I.   Introduction and Background

        The Nasdaq Market Center is a fully integrated order display and execution
system for all Nasdaq National Market securities, Nasdaq SmallCap Market securities,
and securities listed on other markets. The Nasdaq Market Center is a voluntary, open-
access system that accommodates diverse business models and trading preferences. In
contrast to traditional floor-based auction markets, Nasdaq has no single specialist
through which transactions pass, but rather uses technology to aggregate and display
liquidity and make it available for execution.

        The Nasdaq Market Center allows market participants to enter unlimited quotes
and orders at multiple price levels. Quotes and orders of all Nasdaq Market Center
participants are integrated and displayed via data feeds to market participants and other
Nasdaq data subscribers. Nasdaq Market Center participants are able to access the
aggregated trading interest of all other Nasdaq Market Center participants in accordance
with an order execution algorithm that adheres to the principle of price-time priority.[1]

II.   Nasdaq Market Participants

        The Nasdaq Market Center accommodates a variety of market participants.
Market makers are securities dealers that buy and sell securities at prices displayed in
Nasdaq for their own account (principal trades) and for customer accounts (agency
trades). Market makers actively compete for investor orders by displaying quotations
representing their buy and sell interest – plus customer limit orders – in securities quoted
in the Nasdaq Market Center. By standing ready to buy and sell shares of a company's
stock, market makers provide to Nasdaq-listed companies and other companies quoted in
the Nasdaq Market Center a valuable service. The result of their combined quotation
activity helps meet investor demand and creates an environment of immediate and
continuous trading. Currently, more than 260 market-making firms provide capital
support for Nasdaq-listed stocks and more than 60 firms make markets in other stocks
that trade on Nasdaq. Market makers are required to display continuous two-sided
quotations in all stocks in which they choose to make a market. Trading interest from
market makers may be displayed either as quotations attributable to the market maker
through one or more market participant identifiers ("MPID") or through the anonymous
SIZE MPID.

        Order entry firms route orders to the Nasdaq Market Center for execution against
displayed orders and quotations, and for display under the anonymous SIZE MPID.
Order entry firms may not display trading interest under an attributable MPID.
Electronic communications networks ("ECNs") participate in Nasdaq by displaying
orders routed to them by subscribers, thereby making such orders available for execution

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[1]   Exceptions to the principle of price-time priority associated with directed order
        functionality were recently eliminated from the Nasdaq Market Center, and
        exceptions associated with preferred order functionality will be eliminated at or
        prior to the effective date of exchange registration.

either through Nasdaq or through the ECN's own execution systems. ECN orders can be displayed under attributable MPIDs or through the anonymous SIZE MPID, but ECNs, unlike market makers, do not have an obligation to maintain continuous two-sided quotations since all ECNs trade on an agency basis only. Like order entry firms, ECNs may also enter orders into the Nasdaq Market Center for execution again displayed quotations.

National securities exchanges trading Nasdaq-listed stocks pursuant to grants of unlisted trading privileges ("UTP Exchanges") may also choose to participate directly in Nasdaq. UTP Exchanges have the ability to enter orders, to display trading interest on an attributable basis, and to display agency interest on a non-attributable basis through the SIZE MPID. In turn, UTP Exchanges are required to accept automatic execution of orders directed to their quotes by Nasdaq.

III.   System Access

Market participants gain access to the Nasdaq Market Center via direct or indirect electronic linkages utilizing a variety of telecommunications protocols. The Nasdaq Information Exchange, or QIX, protocol, is a proprietary Nasdaq protocol that supports the entry, cancellation, and updating of quotations and orders, order delivery and execution, and message transmittal for all securities traded through the Nasdaq Market Center.[2] The Financial Information Exchange, or FIX, protocol, is a telecommunications protocol widely used in the financial services industry, and is used by Nasdaq market participants for order entry, modification, and cancellation and message transmittal for all securities traded through the Nasdaq Market Center. Market participants using QIX or FIX establish connectivity to Nasdaq through third party connectivity providers, including a range of extranets and service bureaus. Finally, market participants may connect to Nasdaq using the Computer-to-Computer Interface ("CTCI") protocol, which utilizes a two-way communications link over point-to-point circuits. CTCI is used by Nasdaq market participants for order entry, modification, and cancellation and message transmittal for all securities traded through the Nasdaq Market Center.

In addition to selecting a telecommunications protocol and establishing connectivity, market participants must also utilize "front-end" software at their premises to serve as the interface between individual traders and the market. Although Nasdaq currently offers, and will continue to offer, a "front-end" software product for market access,[3] Nasdaq makes all of its communications protocols publicly available to allow

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[2]   QIX replaces the Application Programming Interface ("API") protocol, a Nasdaq proprietary protocol that supported (i) the Nasdaq Workstation II (the "NWII"), a proprietary "front-end" product used for market access, and (ii) front-end workstations developed by market participants and service bureaus using that protocol. The API and the NWII are scheduled to be eliminated in the near term.

[3]   As noted above, the NWII will be phased out in the near term. It is being replaced with a new product known simply as the new Nasdaq Workstation.

market participants and services bureaus to develop their own front-end software. Thus, a market participant is provided with choice at all stages of market access to ensure maximum accessibility. The market participant can use Nasdaq front-end software or software provided by a service bureau, or can develop its own software, and can then connect terminals running the software to Nasdaq through a variety of connectivity methods, using a variety of telecommunications protocols.

Market participants must also execute a subscriber agreement and be a participant in, or have an access arrangement with a participant in, an SEC-registered clearing agency. In addition, the subscriber must also agree to comply with all applicable rules and accept all trades identified by the Nasdaq Market Center as being effected by the participant.

IV.   Nasdaq Market Center Quote and Order Display

Nasdaq offers market participants a variety of options for viewing quotes and orders in the Nasdaq Market Center. Using Nasdaq Level 1 Service, market participants receive the best bid and offer of Nasdaq and each other market center trading Nasdaq stocks, as well as last sale data. Through the Nasdaq Quotation Dissemination Service ("NQDS"), market participants receive the best bid and offer displayed under each Nasdaq MPID. Via the TotalView data feed, participants can view all displayed trading interest available in the Nasdaq Market Center (i.e., the full depth of the Nasdaq book).

