

NASDAQ Risk Management:

The tools you need to stay in control at all times



NASDAQ® is focused on delivering a product to Risk Managers and Sponsoring Firms that allows a comprehensive view of their firms' total activity in the U.S. equity space. NASDAQ offers various methods for Clearing Firms to view and manage their customers' and their own trading activity, including execution risk management, monitoring of trading activity and notification when trade limits are exceeded.

NASDAQ will continue to improve risk management offerings throughout 2007 in response to customer feedback.

Current Product Highlights

Clearing firms, executing brokers and sponsoring firms can take advantage of NASDAQ's risk management offering via the intuitive ACT Workstation for Clearing Firms that offers:

- Credit limits for correspondents
- Pre-alert and alert notifications when correspondents approach or exceed credit limits
- Fine-tuned blockbuster and sizeable limit settings
- Trade blocking for critical trades (allow/inhibit)
- Segregation of locked in and eligible trade limits and notifications for more control over your brokers
- Detailed alerts that help you make split decisions on sensitive trades
- Summary risk exposure and gross trade amounts by stock and firm
- A Message Center that allows you to monitor real-time alerts for firms Street-wide breaches or correspondent notifications

New Enhancements

Drop Copies: Get a complete view

NASDAQ is enhancing its risk management offering to accept drops for firms from venues other than NASDAQ to allow Risk Managers the ability to gain a comprehensive credit risk view of their executing brokers' activity in the U.S. Equity Marketplace. This new offering will:

- Accept firm drop copies from venues away from NASDAQ
 - Completed targets – NYSE, ARCA, EDGE
 - Next targets – AMEX, BTRD, BATS
- Increased granularity – account view beneath MPID level
 - If firms are including account information on orders entered on venues, this detail is passed back on Industry Drop Copies and will be an available subdivision

New Risk Calculations: Enhance your abilities

Firms will be able to formulate new risk calculations in the following ways:

- Gross Trade Dollar — Buy + Sell
- Net Trade Dollar — Sell – Buy (P&L type view for Risk Managers, intraday only)

Improved View: Manage accounts

- View activity/limits by:
 - Venue
 - Market (security listing type)
 - Account
 - Firm (Executing Broker)
 - Category (aggregate or eligible)
 - Grouping (compared/uncompared)
- See current activity — up to the minute percent change behavior of an Executing Broker over a 1, 5, 10, or 30 day moving average.

Upcoming Enhancements

In order to further enhance NASDAQ's risk management offerings, NASDAQ plans the following enhancements:

Profiles and Dashboards: Get a full picture of your accounts

With the new enhancements, firms will be able to:

- View a historical representation of firms and accounts activity including graphs, trending and base-lining.
- View a graphical representation of a Risk Manager's firms' activities at a glance.
- View up to one year of data (as available) of the end of day number for risk management calculations

2007 Concepts and Releases

Due to great firm interest, NASDAQ will continue to improve risk management offerings in 2007 in order to provide users with additional control and visibility over their customers' and their own activity on the NASDAQ Market Center and on other venues. NASDAQ is in the process of developing the product concepts for new risk management tools and assessing firm interest in

CONCEPT SHEET SUMMARY

Risk Management Controls

The new risk management controls that NASDAQ is working on would allow:

- Maximum shares per order
- Maximum value per order — order price x size
- Maximum value for the day — the total gross value of all trades
 - Graduated Notional Value Limits — this concept suggests moving the Notional Value limits (non-order specific), throughout the day.
- Maximum value for the day, per security — the total gross value of trades in a given security
- Maximum net (value and shares) for the day, per security — for a specific security the number of shares bought (or value bought) less the number of shares sold (value sold)
- Maximum net value for the day — total value bought less the total value sold

System Reactions

- Notification
- Reject
- Allow/disallow changes
- Always allow cancels
- Cancel Open
- Set maximum shares per order to zero
- Set maximum value per order to zero

To sign up for NASDAQ's Risk Management current product offering for clearing firms or executing brokers please contact your sales representative at 800.846.0477. For questions or comments regarding NASDAQ's upcoming enhancements, please contact Donald Bollerman at 212.401.8780 or donald.bollerman@nasdaq.com.