

FREQUENTLY ASKED QUESTIONS

Reg Recon

Updated 11/5/07

General:

Q.1.1. What is Reg Recon?

Reg Recon is a real-time surveillance alert and report module to assist firms with their [Reg NMS](#) compliance. Reg Recon provides real-time warnings that notify firms when there are potential FINRA/NASDAQ Trade Reporting Facility (TRF) trade-throughs and when NASDAQ has declared Self Help against another market.

Q.1.2. What is Reg NMS?

The Securities and Exchange Commission (SEC) announced changes to market structure to enhance and modernize the existing national market system (NMS) rules adopted under Section 11A of the Securities Exchange Act of 1934. [Learn More.](#)

Q.1.3. What is the FINRA/NASDAQ TRF?

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

Accessibility:

Q. 2.1. How do I access Reg Recon?

Reg Recon is available as an add-on to the [NASDAQ Workstation](#)[®] and [Weblink ACT 2.0](#).

Q. 2.2. How much does Reg Recon cost? How many logons can access Reg Recon for this fee?

As announced in [Head Trader Alert #2007-187](#), pricing for Reg Recon is \$1,000 per month, per MPID. Reg Recon is distributed at the MPID level, so when your MPID is subscribed, the data is available on all of your NASDAQ Workstation and Weblink ACT 2.0 terminals for one single subscription fee. Please note that the fee for Reg Recon is a flat rate, not a per-terminal rate.

Q. 2.3. How can I subscribe to Reg Recon?

Existing NASDAQ Workstation or Weblink ACT 2.0 subscribers can subscribe to Reg Recon or update an existing service by completing the [NASDAQ Front-End Access Order Form](#) (PDF) and fax it to NASDAQ Subscriber Services at 212.231.5426. This form can also be used to order additional NASDAQ Workstation and Weblink Act 2.0 Terminals.

Q. 2.4 Can I get Reg Recon as a standalone product?

No, Reg Recon is not available to participants who are not NASDAQ Workstation or Weblink ACT 2.0 customers.

Functionality:

Q. 3.1. Is Reg Recon real-time?

Yes. The alerts for Reg Recon are sent real-time.

Q. 3.2. What is the time period that Reg Recon checks when determining whether a trade is a potential trade-through?

Reg Recon looks at a three second window to determine trade-through status.

- The second of execution
- The second before the execution
- The second after execution

Reg Recon considers every National Best Bid and Offer (NBBO) within this three second period and validates a report against each individual NBBO. If a trade fails every NBBO, the trade is identified as a potential trade-through and generates a Reg Recon alert.

Q. 3.3. How do I know whether my trades are being reported to the TRF?

FINRA/NASDAQ TRF trades are those that did not occur on the Exchange. Examples include internalized trades and those negotiated Broker to Broker. If you are manually reporting trades of this nature to NASDAQ, they are being reported to the FINRA/NASDAQ TRF.

Q. 3.4. Where do the portfolios come from?

The Reg Recon portfolio management window allows NASDAQ Workstation customers to access their ticker portfolios. Reg Recon customers can also set up or upload portfolios to Reg Recon. For complete details, please refer to the user guide.

Q. 3.5. I have a give-up relationship with another firm. Can I use Reg Recon to view my data?

Currently, Reg Recon does not display data for firms that are reporting trades through an Automatic Give-Up (AGU) or Qualified Special Representative (QSR) relationship. NASDAQ is exploring this option for the near future.

Q. 3.6. Can Reg Recon show me how I compare with the industry?

See the "Your Firm Relative to the Rest of the Industry" comparison located at the bottom of the Reg Recon interface. For the industry, we take the total number of potential trade-throughs reported to the FINRA/NASDAQ TRF for that day and compare them to the total number of trades reported to the FINRA/NASDAQ TRF for that day.

For your firm, we take your MPID's total number of potential trade-throughs reported to the FINRA/NASDAQ TRF for the day and compare it to your total number of FINRA/NASDAQ TRF trades for the day.

The scale of the graph is 1%.

Q. 3.7. What is an I112? Where can I get a list of those values?

I112 is how NASDAQ identifies unique users or ports. Reg Recon displays which I112 is entering the trade reports. For a list of the I112s for your firm, please contact [NASDAQ Subscriber Services](#) at 212.231.5180.

Q. 3.8. What is "TRS" and what are the values?

"TRS" stands for "Trade Report Status". These values correspond to ACT trade status codes. A legend of these codes is available on the upper right corner of the Reg Recon window.

Q. 3.9. I see a “B” as one of the modifiers, what does that mean?

As noted in [NASDAQ Technical Update #2007-024](#), a “B” is the CTS designation for the sale condition “W” (as entered and supported by the NASDAQ Securities Industry Processor [SIP]). Because the Securities Industry Automation Corporation (SIAC) uses a “B”, our system converts the disseminated modifier to “B” in byte 4.