V.   Entry and Processing of Quotes/Orders

Market participants may submit multiple quotes and orders at multiple price levels, which Nasdaq manages and displays, consistent with the parameters of each quote or order. Nasdaq time-stamps each order or quote upon receipt. The time stamp determines the ranking for execution purposes. Each order and quote increment receives a separate time stamp to ensure that quoting participants will not lose time priority for updating their displayed trading interest to show greater size. Once a market participant's displayed size is diminished to zero, it no longer retains time priority, even though it may have a feature that automatically refreshes its displayed size.

Market orders and marketable limit orders are directed to displayed quotes/orders for execution. Quotes and non-marketable limit orders are displayed and made available for execution by incoming orders. Upon entry of a market order or marketable limit order, the Nasdaq Market Center identifies the next market participant in queue to receive an order. If that participant accepts automatic executions, the system will automatically execute against that participant and send it an execution report. Immediately upon execution, the system generates an execution report. If the market participant is an ECN that has elected to participate in the Nasdaq Market Center as an order delivery participant, the system will deliver orders rather than executions.

VI.   Order Types and Time-in-Force Designations

        Upon exchange registration, all orders in the Nasdaq Market Center will be forms
of non-directed orders. A non-directed order does not identify a specific party to which
the order should be delivered or against which the order should be executed, but rather is
executed or delivered in accordance with price/time priority. An order may be of a size
up to 999,999 shares and must indicate whether it is a buy, sell, sell short, or sell short
exempt. The following order types and time-in-force designations are available in the
Nasdaq Market Center during regular trading hours:[4]

- Market orders are un-priced orders to buy or sell at the market's current best
  price.

- Limit orders are orders to buy or sell at a specified price or better.

- Auto-Ex orders, which are available only for Nasdaq-listed securities, execute
  solely against the quotes/orders of Nasdaq Market Center Participants that
  participate in the automatic execution functionality of the Nasdaq Market
  Center and that do not charge a separate quote-access fee. Auto-Ex orders are
  cancelled before they trade through the quote or order of a Nasdaq Market
  Center participant that is not eligible to receive them or if they would lock or
  cross such a quote or order.

- Fill or Return orders, which are available only for non-Nasdaq listed
  securities, are executable only to the extent that they can be executed by
  Nasdaq Market Center Participants without routing the order to an exchange
  through the Intermarket Trading System (an "ITS Exchange") and without
  trading through the quotations of ITS Exchanges.

- Pegged orders, which are available only for Nasdaq-listed securities, have
  prices that are automatically adjusted in response to changes in the Nasdaq
  Market Center inside bid or offer, as appropriate.

- Discretionary orders have both a displayed bid or offer price and a non-
  displayed discretionary price range in which the market participant is also
  willing to buy or sell, if necessary.

- Summary orders are rejected if they are marketable when received by the
  Nasdaq Market Center.

- Sweep orders, which are available only for use by market makers in non-
  Nasdaq listed securities, are delivered to or executed by Nasdaq Market
  Center Participants at multiple price levels and may trade through the
  quotations of ITS Exchanges.

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[4]   As described below, additional order types are used during the market open and
        market close.

- Orders with an Immediate or Cancel ("IOC") designation are canceled and returned to the entering participant if they become non-marketable after they are entered into the Nasdaq Market Center.

- Orders with a Day designation remain available for potential display and/or execution until market close (4:00 p.m. Eastern Time).

- Orders with a Good-till-Cancelled" ("GTC") designation remain available for potential display and/or execution until cancelled by the entering party, or until 1 year after entry, whichever comes first.

- Orders with an End-of-Day designation, which are available only for Nasdaq-listed stocks, remain available for potential execution and/or display until market close (4:00 p.m. Eastern Time), and thereafter for potential execution until 6:30 p.m. Eastern Time.

- Orders with a Total Day designation in non-Nasdaq listed stocks remain available for potential display between 7:30 a.m. and 6:30 p.m. and for potential execution between market open and 6:30 p.m. Orders with a Total Day designation in Nasdaq-listed securities remain available for potential display and execution between 9:25 a.m. and 4:00 p.m., but are rejected if entered prior to 9:25 a.m.

- Orders with a Total Good-till-Cancelled designation remain available for potential display between 7:30 a.m. and 6:30 p.m. and for potential execution between market open and 6:30 p.m., until cancelled by the entering party, or until 1 year after entry, whichever comes first.

- Orders with a Total Immediate or Cancel designation function like Immediate or Cancel orders but may be entered between 9:25 a.m. and 4:00 p.m. in the case of Nasdaq-listed stocks and between 9:30 a.m. and 6:30 p.m. in the case of non-Nasdaq listed stocks.

VII.   Order and Quote Features

A.   Anonymity

Non-attributable orders receive pre-trade anonymity, in that all non-attributable interest at a particular price level is aggregated and displayed under the SIZE MPID. In addition, with the full anonymity feature, participants can work orders anonymously from order display through execution and clearing. When an order designated for full anonymity is executed, the MPIDs of the contra parties are not identified on the execution and trade reports. Instead, the SIZE MPID will be reflected as the contra party. Nasdaq does not disclose the identity of the contra parties unless the liquidity-providing firm is an ECN that charges an access fee, or if an MPID inadvertently executes against

itself.[5] In the case of an ECN, the ECN needs to know the contra party to properly assess the fee, and the accessing firm needs to know the contra party for billing reconciliation. Hence, the trade will not be anonymous: the true contra MPIDs will be identified on the delivery message, execution report, trade report, and clearing contract. Similarly, if an MPID executes against itself, the MPID will be revealed on both sides so that firms are aware of this occurrence. Firms that execute against their multiple MPIDs can download a file from nasdaqtrader.com at the end of each trading day to see the executions in which they crossed with their own multiple MPIDs. Contra party identities are also unmasked if necessary to fulfill regulatory obligations, such as prospectus delivery requirements.

B.   Reserve Size for Quotes and Orders

Nasdaq market participants may indicate that a quote/order has reserve size. Reserve size replenishes displayed size to at least one round lot (100 shares), or a pre-established larger amount in round lots, once displayed size is decremented to less than one round lot. Reserve size, along with displayed size, is accessible through Nasdaq's trading platform, but is not displayed.

