

Extension of NASDAQ Bid Tick Indicator Transition Period



To: Head of NASDAQ Trading; Technical Contacts; Compliance Officers
From: Gene Lopez, Senior Vice President
The NASDAQ Stock Market
Date: April 22, 2003
Re: **Extension of NASDAQ Bid Tick Indicator Transition Period**
(Head Trader Alert #2003-061)

****Please show this to your Compliance Officer.****

Summary

- NASDAQ to extend transition period for conversion to the NASDAQ Bid Tick Indicator from June 30, 2003, to February 1, 2004
 - Extension provided so NASDAQ can work with market participants regarding their questions
 - During this time, NASDAQ to investigate best measure for a market-wide short sale standard.
- Contact information

Overview

Based on feedback from market participants, NASDAQ® will extend the transition period for conversion to the NASDAQ Bid Tick Indicator from June 30, 2003 to February 1, 2004. On March 31, 2003, NASDAQ began distributing over the NASDAQ Quotation Dissemination ServiceSM (NQDSSM) a NASDAQ Bid Tick Indicator, which is based on the best quote/order within NASDAQ systems. The NASDAQ Bid Tick Indicator is displayed on NASDAQ Workstation II[®], which also shows the NASDAQ Inside Price or SuperMontageSM Best Bid or Offer (BBO) as well as the National BBO.

[Head Trader Alert #2003-037](#) notified NASDAQ market participants that they would have 90-calendar days from March 31, 2003 (the date NASDAQ began distributing the NASDAQ Bid Tick Indicator), or until the opening of business on June 30, 2003, to convert their systems to utilize the NASDAQ Bid Tick Indicator for Short Sale Rule compliance. Additionally, it stated that all market participants must notify NASDAQ of the transition date by completing a form included in the HTA. NASDAQ's decision to move from the National Bid Tick Indicator to the NASDAQ Bid Tick Indicator was based on the belief that the Bid Tick Indicator in our Short Sale Rule should be based on NASDAQ's high-quality quote data that is never locked/crossed during regular market hours and is under NASDAQ control.

Extension of Transition Period

NASDAQ staff solicited input from firms several months ago regarding a change to the NASDAQ Bid Tick Indicator, and the industry comments focused on the technology work necessary to shift to a new bid tick. We responded to those comments with a 90-day transition period. However, following the formal announcement of the change in [Head Trader Alert 2003-037](#), several market participants raised **new** business and trading concerns about the transition from the National Bid Tick Indicator to the NASDAQ Bid Tick Indicator. In order to facilitate greater market participant feedback, NASDAQ issued [Head Trader Alert 2003-049](#), which asked participants to email their specific fact patterns and/or scenarios and

related bid tick questions or concerns to AskNASDAQ@nasdaq.com. NASDAQ evaluated the information received and has decided to extend the transition period until February 1, 2004, to allow a more thorough evaluation of the concerns raised and to solicit further feedback.

Based on this further feedback, NASDAQ will not require firms to transition to the NASDAQ Bid Tick Indicator by June 30, 2003. Market participants that choose to transition to the NASDAQ Bid Tick during the extended transition period must submit the form linked to [Head Trader Alert 2003-037](#) to notify NASDAQ of the transition date; however, firms now will have an additional seven months to make that transition. Please note that SuperMontage will continue to rely on the NASDAQ Bid Tick for its short sale compliance throughout this transition period. Additionally, NASDAQ market participants will continue to have a choice of using the NASDAQ or National Bid Tick, so long as a single Bid Tick measure is used consistently within each organization.

We continue to believe that the NASDAQ Bid Tick is the best measure for the short sale activity within our market in this current environment of unequal short sale regulation. However, NASDAQ will continue to work diligently with the industry towards the adoption of a uniform, market-wide short sale standard that would be based on a universal bid tick indicator. We will use the additional seven-month extension of the transition to the NASDAQ Bid Tick to investigate this approach further.

Contact Information

If you have any questions about this information, please contact:

- NASDAQ MarketWatch, 800.211.4953 or 240.386.6049.

If you have any legal questions regarding this topic, please contact:

- NASDAQ Office of General Counsel, 202.912.3000.