Q. 3.10. Why doesn't Reg Recon display trade-throughs from the NASDAQ platform?

As stated on the [NASDAQ Trader website](#), NASDAQ's exchange or “single book” platform is compliant with Reg NMS including the Order Protection Rule 611. In order to avoid NASDAQ's order protection validation, a broker must use an Intermarket Sweep Order (ISO) explicitly indicating that the broker is taking responsibility for compliance.

Q. 3.11. Why do I see alerts for trades for which I am neither the market maker nor the reporting party on the trade?

Reg Recon shows you all of your trades that were reported to the TRF regardless of whether you are the reporting party. Even though you may not be responsible for the trade, the information is there for your reference.

Q. 3.12. Why does it sometimes look like there are duplicate trades in Reg Recon?

Reg Recon gives you an audit trail of your trades by alerting you if the trade status has changed. For example, if you see an alert for an unmatched trade and then the trade gets cancelled, one result will show a trade status of “U” and then another alert will note the trade status has been cancelled.

Q. 3.13. Reg NMS rules are in effect only during market hours. Why do I sometimes see data in Reg Recon during the pre- and post-market?

Reg Recon displays data for out of sequence trades “@ U”, which may show up outside of market hours.

Q. 3.14. Does Reg Recon show data for securities listed on all national markets?

Reg Recon displays data for securities listed on all national markets (including NYSE, Amex, etc.) for trades reported to the FINRA/NASDAQ TRF.

Q. 3.15. Does Reg Recon show data for securities other than national market listings?

No, Reg NMS applies only to national market securities, therefore Reg Recon only displays data for NASDAQ and other exchange-listed securities. Securities that quote on the Pink Sheets and OTCBB are not subject to Reg NMS rules, therefore are not considered by Reg Recon.

Q. 3.16. Does Reg Recon show data for non-media trades?

No, non-media trades do not show up in Reg Recon.

Clearly Erroneous Trade Viewer:

Q.4.1. What are some features of the Clearly Erroneous Trade Viewer? Are there other new features?

The Clearly Erroneous Trade Viewer allows you to view all alerts for your MPID or you can set up a portfolio of specific stocks you would like to watch. The alerts are color coded according to the 3%, 5% or 10% away from the benchmark (Previous Close or NBBO) so that you can easily see which trades could be problematic for the firm in the event they want to file with NASDAQ MarketWatch. As with the Reg NMS module, the Clearly Erroneous Trade Viewer data is sortable, printable, downloadable and has the last five days of data available.

Another new feature just added to Reg Recon is a dashboard that will provide a single place to view all of the potential trade-through alerts from the FINRA/NASDAQ Trade Reporting Facility™ (TRF), Self Help Declarations and potential Clearly Erroneous Trades executed on the NASDAQ Exchange. Reg Recon also provides the ability to see your firm relative to the

industry on the number of potential FINRA/NASDAQ TRF trade-throughs, the number of potential trade-throughs marked as InterMarket Sweep Orders (ISO) sent to the FINRA/NASDAQ TRF, and potentially Clearly Erroneous Trades executed on the NASDAQ Exchange.

Q.4.2. Will future enhancements be made?

Future enhancements will include the ability to electronically file erroneous transaction requests with NASDAQ MarketWatch, as well as real-time status tracking of erroneous filings that your firm has filed or where your firm may be the contra on the trade.

Q.4.3. Is anything changing with the current Reg NMS module?

No, the Reg NMS module will continue to provide real-time alerts and reports to show when NASDAQ has declared Self Help against another market*, potential FINRA/NASDAQ TRF trade-throughs, a comparison of how your firm compares with the industry in number of potential trade-throughs and more.

Q.4.4. What is the pricing structure?

Reg Recon will continue to cost \$1,000 per month, per MPID (not a per user charge). Once an MPID subscribes, every NASDAQ Workstation and Weblink ACT 2.0 user can access Reg Recon for the \$1,000 per month fee.

Resources:

Q. 5.1. Where can I find a user guide for Reg Recon?

A link to the User Guide is available on the upper right corner of the Reg Recon window.

Q. 5.2. Where can I find a legend of Reg NMS Trade Modifiers?

Refer to the user guide, or for more comprehensive information, please read [NASDAQ Technical Update #2007-024](#).

More Information:

Q. 6.1. Where can I learn more about Reg Recon?

- Please contact [Stacie Swanstrom](#) at 301.978.8101 or [Kristen Pross](#) at 212.401.8924.
- You can also refer to the [Reg Recon Page](#) on the NASDAQ Trader website.
- For a list of the I112s for your firm, please contact [NASDAQ Subscriber Services](#) at 212.231.5180.
- For additional support, please contact [NASDAQ Technical Support](#) at 212.231.5180.