C.   Order Execution Algorithm

The Nasdaq Market Center is programmed in accordance with a price/time priority algorithm. Under the algorithm, orders are executed as follows: 1) displayed quotes/order of market makers, ECNs, and non-attributable orders of UTP Exchanges, in time priority between such interest at a particular price; 2) reserve size of market makers, ECNs and UTPs with non-attributable interest in time priority between such interest at such price; and 3) attributable interest of UTP Exchanges in time priority between such interest at such price.

D.   Internalization and Anti Internalization

The Nasdaq Market Center does not automatically prevent a market participant's order from executing against its own quote/order. At or prior to exchange registration, however, the system will eliminate a feature that allowed market participants to jump the price/time priority queue by "preferencing" their own MPIDs. Moreover, market participants that wish to avoid inadvertent internalization through the system can use the Anti-Internalization Qualifier (AIQ) options upon order entry. The AIQ options might be used if a market participant is prohibited from trading as principal with a particular order, such as orders from certain investment advisory accounts.

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[5]   As discussed below, an order from a market participant can execute against its own quote/order if that quote/order is next in line to receive an execution under the principle of price/time priority. A market participant wishing to avoid this possibility can set an "Anti-Internalization Qualifier" on its quotes/orders.

E.   Quote Decrementation

If an execution is delivered to a quoting market participant that accepts automatic executions, the system automatically decrements the participant's display quote/SIZE quote in the montage and the aggregate quote size by the size of the execution. If the participant's displayed size is decremented to less than a round lot and the market participant has reserve size, the displayed size will be replenished from reserve.

For quoting market participants that accept delivery, Nasdaq automatically decrements the participant's display quote/SIZE quote in the montage and the aggregate quote by the size of the delivered order. Nasdaq will continue delivering orders to such participant, up to its displayed and reserve size, regardless of whether it has processed the previous orders, until all size is exhausted.

If the delivery participant declines or partially fills the order or fails to respond within 30 seconds, Nasdaq sends the order (or the remaining portion thereof) back into the system for immediate delivery to (or execution against) the next available participant. If an ECN, whether it accepts automatic execution or delivery, has its attributable interest reduced to less than one round lot without an update or without transmission of another attributable quote/order to Nasdaq, Nasdaq will "zero out" the display quote on the exhausted side. If both sides are reduced to zero without an update or transmission of another attributable quote/order, the ECN is be placed into an excused withdrawal state and restored once the ECN transmits to Nasdaq a revised attributable entry. While the ECN is in an excused withdrawal state, the system will still access the ECN's non-attributable orders.

F.   Quote Refresh

To assist with the requirement of maintaining a two-sided, attributable quote, market participants are able to use the Automatic Quote Refresh (AQR) functionality. When a market participant's principal attributable quote is exhausted to less than one round lot, the system refreshes the market maker's price and size by an increment and to a size amount designated by the participant.

If a market participant is utilizing AQR but has an attributable entry in the system that is priced at or better than the quote/order that would be created by the AQR, Nasdaq displays the better-priced attributable quote/order, not the AQR-produced quote/order. If a market participant is not utilizing AQR and has given Nasdaq multiple attributable quotes/orders, Nasdaq displays the participant's next best-priced attributable entry when its attributable quote/order is decremented to less then one round lot.

If all of a market participant's attributable interest is reduced to less than one round lot and the participant is not using AQR, Nasdaq will zero out only the exhausted side of the market for thirty seconds. During this period, the participant can update its quote/order by transmitting a revised attributable quote/order to Nasdaq. If, after thirty seconds, the market participant does not update its quote or voluntarily withdraw from

the market, the Nasdaq Market Center will refresh its quote to the designated tick (price interval) away from the worst-displayed price in the montage. If there are no market participants with a current quote in the montage, the price will be set to at least one tick inferior from the last valid inside, or to at least one tick inferior from the market participant's last displayed price prior to time out processing, whichever is less. If the new quote would result in a locked-or-crossed market situation, the system will open the quote at least one tick inferior to the contra side of the market so that a locked-or-crossed condition would not exist.

VIII.   Avoidance of Locked or Crossed Markets

If a quoting market participant enters a quote that would lock or cross the market, it will receive a system warning. In order to complete the quote/order entry, the participant is required to override the system warning. If the market participant overrides the warning, the Nasdaq Market Center does not display the order as part of a display quote, but instead the order will be treated as a marketable limit order and entered into the Nasdaq Market Center as an for execution in time priority. Locking/crossing orders automatically execute against the quote they are locking/crossing. A warning message is not provided.

For locked market situations, orders are routed to the quoting market participant(s) next in queue that would be locked, and are executed (or delivered for execution) at the price of the locking quote/order. For crossed market situations, the crossing order is routed to the next quoting market participant(s) in queue and is executed (or delivered for execution) at the price of the displayed quote/order that would have been crossed.

Once the lock or cross is cleared, if the quoting market participant's order is not completely filled, the Nasdaq Market Center will reformat the order and display it as part of a displayed quote on behalf of the entering participants. If the market moves and the order is no longer locking or crossing, the system will either return the order or include it as part of a displayed quote.

IX.   Nasdaq Opening Process

Nasdaq recently introduced a new market open process and modifications to its pre-opening trading environment for all Nasdaq-listed stocks. Nasdaq adapted the Total Day order ("X Order") and the Total Immediate or Cancel order ("IOX"), which were already in use for non-Nasdaq exchange-listed securities, for use in the Nasdaq-listed pre-open environment. X Orders, which can be entered beginning at 7:30 a.m., are available for execution beginning at 9:25 and continuing until the end of the trading day. If not executed by that time, X Orders are cancelled automatically from the system and returned to the entering party. An IOX Order must be priced and if after entry into the Nasdaq Market Center it becomes non-marketable, the unexecuted portion will be canceled and returned to the entering party. IOX Orders are available for entry and execution between 9:25 a.m. and 4:00 p.m.

