

**FINRA/NASDAQ Trade Reporting Facility
Exchange Operation
Frequently Asked Questions (FAQs)
Updated August 16, 2007**

One requirement for NASDAQ[®] to achieve exchange registration has been the separation of NASDAQ's transaction execution facilities from its over-the-counter trade reporting facilities. NASDAQ's transaction execution services are operated under NASDAQ's exchange license. Trade reporting of over-the-counter transactions, however, is offered through the NASD/NASDAQ Trade Reporting Facility[™] (TRF), a limited liability company operated by NASDAQ that is a facility of NASD and subject to NASD's regulatory license and oversight.

As [announced](#) on July 30, 2007, NASD and NYSE Member Regulation Combined to Form the Financial Industry Regulatory Authority – FINRA. As per this name change, the NASD/NASDAQ TRF is now known as the FINRA/NASDAQ Trade Reporting Facility[™]. For current product and technical information regarding the FINRA/NASDAQ TRF, please visit our [product page](#) on the NASDAQ Trader[®] website.

Q: What was the purpose of NASD's rule filing related to the TRF?

A: The purpose of the NASD filing related to the TRF was to amend current NASD rules:

- To reflect NASDAQ's separation from NASD once NASDAQ becomes operational as a national securities exchange.
- To make minor changes to the rules that govern quoting and trading through NASD's Alternative Display Facility (ADF).
- To establish rules for the trade reporting of transactions other than on an exchange through the new NASD/NASDAQ Trade Reporting Facility.

Q: Is NASDAQ officially separated from NASD?

Yes. On August 1, 2006, NASDAQ became operational as an exchange in NASDAQ-listed issues (Phase I of exchange operation). At the same time, NASDAQ began operating the TRF for NASD, as a facility of the NASD, for NASDAQ-listed securities.

On February 12, 2007, NASDAQ became operational as an exchange in non-NASDAQ listed issues. Note that the NASD/NASDAQ TRF is currently operational for both NASDAQ-listed securities and CQS securities

Q: What is the TRF?

A: The TRF provides NASD members another mechanism for reporting transactions effected otherwise than on an exchange. It is a facility of NASD, but NASDAQ operates it for NASD. For a full description of the TRF and the LLC, please refer to [NASD Rule Filing 2005-087](#).

Q: Now that the TRF has been approved, am I be required to re-sign any agreements relating to trade reporting, such as the Attachment 2?

A: Firms are required to sign a new NASDAQ Services Agreement similar to the former NASDAQ Workstation II Agreement but are not required to re-sign Attachment 2s.

Q: What rules are no longer applicable now that NASDAQ and NASD are separate entities?

A: Most of the rules that currently govern NASDAQ activity, including listing rules and transaction execution rules, have ceased to be NASD rules and have become rules of the new NASDAQ exchange. However, most other rules, including sales and trading practices rules, will continue to apply.

Q: How do I submit my trade reports to the TRF?

A: The transition is seamless to customers. NASD member firms continue to enter, update and cancel

internalized trades the way they did before. No changes are necessary.

Q: How do trades reported to the TRF appear on the tape?

A: Trades in NASDAQ-listed securities reported to the TRF are disseminated via the UTP Trade Report Data FeedSM (UTDFSM) and are identified with a "D" market center identifier along with an additional sub market center modifier. Please see [NASDAQ Vendor Alert #2006-004](#). Trades in NYSE- and Amex-listed securities reported to the TRF are disseminated via the Consolidated Tape System (CTS) data feed and are identified with a "D" market center identifier. For more information, please refer to [HTA #2006-034](#).

Q: Are trades reported to the TRF deemed over-the-counter trades?

A: Yes. Only over-the-counter (non-exchange trades) can be reported to the TRF.

Q: Am I subject to NASD's Trading Activity Fee for trades reported to the TRF?

A: Yes.

Q: Is this change similar to what NASDAQ is doing with the OTCBB?

A: The change is similar but not identical. NASDAQ sold its interest in the OTCBB to NASD and is serving as a provider of technology services and some operational support pursuant to contract. NASD has full responsibility for all policy operations, finance and regulatory matters and decision making.

In the case of the TRF, NASDAQ and NASD have formed a limited liability company to operate the facility, for which NASD has regulatory and policy responsibility, and NASDAQ has operational and financial responsibility.

Q: Are regulatory fees (e.g., transaction fees to defray Section 31 Fees) billed by the NASD or NASDAQ for trades sent to the TRF?

A: NASD bills for these fees for trades sent to the TRF.

Q: Do I need to make any OATS changes to reflect the difference between activity on The NASDAQ Stock Market and activity on the TRF?

A: Orders routed to The NASDAQ Stock Market are considered orders routed to a non-member under NASD OATS rules. However, both NASD OATS rules and the rules for The NASDAQ Stock Market require such orders to include an identifier, which is consistent with the current requirement to include an identifier for orders routed to another member through the NASDAQ Market Center.

Orders relating to over-the-counter trades reported through the TRF continue to be reported to OATS in substantially the same manner that they were reported before. As required under the OATS rules today, transactions must include an identifier indicating the facility or exchange through which the transaction was reported. Accordingly, NASD members that execute over-the-counter transactions in NASDAQ-listed securities and choose to report those transactions to the TRF are required to populate the Market Center Code on OATS Execution Reports with "L." The effective date for this new Market Center Code in OATS was the exchange operational date, August 1, 2006. Please see NASDAQ Exchange Registration — [OATS Reporting Changes](#) for more information.

Q: Did NASD change any of the rules associated with reporting trades to the TRF?

A: The rules that govern trade reporting to the TRF have been reorganized, but NASD has not made any significant changes to the substance of the rules. See [NASD Rule Filing 2005-087](#) to view the rules.

Q: Now that NASDAQ has become operational as an exchange and NASDAQ-listed securities are “Exchange-traded securities” under SEC rules, what kind of compliance changes should I expect for activity in the TRF? Will all trading activity in the TRF be deemed the “Third Market”?

A: Trading activity in the TRF is subject to the same compliance obligations as other trades that are not effected on a national securities exchange. Thus, the obligations will be the same as those associated with internalized or non-system trades. The obligations associated with the TRF for non-NASDAQ listed stocks will be the same as those associated with the “Third Market”.

Q: What is NASD’s guidance regarding AGU and QSR relationships?

A: As announced in [NASD Member Alert: Notice to All TRF, ADF and Other NASD Facility Participants Regarding AGU and QSR Relationships](#), NASD/NASDAQ TRF participants who wish to submit locked-in trade reports under QSR agreements will need to have an AGU agreement on record with NASDAQ for each QSR relationship by February 26, 2007.

The form of give-up agreement that must be executed for purposes of "on behalf of" trade reporting to the NASD/NASDAQ TRF is the [Uniform Trade Reporting Facility Service Bureau/Executing Broker Agreement](#). Members that have already executed the [NASDAQ AGU/Attachment 2 Agreement](#) are not required to execute a new agreement.

Q: Where can I get a list of my firm’s QSR relationships?

A: For a list of your firm’s QSR relationships without an AGU agreement, please contact [NASDAQ Market Sales](#) at 800.846.0477.

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