

OVERVIEW

Nasdaq conducts comprehensive Onsite Reviews (“OSRs”) of Distributors on a regular basis. The purpose of the OSR Program is to ensure that market data Distributors are in compliance with the terms and conditions of their Nasdaq Agreements and Policies. Nasdaq will review Distributors to verify that they are in compliance with the Agreements and Nasdaq Data Policies. The OSRs cover a Distributor’s market data infrastructure for a three-year time period preceding the date of the audit, or the date identified in the engagement letter

In addition, the OSR Program provides Distributors with the opportunity to meet with Nasdaq staff to discuss current and proposed market data products. During each review, Nasdaq will ask the Distributor to demonstrate current data entitlement systems, usage reporting procedures, data display and other use cases of the Information.

The OSR Program is administered by Nasdaq. Nasdaq will contact the Distributor approximately one month in advance to schedule a meeting time, which Nasdaq will confirm in a letter, along with a OSR Checklist and OSR Agenda for the meeting.

As per the Nasdaq Agreements, a Distributor’s liability for underreporting, underpaying or other financial non-compliance will extend over a three-year time period prior to the date of the audit or the date identified in the engagement letter. Furthermore, any liability for underreporting, underpaying or other financial non-compliance will result in interest charges applied to all resulting invoice adjustments.

ONSITE REVIEW PREPARATION

Distributors should review the OSR Checklist and OSR Agenda to prepare for the review. Upon completion of that review, please let Nasdaq know if you have any questions.

FOLLOW-UP PROCEDURES

Within two weeks of the review, Nasdaq will attempt to send a follow-up letter to the firm summarizing its findings. The letter will outline any outstanding items and the follow-up actions that Nasdaq requires of the firm. Distributors must respond in writing to any outstanding items by the deadline date stated in the letter.

ONSITE REVIEW AGENDA

Company Overview:

- General discussion of the Distributor’s history, subsidiaries and partnerships, current business focus, customer base, and major competitors
- Discussion of any related third-party software providers

Product Overview:

- Description of each product which offers the Information, including the provider of the data, the real-time, delayed or end of day services offered, and current populations

Technical Overview:

- High-level discussion of how the firm receives and distributes market data Information
- Review applications, software, and any technical documentation which reflects the Distributor’s current systems that utilize Information.

Entitlement System(s):

- High-level discussion of how the Distributor controls and manages access to information for each product
- Review records reflecting the entitlements for all Subscribers, including Data Feed Recipients, receiving services through online entitlement access or through system-generated reports

Demonstration of Product for Display Purposes:

- Demonstration of systems and services for the accurate display of Information
- Verification of a proper delay message if the firm provides delayed Information

Demonstration of Entitlement System(s):

- Demonstration of real-time entitlement/disentitlement of Subscribers and Data Feed Recipients, and the process to add a new Subscriber/Data Feed
- Demonstration of the counting mechanism for per-query usage including verification
- Demonstration of the entitlement/disentitlement and counting mechanism used to calculate Non-Display Subscribers.

Reconciliation Activities:

- Review Nasdaq Global Subscriber Agreements process
- Review a report listing all of the Distributor's customers
- Access to electronic or digital records of subscriber billing records (e.g. invoices) for comparison of entitlement, reporting, and billing Subscriber counts on a location-by-location basis
- Review electronic or digital records of Non-Professional Subscribers and verify that these are within the definition of Non-Professional. Please see the OSR Checklist for the fields that are required for each Subscriber. T
- Reconciliation of a report from the Distributor's entitlement system to the monthly usage reporting submitted to Nasdaq

Closing Meeting:

- Discussion of outstanding items to be corrected and detailed in follow-up letter

ONSITE REVIEW CHECKLIST

To facilitate the OSR process, Nasdaq recommends that Distributors have the required documentation available for the OSR team's inspection prior to the meeting. All documentation must be provided in electronic or digital copies, hard copies will not be accepted.

Internal and External Distributors:

- A system-generated list of all controlled Internal and External Subscribers both Professional and Non-Professional for each product utilizing the Information, sorted to facilitate cross-referencing monthly usage reporting
- List of all administrative, developmental or other non-billable Subscribers with access to real-time Information, including user name, company, department, and reason for the special data entitlement

Distributors Providing Data to External Subscribers:

- A demo logon and URL address for internet-based products to be provided to Nasdaq prior to the actual review
- By request, copies of current marketing and promotional materials, user guides, and customer price lists for all products and services containing the Information
- By request, a copy of a current invoice register or copies of individual customer invoices
- Copies of the Non-Professional/Private and Professional/Business Subscriber reconciliations for the audit period, with the following data fields: (1) First Name, (2) Middle Initial or Middle Name (3) Last Name, (4) Universally Unique Identifier, e.g.,

account number, (5) Residential Zip Code, (6) Employer, (7) Business Zip Code, (8) Occupation, (9) Country, (10) Account Type, e.g.. IRA, Roth IRA, etc.

Data Feed Redistributors:

- A system-generated list of all Nasdaq real-time and delayed Data Feed Recipients
- An overview of the process used to authorize new Data Feeds
- A copy of the Data Feed specifications for the retransmission of market data

Distributors Providing Data on Per Query Systems:

- A detailed written description of the per-quote counting mechanism
- A copy of the report that totals the quotes distributed each month, including a detailed breakdown by listing market and access time of recently distributed quotes

DOCUMENT UPDATES: OVERVIEW

Document updates provide insight into changes of data policies. Major policy updates will be identified by a new release # (currently 1.0). Minor technical updates will be identified by version (e.g. X.1).

January 1, 2020: Version 2.0