The Nasdaq Market Center uses the following process to "wake up" market participant quotes and X and IOX Orders. All quotes and limit price X Orders wake up at 9:25:00. Any order or quote whose limit price does not lock or cross the book is added to the book in strict time priority. Orders or quotes whose limit price would lock or cross the book are placed in an "In Queue" state, also in time priority. Once the wake-up process has been completed, within seconds after 9:25, the Nasdaq Market Center begins executing quotes and X Orders that were held In Queue in strict time priority regardless of quote or order type. In Queue quotes and orders that are not executable are added to the book. All quotes and X or IOX Orders entered while the system is waking up and sorting to clear locks and crosses are suspended. Once this process is complete, the system resumes processing the input queue of quotes, X and IOX Orders as needed to maintain an unlocked market.

All Nasdaq-listed stocks are eligible to participate in the Nasdaq Opening Cross. There are three components of the Nasdaq Opening Cross: (1) On Open and Imbalance Only order types; (2) the dissemination of an order imbalance indicator via a Nasdaq proprietary data feed; and (3) opening cross processing in the Nasdaq Market Center at 9:30 that will execute the maximum number of shares at a single, representative price that will be the Nasdaq Official Opening Price. Each component is described in detail below.

The new opening cross begins with market participants entering On Open and Opening Imbalance Only order types in the Nasdaq Market Center. On Open Orders are not displayed in the quotation montage or disseminated via any Nasdaq data feeds. On Open orders execute only at the price determined by the opening Nasdaq cross.

On Open orders can be un-priced and entered as Market on Open ("MOO") orders, or priced and entered as Limit on Open ("LOO") orders. MOO orders can be entered, cancelled, and corrected anytime between 7:30 a.m., when the system opens, until 9:28:00 a.m. when Nasdaq begins disseminating the opening order imbalance indicator. LOO orders can be entered from 7:30:00 until 9:29:59. LOO orders are subject to price improvement if the buy (sell) order is greater than (less than) the opening price. A LOO order at the opening price will not be filled if there are insufficient shares available on the opposite side of the market to fill the LOO order.

To reduce price volatility in the Opening Cross, LOO orders submitted after 9:28:00 a.m. are treated differently than those submitted before 9:28:00. LOO orders entered prior to 9:28:00 may have any limit price and may be cancelled anytime prior to 9:28:00 a.m. Late LOO Orders may only be submitted within a specified price range based on the last calculated Nasdaq Order Imbalance Indicator. Late LOO Orders submitted outside the prescribed price range will be rejected. If there is a sell imbalance, Late LOO Orders to sell must be priced no lower than the "near clearing price" (described below) or they will be rejected. Late LOO Orders to buy must be priced no higher than the "inside match price" (also described below) or they will be rejected. If there is a buy imbalance, Late LOO Orders to buy must be priced no higher than the near clearing price and Late LOO Orders to sell must be priced no lower than the inside match

price or they will be rejected. Finally, if there is no imbalance, Late LOO Orders to buy must be priced no higher than the inside match price and Late LOO Orders to sell must be priced no lower than the inside match price or they will be rejected. Late LOO orders cannot be cancelled at any time for any reason, although their price can be improved or their share size increased.

Opening Imbalance Only ("OIO") orders must be priced as limit orders and are not displayed or disseminated. These orders provide supplemental liquidity and execute only on the opening cross against any imbalance. OIO orders that are priced more aggressively than the Nasdaq Market Center inside ask (bid) before the open will be re-priced to the ask (bid) both for the purposes of the imbalance dissemination message and for executing on the opening cross. In this regard, they allow market participants to add liquidity to the market and help to ensure the execution of MOO and marketable LOO orders. OIO orders can be entered beginning at 7:30 a.m. until immediately before the market open. Imbalance orders can be improved after the cancellation threshold and if improved will receive a new timestamp.

In addition to MOO, LOO, and OIO orders, the Opening Cross includes: (1) market participant quotations, both displayed and reserve size; (2) orders that are entered with a time-in-force of Day, GTC or IOC prior to 9:28:00 (collectively "Early Regular Hours Orders"), which fully participate in the Opening Cross; (3) Day, GTC, and IOC orders that are entered after 9:28:00 (collectively "Late Regular Hours Orders"), which participate in the Opening Cross only to the extent that there is available liquidity on the other side at the Crossing Price; and (4) X and IOX orders. Additionally, after 9:28, all requests to cancel and cancel/replace Early Regular Hours Orders or Late Regular Hour Orders are suspended. If those orders are not executed during the Opening Cross, the requests for cancellation will be processed.

At 9:25 a.m. Nasdaq begins disseminating an opening order imbalance indicator on Nasdaq proprietary data feeds. Although the Opening Cross occurs at 9:30, the order imbalance indicator is disseminated to give participants insight into the state of the book and the opening cross if it were to take place at that time. The opening imbalance information includes several pieces of information regarding the cross: (1) the number of shares represented by MOO, LOO, OIO and Early Regular Hours orders that are paired at or within the current the Nasdaq Market Center inside; (2) the MOO, LOO, and Early Regular Hours orders imbalance at the current Nasdaq best bid or offer, depending on the direction of the imbalance; (3) the buy/sell direction of that imbalance at the current inside price; (4) an indicative clearing price range at which the Nasdaq Opening Cross would occur if the Nasdaq Opening Cross were to occur at that time; and (5) the percent by which that indicative price varies from the Nasdaq inside match price. The indicative clearing price range is bounded on the far side by the price at which all MOO, LOO, OIO, and Early Regular Hours orders would cross with only each other. It is bounded on the near side by the price at which the MOO, LOO, OIO Early Regular Hours orders, Extended Hours Orders and Quotes would clear. Where no clearing price exists, Nasdaq disseminates an indicator for "market buy" or "market sell."

In the Nasdaq Opening Cross, Nasdaq's matching engine algorithmically evaluates all eligible prices at which an Opening Cross can occur and identifies the price or prices at which the maximum shares would be executed. If more than one price would result in the same number of shares being executed, the matching engine evaluates those prices only and determine which price would minimize the imbalance of on open orders. If more than one price still qualifies, the matching engine identifies the single price that would minimize the distance from a crossing price to the previous Nasdaq official closing price.

