exchange	25.48%	61.76%	24.64%	64.71%
Philadelphia Stock Exchange	13.70%	8.82%	13.91%	2.35%
Pacific Stock Exchange	13.63%	5.88%	13.60%	18.82%
Boston Options Exchange	3.20%	5.88%	3.24%	0.00%
American Stock Exchange	0.90%	0.00%	0.92%	0.00%
Total A.B. WATLEY Orders	100.0%	0.6%	97.9%	1.5%

* 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.

A.B. Watley did not receive payment for order flow from any of the above firms for the period 4Q2006.