

NASDAQ Provides Guidance on Using the Reg NMS Message Format in the ACT System



Please Route To: Head Traders; Technical Contacts; Compliance Officers

What you need to know:

- NASDAQ will extend support of the Pre-Reg NMS Message Format on the ACT System for trades reported to the NASD/NASDAQ Trade Reporting Facility (TRF) to July 9, 2007 for the CTCI and FIX for Trade Reporting Protocols
- NASDAQ will offer a new service, Reg Recon, a real-time surveillance alert and report module to assist firms with their Reg NMS compliance.
- NASDAQ has proposed an industry-wide test on Saturday, June 30th to allow firms to test the changes they have made in preparation for July 9, 2007.
- Specific information related to OTCBB reports via the ACT System are included.

Who you should contact:

- [NASDAQ Technical Support](#) at 212.231.5180

Which Reg NMS dates are important in for the ACT system?

- **July 9, 2007** – NASD requires the submission of trade reports for NMS Stocks to NASD Trade Reporting Facilities including the NASD/NASDAQ TRF™ via the ACT System, to be in Reg NMS Message Format, as described in facilities technical specifications. Please refer to [SR-NASD-2007-002](#).
- **June 30, 2007** - As announced in [HTA #2007-106](#), NASDAQ® in conjunction with other SRO's and market centers has proposed an industry-wide test in preparation for Reg NMS on June 30, 2007. The ACT System will be available for the test. The Post-Reg NMS Message Format is also available in the [NASDAQ Test Facility \(NTF\)](#) for ACT.
- **September 4, 2007** – Pre-Reg NMS format will no longer be accepted.

What tools will NASDAQ offer to assist firms with Reg NMS compliance?

As announced in [HTA #2007-109](#), NASDAQ will offer a new a real-time surveillance alert and report module to assist firms with their Reg NMS compliance.

This new service, [Regulation Reconnaissance](#) (Reg Recon), will be available as an add-on to the [NASDAQ Workstation](#) and [Weblink ACT 2.0](#). Reg Recon will provide real-time alerts that notify firms when there are potential NASD/NASDAQ TRF trade-throughs, when NASDAQ has declared Self Help against another market*, as well as several other alerts.

*Notice of NASDAQ's declaration of Self Help is provided for informational purposes only and is not intended to relieve firms of their obligations to conduct independent self-help analysis and to adopt policies and procedures designed to achieve compliance with those obligations.

What are the allowable bytes for Broker Submission of NMS Trade Reports?

Eligible values for broker submission in the ACT Reg NMS Message Format:

| Trade Modifier Allowed by Byte/Level | | | |
|--------------------------------------|-------------------|-------------------|-------------------|
| 1 | 2 | 3 | 4 |
| <i>value</i> | <i>value/null</i> | <i>value/null</i> | <i>value/null</i> |

| | | | |
|---------------------|-------------------------------------|--|--|
| @ = Regular | F = InterMarket Sweep Inbound | T = Outside Market Hours | P = Prior Reference Price |
| R = Seller's Option | 3 = NASD InterMarket Sweep Outbound | Z = Out of Sequence or Late | W = Average Price Trade |
| N = Next Day | 4 = Derivatively Priced | U = Pre/Post-Market Sold out of Sequence | 1 = Stopped Stock |
| C = Cash Option | 2 = NASD Self Help Indicator | | R = Unrelated to Market Price (formerly .RA) |
| | J = NASD Subpenny Indicator | | X = OTC Option (formerly .RX) |
| | V = NASD Contingent Indicator | | O = Less Than 1 Unit of Trade (formerly .RO) |

Please Note:

Byte 1 must ALWAYS be populated, as denoted by the "value" indication under the number 1 in the table below, as opposed to the value/null in 2-4, indicating that the ACT System will allow these to be left blank. Firms must determine or seek guidance from NASD as to the applicability of populating each byte.

Chart Legend:

- Gray cells: These values are not valid values for Tape Eligible (disseminated) reports for NMS securities. These are NASD defined values as announced in [NASD Notice to Members 06-39](#) and communicated in [NASDAQ Technical Update #2006-031](#) in the ACT System.
- Yellow cells: These values are NASD required and do not have corresponding values in either the UTP or CTA SIP. These values are NOT disseminated
- Orange cells: These values are converted upon delivery to each SIP as follows: "3" in byte 2 is converted by ACT to "F", "1" in byte four is converted by ACT to "W".

Please note that Average Price Trades are identified by "W" when disseminated by the UTP SIP (NASDAQ-listed) and "B" by the CTA SIP (NYSE/Amex-listed).

Where can I see byte and the trade-through exempt flag information?

The [NASDAQ Workstation](#) and [WeblinkACT 2.0](#) Time and Sales feature does pass through the full 4 byte trade modifier. In addition, these products offer the Trade-Through Exempt (TTE) flag indicator in the Trade Detail window generated by Trade Scans.

What do I need to know about ACT acknowledgement messages (UMs)?

Regardless of which ACT message format firms are using to submit trade reports, the format of the messages ACT generates back to the firms are determined by a switch set in firms' ACT Firm Profile. This decision is global per MPID (across all CTCI and FIX lines).

Please note that Clearing Firm Messages are set by what the Clearing Firm primary MPID is set to, not the Executing Broker preference. For questions, please contact NASDAQ Subscriber Services at 212.231.5180.

| Message Type | Message |
|--------------|--|
| Input | Reg NMS MM Trade Entry (CTCI Function F) |
| Input | Reg NMS No/Was (CTCI Function H) |
| Output | Reg NMS TREN/CREN (CTCI TTEN/CTEN) |
| Output | Reg NMS TRAL/CRAL (CTCI TTAL/CTAL) |
| Output | Reg NMS TRNW (CTCI TTNW) |
| Output | Reg NMS TRUD (CTCI TTUD) |

What specific modifier/Trade-Through Exempt flag combination requirements/restrictions should firms be aware of?