If the Nasdaq Opening Cross price is selected and fewer than all quotes and orders that are available for automatic execution in the Nasdaq Market Center would be executed, the system will execute quotes and orders in the following priority:

- MOO and Early Regular Hours market orders, with time as the secondary priority;
- LOO orders, Early Regular Hours limit orders, OIO orders, X limit orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Opening Cross price with time as the secondary priority;
- LOO orders, OIO orders, displayed interest of Early Regular Hours and X limit orders, displayed interest of limit orders, and displayed interest of quotes at the Nasdaq Opening Cross price with time as the secondary priority;
- Reserve interest of quotes and Early Regular Hours and X limit orders at the Nasdaq Opening Cross price with time as the secondary priority; and
- Late Regular Hours orders in strict time priority.

Unexecuted MOO, LOO, and OIO orders are canceled.

The Opening Cross occurs at 9:30. All orders that are executable are executed at the Nasdaq Opening Cross price, reported to Nasdaq's trade reporting system with SIZE as the contra party on both sides of the trade, and then transmitted to the consolidated tape. The Nasdaq Opening Cross price and the associated paired volume are then disseminated via data feeds. While the Opening Cross occurs, all entry of quotes and orders is suspended. When the Opening Cross concludes, normal trading commences.

Not all Nasdaq securities participate in the Nasdaq Opening Cross. For those that do not, Nasdaq has developed an improved procedure to ensure that all stocks open with an unlocked inside market. The process "wakes up" orders that are eligible for execution beginning at 9:30, and processes them in an orderly fashion to prevent the creation of locks and crosses.

The process has several steps each of which occur in strict time priority. First, limit orders that have a time-in-force of Day or GTC wake-up. Of those, orders whose limit price does not lock or cross the book will be added to the book. Orders whose limit price does lock or cross the book will be placed in an "In Queue" state in strict time priority. Second, reverse Pegged orders wake up. If the price created by the reverse Pegged order does not lock or cross the book, the order is placed on the book. If the price

created by the reverse Pegged order would lock or cross the book, the order is placed in "In Queue" status. Third, regular Pegged orders wake up in strict time priority. The In Queue orders also include market and IOC orders in strict time priority. At this point, all eligible orders that would not lock or cross the market will be on the Nasdaq Market Center book and all other eligible orders will be In Queue.

After the wake-up process has been completed, the system will process the "In Queue" orders, including market orders, in strict time priority order regardless of order type. IOC orders that are not executable will be canceled as is currently done. Orders with a time in force of DAY and GTC that are not executable will be added to the book in strict time priority. Once this process is complete, the system will resume processing the input queue as normal.

X.   Closing Cross

There are three components of the Nasdaq Closing Cross: (1) On Close and Imbalance Only order types; (2) the dissemination of an order imbalance indicator via a Nasdaq proprietary data feed; and (3) closing cross processing in the Nasdaq Market Center at 4:00:00 that will execute the maximum number of shares at a single, representative price that will be the Nasdaq Official Closing Price. Each component is described in detail below.

The closing process begins with market participants entering On-Close and Imbalance Only order types in the Nasdaq Market Center. On-Close orders can be un-priced and entered as market-on-close ("MOC"), or priced and entered as limit-on-close ("LOC"). On-Close orders can be entered, cancelled, and corrected between 9:30:01 a.m. EST and 3:50:00 p.m. but they are not displayed in the Nasdaq Order Display Facility or disseminated via any data feed. On-Close orders, both MOC and LOC, execute only at the price determined by the closing Nasdaq cross. Thus, LOC orders will be subject to price improvement if the buy (sell) order is greater than (less than) the closing price.

Imbalance Only orders ("IO") supplement the liquidity provided by On Close orders and will execute only within the closing cross against any imbalance in liquidity. Imbalance Only order types must be priced limit orders. Like On Close orders, IO orders are not displayed in the Nasdaq Order Display Facility or disseminated via any data feed. IO orders can be entered until 3:59:59, but they cannot be cancelled or modified after 3:50:00 except to increase the number of shares or to increase (decrease) the buy (sell) limit price. IO sell orders only execute at or above the 4:00:00 Nasdaq inside offer, and IO buy orders will only execute at or below the 4:00:00 Nasdaq inside bid. On Close and IO orders constitute the "Nasdaq Closing Orders" which, as described below, serve as the basis for the Closing Cross Order Imbalance Indicator.

At 3:50:00, Nasdaq begins the closing auction calculation and disseminates an order imbalance indicator on Nasdaq's proprietary data feed. Imbalance Information includes several pieces of information regarding the closing cross: (1) the number of shares represented by MOC, LOC, and IO orders that are paired at the current Nasdaq

inside; (2) the MOC and LOC imbalance at the current Nasdaq best bid or offer, depending on the direction of the imbalance; (3) the buy/sell direction of that imbalance, and the current inside price; (4) an indicative clearing price range at which the Nasdaq Closing Cross would occur if the Nasdaq Closing Cross were to occur at that time and (5) the percent by which that indicative price varies from the Nasdaq inside price. The indicative clearing price range is bounded on the far side by the price at which the MOC, LOC, and IO orders would clear with only each other. It is bounded on the near side by the price at which the Nasdaq Closing Orders and continuous orders (excluding volume that is available only by order delivery) would clear. Where no clearing price exists, Nasdaq disseminates the phrase "market buy" or "market sell."

The Nasdaq Closing Cross begins at 4:00:00 and, thus, does not affect Nasdaq Market Center processing that occurs during normal market hours. The Nasdaq Closing Cross concludes at approximately 4:00:05 at which time the closing executions are reported to the consolidated tape for Nasdaq securities.

If the Nasdaq Closing Cross price is selected and fewer than all Nasdaq Closing Orders and all continuous orders that are available for automatic execution in the Nasdaq Market Center would be executed, the system executes orders in the following priority:

- MOC orders, with time as the secondary priority;
- LOC orders, limit orders, IO orders, displayed quotes and reserve interest that are priced more aggressively than the Nasdaq Closing Cross price;
- LOC orders, displayed interest of limit orders, and displayed interest of quotes at the Nasdaq Closing Cross price with time as the secondary priority;
- Reserve interest and IO orders at the Nasdaq Closing Cross price with time as the secondary priority.

All orders that are executable will be executed at the Nasdaq Closing Cross price and reported to the consolidated tape with SIZE as the contra party. The Nasdaq Closing Cross price and the associated paired volume will then be disseminated as the Nasdaq Official Closing Price.

