

## NASDAQ's PRM Fat Finger Checks Feature Can Be Used to Reduce Erroneous Transactions



**Please Route To:** Head Traders; Compliance Officers; Technical Contacts; Clearing; P&S

### What you need to know:

- NASDAQ's PRM **Fat Finger Checks** feature allows users to set order limits at several levels to ensure that fat-fingered orders never execute.
- NASDAQ's PRM functionality is fast, with virtually no added latency.
- NASDAQ's PRM functionality provides member firms with the ability to set values on a wide range of parameters. NASDAQ will validate orders entered on PRM-enabled ports prior to allowing those orders into its Exchange Matching System.

**Who you should contact:** [NASDAQ Market Sales](#) at 800.846.0477

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### What are Fat Finger Checks and how can they help reduce erroneous trades?

**Fat Finger Checks**, a feature of NASDAQ's Pre-Trade Risk Management (PRM) product, compare price and size instructions on incoming orders against the current displayed size and price in the composite market. If the order price and size would result in an execution in excess of a firm's set percentage in the current market, the order will be rejected. Firms can set parameters differently for the Pre-Market, Market and Post-Market sessions.

### Will Fat Finger Checks affect order acknowledgement time?

NASDAQ's PRM is fast — with virtually no added latency to order acknowledgement time.

### What does it cost?

NASDAQ's PRM Enhancement for FIX or RASH Ports is only \$100 in addition to each enhanced port's monthly charge. Fat Finger Checks comes standard with the PRM Port.

NASDAQ **strongly** recommends that Compliance Officers and Trading Managers to consider order flow that could benefit from such safeguards. At less than a millisecond added to order acknowledgement time, all but the most latency sensitive algorithmic trading should be considered for Fat Finger Checks.

NASDAQ's PRM, including Fat Finger Checks, is built on NASDAQ's INET Technology and integrated directly into its connectivity architecture, putting these controls as close to the heart of the largest and fastest U.S. Equities matching engine as a user-defined, parameter-based execution price risk control check can be.

Clearly Erroneous filings are costly in time and opportunity, just as erroneous executions are costly in dollars to firms on both sides — even when they are undone.

### How do I upgrade my ports to add Fat Finger Checks?

NASDAQ market participants can subscribe for new ports or update an existing port by completing the [NASDAQ Port Request Form](#) and faxing it to NASDAQ Subscriber Services at 212.231.5426.

For any further information or questions, please contact [NASDAQ Subscriber Services](#) at 212.231.5180.

### What is NASDAQ's Pre-Trade Risk Management product?

NASDAQ's PRM functionality provides member firms with the ability to set values on a wide range of flexible parameters. NASDAQ will use those parameters to validate orders entered on PRM enabled ports prior to allowing those orders into its Exchange Matching System.

The full PRM offering, including pricing for advanced functions, is described in [Head Trader Alert #2008-002](#).

### Where can I get additional information?

- Refer to the [NASDAQ PRM Fact Sheet](#).
- [NASDAQ Market Sales](#) at 800.846.0477.
- For more information about ordering connections, adding ports, contact [NASDAQ Subscriber Services](#) at 212.231.5180.
- For more information about NASDAQ Risk Management Products, contact [Donald Bollerman](#) at 212.401.8780.

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