Prior Reference Price and Stopped Stock (.P and .1 in byte 4) cannot be submitted in conjunction with .Z or .U in byte 3. P/1 + Z/U on a report that will result in a reject in a CTA Security (NYSE/Amex) but not on a UTP Security (NASDAQ). This is because of ambiguity on this interpretation at the time of the ACT NMS code release and the difference in the requirements of each SIP. CTA was coded to reject this combination while the UTP was not. NASD clarifies for brokers in Question #7 in [NASD Notice to Members 07-23](#).

For non-standard settlement instructions in byte 1 (R, N, C) on UTP (NASDAQ Listed) Securities the ACT System requires the Trade Through Exempt flag be set to "Y" on report submission. This is because the UTP SIP had that requirement. Upon further review as described in [UTP Vendor Alert #2007-032](#), the UTP will be lifting this restriction no later than July 9, 2007. NASDAQ will have the ACT System requirement lifted in conjunction with the UTP change date, or July 9, whichever is later.

Does this change eligibility for the No/Was function in the ACT System?

Trade may not be submitted as no/was, if the modifier contains the following:

- Byte 2 is J, V, 2, or 3 (REJ-UPDATE NOT ALLOWED)
- Byte 3 is T or U (REJ – NO NO/WAS FOR MOD T TRADE)
- Byte 4 is R, O, X or 1 (REJ-UPDATE NOT ALLOWED)

Trade **may be** submitted as no/was, if the modifier contains the following:

- byte 1 is @, C, N or R
- byte 2 is F or 4
- byte 3 is Z

All other previous restrictions and allowances for No/Was remain unchanged

Am I required to submit Trade Modifiers on As Of T+1/T+N trade reports in the ACT System?

Yes. Previously only settlement instruction was allowable in the modifier field on later than Trade Date reports. With the Reg NMS Message Format as of March 5, 2007 all allowable modifier combinations on trade date are allowable for As Of reports. Please refer to the [July 9 Forward](#) future version of NASD Rule 4632.

Please note that ACT will not append Late modifiers (.Z or .U) on As Of trades and will not reject late modifiers on firm submissions.

What does this mean for OTCBB/OTC equity reporting?

OTCBB/OTC equity securities are not NMS securities and therefore are not subject to NMS format use requirement by NASD rules. If firms wish, they may submit OTCBB/OTC equity reports in either format until the end of support for pre-Reg NMS message formats, currently targeted for September 4, 2007. Please note below the different restrictions and requirements for reporting OTCBB/OTC Equity trade reports in the ACT System NMS message format.

Note that the UM switch is global by MPID as noted, including for OTCBB/OTC equity security reports.

- Since OTCBB/OTC equity trade reports are not eligible to contain Reg NMS specific Modifiers and Flags please be aware of the following:
 - Byte 2 values are never permitted on reports for OTCBB/OTC equity securities

- Byte 3 value U is never permitted on report submission by firms for OTCBB/OTC equity securities, however, the ACT System will continue to append late OTCBB/OTC equity reports outside of market hours to .U (formerly .ST) as they have been in the past.
- Byte 4 value W, P, O,R,X are all allowed values. “.1” is currently not an allowed value, but NASDAQ will be making an update to ACT to allow “.1” for Stop Stock transactions by or on July 9. Note that any trade reported “.1” will be disseminated as a “.W” as per current NMS Security convention.
- Trade Through Exempt flag must always be N
- Combinations of value “@” in byte 1 with value “T” or “Z” in byte 3 are allowed.
- Combinations of value “@” in byte 1 with value “P”, “W” or “1” in byte 4 are allowed.
- Combinations of values in bytes 3 & 4 are not allowed, as they cannot be currently disseminated via the TDDS for OTCBB/OTC Equity Trade Report

The table below illustrates OTCBB/OTC Equity expression of current modifiers in the new message format:

| OTCBB/OTC Equity | | | | | |
|----------------------|---|---|---|---|---------------------------|
| Current | 4-byte (Level) Sale Condition Positions | | | | Trade Through Exempt Flag |
| MOD | 1 | 2 | 3 | 4 | |
| none | @ | | | | N |
| .T | @ | | T | | N |
| .SLD | @ | | Z | | N |
| .W | @ | | | W | N |
| <i>stopped stock</i> | @ | | | 1 | N |
| .C | C | | | | N |
| .ND | N | | | | N |
| .Snn | R | | | | N |
| .PRP | @ | | | P | N |
| .RO | @ | | | O | N |
| .RA | @ | | | R | N |
| .RX | @ | | | X | N |

What do I need to do?

Obtain the trade reporting [programming specifications](#) from the NASDAQ Trader® website and prepare your systems to accept the changes.

If you would like to participate, register for the industry-wide test on June 30, 2007, please refer to [HTA #2007-106](#).

Where can I get additional information?

- Refer to Technical Updates [#2006-029](#), [#2006-031](#) and [#2006-034](#).
- Contact [NASDAQ Technical Support](#) at 212.231.5100.
- The [NASDAQ Workstation User Guide - ACT Section](#)
- [NASD Notice to Members 07-23](#)
- [NASD Member Alert June 13, 2007](#)
- [SEC Reg NMS FAQ](#)

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