XI.   Routing

The Nasdaq Market Center offers an optional routing feature that routes orders in Nasdaq-listed securities to other markets when those markets are displaying quotes at prices that are superior to those displayed in Nasdaq and are accessible through the router. Nasdaq Market Center participants may choose on an order-by-order basis whether they want an order routed outside the Nasdaq Market Center. Routed orders are executed pursuant to the rules and regulations of the destination market. Orders in stocks subject to the Intermarket Trading System ("ITS") plan may be routed to the New York Stock Exchange, the American Stock Exchange, and regional exchanges through the ITS linkage in accordance with rules governing use of that linkage, or through direct linkages established through Nasdaq's Brut facility, as described below.

Nasdaq accesses the quotes of exchanges through its broker-dealer subsidiary, Brut, which may not be a member of all exchanges. Routing done by Brut for the Nasdaq Market Center is conducted separately from routing the Brut Facility performs for its subscribers. Nasdaq will route orders to exchanges in which Brut is not a member, to the extent Brut has access to the market participants displaying quotes in these other markets. For example, one national securities exchange's quotes can be accessed indirectly by routing orders to the ECN that is the predominant, if not sole, market participant displaying quotes on that exchange. In addition, Nasdaq also may route orders to market centers that display their quotes through the NASD's Alternative Display Facility and market centers that do not display their quotes through exchanges or the ADF.

The processing of an order marked for routing differs depending on whether there are quotes on other markets at prices superior to those displayed on Nasdaq and whether such quotes are accessible by Nasdaq. For each order flagged for routing, the Nasdaq Market Center determines whether Nasdaq is at the best price vis-à-vis other markets that are accessible through Nasdaq's router. If Nasdaq is displaying the best prices, the order will be executed in full or up to the maximum amount of shares available in Nasdaq at the price levels that are superior to the prices at these other markets. Nasdaq would then route any unfilled portion of the order to accessible markets that are displaying quotes superior to Nasdaq's updated quotes. If more than one market is at a price level that is superior to Nasdaq's displayed price, the computer algorithm of the Nasdaq Market Center router will determine the market, or markets, to which the order will be sent, based on several factors including the number of shares being displayed, response time, likelihood of undisplayed trading interest, and the cost of accessing the market.

If other markets accessible through the router have prices superior to those on Nasdaq when an order is next in line to be processed, the order will by-pass the Nasdaq Market Center execution algorithm and will be routed to a market or markets displaying the superior priced quotes.[6] If an order (or a portion of the order) remains unfilled after being routed, it will be returned to Nasdaq where, if the order is marketable, it will be returned to the Non-Directed Order processing queue, where it can be executed in Nasdaq, or routed again, if Nasdaq is not at the best price when the order is next in line in the processing queue.[7] Once a routed limit order is no longer marketable, whether it becomes non-marketable upon return to Nasdaq or while in the execution queue, it will placed on the Nasdaq Market Center book, if consistent with the order's time in force

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[6]   When a member submits a market order to the Nasdaq Market Center and has chosen to have the order routed, if routed, the market order will be routed to another market as a limit order. An order that has been routed to another market shall have no time standing in the Nasdaq Market Center execution queue relative to other orders in the Nasdaq Market Center.

[7]   A market order that is converted to a limit order when it is routed to another market will become a market order again upon return to Nasdaq. However, if after being placed back in the order execution queue the order is routed yet again, it will be re-converted to a limit order.

condition.[8] Once on the book, however, an order will not be routed out of the Nasdaq Market Center, even if it becomes marketable against the quotes of another market. Finally, orders are not routed outside the Nasdaq Market Center during Nasdaq's Opening and Closing Crosses.

XII.   The Brut ECN

On September 7, 2004, Nasdaq completed its purchase of Brut, LLC, a registered broker-dealer and member of the NASD and the New York Stock Exchange ("NYSE"), and operator of the Brut ECN (the "Brut ECN" or "Brut"). As an SRO member, Brut remains subject to all rules applicable to its activities as a broker-dealer, including those requiring its participation in market surveillance and audit trail programs conducted by Nasdaq, the NASD, and the NYSE. As an ECN, Brut participates in the Nasdaq Market Center system as an Order-Delivery ECN pursuant to the Rule 4700 Series and as an ITS Market Maker pursuant to the Rule 5200 Series. Brut continues to act as a counter-party to all trades taking place in its system, for anonymity as well as clearance and settlement purposes. Brut also continues to provide outbound order routing services to other market centers for its subscribers. Brut provides the Nasdaq Market Center its full book of orders for display in Nasdaq.

The Brut ECN is currently a "facility" of a national securities association, and upon exchange registration, will become a facility of the exchange operated by Nasdaq. As such, Nasdaq is obligated to file with the Commission rules to govern the operation of the Brut ECN.

A.   Order Display/Matching System

The Brut ECN allows subscribers to enter market and priced limit orders to buy and sell Nasdaq and exchange-listed securities. Brut acts only as an agent on behalf of its subscribers and engages in no proprietary trading save that necessary to correct system errors. Subscribers may enter multiple orders at single or multiple price levels. Subscribers have the option to have a portion of their order held in reserve and not displayed to the marketplace. Brut, in turn, makes available to System subscribers and market data vendors a data feed of all displayable orders on both the bid and offer side of the market (excluding reserve size share amounts) for all price levels at which shares are available within its System. Brut orders displayed in the Nasdaq Market Center are displayed under the same terms and conditions generally applicable to Nasdaq Quoting Market Participants.

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[8]   Orders returned to Nasdaq will be placed on the Nasdaq Market Center book on the basis of the time-stamp assigned to the order when it was originally submitted to the Nasdaq Market Center.

B.   Access Standards

To obtain access to the Brut ECN as a system participant, a user must execute a subscriber agreement and be a participant in, or have an access arrangement with a participant in, an SEC-registered clearing agency. In addition, the Brut subscriber must also agree to comply with all applicable rules and accept all Brut ECN trades identified by the Brut ECN as being effected by the subscriber.

Broker-dealers may also access Brut ECN orders through the Nasdaq Market Center, regardless of their status as a Brut ECN participant as described above, provided they have met the conditions for access to the Nasdaq Market Center.

C.   Order Types

The Brut ECN makes available to subscribers several order types. These order types are described below.

- Limit orders are orders to buy or sell a stock at a specified price or better.

- Market orders are un-priced orders to buy or sell a stock at the market's current best price. A market order may have a limit price beyond which the order shall not be executed.

- Agency Away orders, which are available for Nasdaq-listed securities, are designated by the entering party as eligible for execution at a price inferior to the then-current national best bid/offer.

- Principal Inside Only orders are designated by the party as only eligible for execution at a price equal or better than the then-current national best bid/offer.

- Brut Cross orders are displayed in Brut and executable against marketable contra-side orders in any market center, including the Brut ECN, at the time of receipt. If equally-priced executable orders are available both in Brut and another market center, the order will first execute against Brut ECN orders; otherwise, it will be routed to other market centers. Once a Brut Cross Order is routed out in whole or in part to another market center, any remaining unexecuted or returned portion of the order will be posted in the Brut ECN and will no longer be routed out for potential execution, unless the order is designated as an Aggressive Cross Order or Super Aggressive Cross Order.

- Directed Cross orders are routed to a specified market center for potential execution after they exhaust available liquidity in the Brut ECN.

- Aggressive Cross orders are Brut Cross orders that if, after being posted in the Brut ECN and exhausting available liquidity in the Brut ECN, have their price

crossed by the displayed quote of another market center, are routed by Brut to that market center for potential execution.

- Super Aggressive Cross orders are Brut Cross Order that, if after being posted in the Brut ECN, have their price locked or crossed by the displayed quote of another market center, are routed by Brut for potential execution.

- Thru Brut orders are directed to a market center other than Brut for execution.

- To Brut orders are eligible for execution upon receipt solely against Brut ECN orders, and are displayed in the Brut ECN to the extent they cannot be executed upon receipt.

- Hunter orders are not displayed in the Brut ECN, but will execute against available trading interest residing in the Brut ECN or another market center.

- Pegged orders are a form of To Brut limit order that, after entry, have their price automatically adjusted by the Brut ECN in response to changes in the Nasdaq Market Center (for Nasdaq-listed securities) or national best bid or offer (for exchange-listed securities), as appropriate.

- Discretionary orders have both a displayed price, as well as a non-displayed discretionary price range and size in which the entering party, if necessary, is also willing to buy or sell.

- Post Only orders are a form of To Brut limit order that, if marketable upon receipt against an order then-displayed in the Brut ECN, are rejected and returned to the entering party. If the order is marketable against a quote displayed outside of Brut, the price of the order is adjusted to a price $0.01 inferior to the best bid or offer, as appropriate, and then displayed in the Nasdaq Market Center and Brut.

D. Time in Force Designations

Orders entered into the Brut ECN may be designated by the entering party to remain in force and available for display and/or potential execution for varying periods of time. Unless cancelled earlier, once these time periods expire, the order (or the unexecuted portion thereof) is returned to the entering party. These "time in force" designations are described below:

- Immediate or Cancel (IOC) orders are returned to the sender if not immediately executed. If partially executed, un-executed remainders of these orders are returned immediately to the entering party.

- Day (DAY) and Good-till-Canceled (GTC) orders (or the unexecuted portions of such orders) are held by the Brut ECN and remain available for potential

display/execution until 4:00 p.m. Eastern Time on the day they are submitted unless cancelled before then by the entering party.[9]

- Good-till-Canceled-Overnight (GTCO) orders (or the unexecuted portions of such orders) are treated like GTC orders, but are held by the Brut ECN overnight and remain available for potential display/execution until 4:00 p.m. of a date provided by the entering party, or indefinitely, unless and until cancelled by the entering party. GTCO orders are not eligible for execution between 4:00 p.m. and 8:00 p.m. Eastern Time.

- End-of-Day (GTX) orders (or the unexecuted portions of such orders) are held by the Brut ECN and remain available for potential display/execution until 8:00 p.m. Eastern Time on the day they are submitted unless cancelled before then by the entering party.

- Good-till-Time (GTT) orders (or the unexecuted portions of such orders) are held by the Brut ECN and remain available for potential display/execution until the time designated by the entering party. This time may be a relative time (e.g. 30 minutes after receipt) or an actual time (e.g. 2:00 p.m.).

- Effective Time (EFT) orders (or the unexecuted portions of such orders) are held by the Brut ECN and only become available for potential display/execution at an actual time during the trading day selected by entering party (e.g. 3:00 p.m.).

The Brut ECN normally operates between the hours of 6:30 a.m. and 8:00 p.m. Eastern Time. Orders with the above time-in-force designations may be entered into the Brut ECN, or previously entered orders cancelled, starting at 6:30 a.m. Eastern Time. With the exception of the GTC and DAY designations, which may only be entered until 4:00 p.m. Eastern Time, all time in force designations may be entered into Brut until 8:00 p.m. Eastern Time. Although the entry of various time-in-force designations is permitted throughout the Brut ECN's hours of operation, the Brut ECN will not execute an order in contravention of the time-in-force period selected by the entering party, and instead will hold all such entries until they can be processed in conformity with the time-in-force parameters selected upon entry.

E.   Routing

The Brut ECN provides the capability to route orders to other available market centers between the hours of 7:30 a.m. and 6:30 p.m. Eastern Time.[10] The entering party

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[9]   Currently, the Brut ECN processes orders designated as GTC and Day in the exact same manner. In the near future, Brut will modify the names of its order types to eliminate this duplication.

[10]   Brut routes to other market centers trading Nasdaq securities as well as to national securities exchanges, including the American Stock Exchange, the NYSE, and

designates, through the order type it selects, whether the Brut ECN should seek to execute the order against contra-side marketable orders in the Brut ECN prior to routing. In no event, however, does the router give an order to a market center displaying an inferior-priced order until the router has attempted to access better-priced displayed orders in that or other market centers.[11]

With the exception of Thru Brut and Directed Cross orders that specifically direct to which market center an order is to be routed, orders routed out of the Brut ECN to other market centers for potential execution are generally delivered to other market centers in price/size priority. If the Nasdaq Market Center has displayed shares at the best price level, the Brut ECN will first deliver to the displayed Nasdaq Market Center quote/order before routing to other market centers. If the routed order is smaller in size than the total combined displayed share amounts of accessible market centers at the best price level, the Brut ECN delivers the routed order to the available market centers in price/size priority. If the routed order is larger than the total combined displayed share amounts of accessible market centers at the best price level, the Brut ECN delivers over-sized orders to each displayed market center's quote in proportion to the individual market's center share of that total displayed share amount.

Orders routed by Brut to another market do not retain time priority with respect to other orders in the Brut ECN, and Brut continues to execute other orders while the routed order is away at another market. Once routed by Brut, an order becomes subject to the rules and procedures of the destination market including, but not limited to, short-sale regulation and order cancellation.

F.   Execution Algorithm

The Brut ECN has an execution algorithm of price/time priority. For each order, among equally-priced trading interest, the Brut ECN executes against available contra-side displayed share amounts in full, in price/time priority, before then moving to reserve shares which are likewise executed in price/time priority. After display and reserve size are exhausted at a particular price level, the Brut ECN will then access, if available, share amounts of Discretionary Orders within the Discretionary Order's discretionary price range at that same price level, followed by executable Hunter Orders before moving on to the next price level.

Having determined which orders are eligible for execution via the matching process, the Burt Brut ECN then proceeds to decrement (reduce) share amounts from

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regional stock exchanges using the Intermarket Trading System ("ITS"). As an NYSE member, Brut also has access to the New York Stock Exchange's DOT system.

[11]   Use of the Brut router is voluntary. Users can select, by the type of order entered, if they what the Brut ECN to route their order to another market center for potential execution.

those orders. These share amounts are decremented from the matched orders starting with reserve size of the orders, if any.[12]

XIII. Brut/Nasdaq Integration Plan

Although now sharing common ownership, Brut and Nasdaq currently operate separate order display and execution systems. With respect to the processing of quotes/orders: (i) Brut participates in the Nasdaq Market Center as a Nasdaq Order-Delivery ECN pursuant to the NASD Rule 4700 Series and an ITS Market Maker pursuant to NASD Rule 5200 Series, and (ii) provides its full depth of its order book to the Nasdaq Market Center. Brut connect to the Nasdaq Market Center using a dedicated direct voluntary linkage that Nasdaq makes available to any Nasdaq Order-Delivery ECN that wants it.

Nasdaq's long-term vision is to have Brut and Nasdaq unified in a single technology platform that will further enhance execution quality for system users. Nasdaq currently contemplates using the Brut broker-dealer in a manner ancillary to the market execution system as an outbound access broker-dealer to other market centers. However, the timing and manner of integration may be affected by Nasdaq's agreement to acquire the Inet ECN ("Inet"). If Nasdaq's acquisition of Inet is consummated, Nasdaq would expect to unify Nasdaq, Inet, and Brut into a single technology platform, while operating one or more broker-dealers for the purpose of outbound access.

XIV. Fees and Hours of Operation

The Rule 7000 Series of the Nasdaq Rules (filed as Exhibit A, Tab 9) describes the fees to be assessed by Nasdaq for use of the Nasdaq Market Center and Brut. The Rule 4500 Series of the Nasdaq Rules (filed as Exhibit A, Tab 6) describes the fees to be assessed by Nasdaq for listing.

Nasdaq's hours of operation are as follows:

Nasdaq-listed securities trading in the Nasdaq Market Center
Order/Quote Entry: 7:30 am, ET
Pre-Market Session: 8:00 am to 9:25 am, ET
Pre-Open Session: 9:25 am to 9:29:59 am, ET
Regular Market Hours: 9:30 am to 4:00 pm, ET
Post-Market Hours: 4:00 pm to 6:30 pm, ET

Other exchange-listed securities trading in the Nasdaq Market Center
Order/Quote Entry 7:30 am, ET

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[12]   This decrementation process differs from that of the Nasdaq Market Center which decrements shares directly from the matched portion of quotes/orders and then refreshes those matched portions from any remaining reserve share amounts.

Regular Market Hours: 9:30 am to 4:00 pm, ET
Post-Market Hours: 4:00 pm to 6:30 pm, ET

Trading of Nasdaq-listed securities and other exchange-listed securities in Brut
Order Entry: 6:30 am, ET
Pre-Market Trading Session: 8:00 am to 9:30 am, ET
Market Hours: 9:30 am, ET to 4:00 pm, ET
Post-Market Hours: 4:00 pm, ET to 6:30 pm, ET
After Hours Session: 6:30 pm, ET to 8:00 pm, ET

At present, Nasdaq operates the Nasdaq Market Center and Brut as facilities of the NASD, and will operate them as facilities of a national securities exchange immediately upon the effectiveness of the registration of The NASDAQ Stock Market LLC as a national securities.

XV.   Market Surveillance

    A.   Nasdaq MarketWatch

Nasdaq operates MarketWatch, a real-time surveillance department. The principal purpose of MarketWatch is to maintain an orderly market and ensure a level playing field for market participants, investors and the public in general. Market Watch performs this real-time, intra-day surveillance over all Nasdaq-listed companies and all market participants in the Nasdaq Market Center and Brut.

MarketWatch oversees the complete and timely disclosure of Nasdaq issuers' material information. Under Nasdaq IM-4120-1, issuers are required to notify MarketWatch prior to the release of significant corporate developments. MarketWatch determines if implementing a trading halt is necessary to maintain an orderly market for the release of that material news.

MarketWatch utilizes an automated detection system that monitors the trading activity in each issue and generates price and volume alerts that aid in the assessment of unusual market activity. MarketWatch coordinates and executes the release of Initial Public Offerings ("IPOs") and actively monitors the IPO during the opening quote period to facilitate an orderly open. MarketWatch is also responsible for administering market participants' excused withdrawals and passive market making requests and handles the clearly erroneous trades adjudication process for the Nasdaq Market Center and Brut.

If MarketWatch staff observes any activity that may involve a violation of SEC or SRO rules, MarketWatch immediately refers the activity to NASD Regulation's Market Regulation Department for further investigation and potential disciplinary actions. All information received by MarketWatch is confidential and used strictly for regulatory purposes.

    B.   NASD Regulation

In addition to surveillance by Nasdaq, Nasdaq has contracted with NASD Regulation for NASD Regulation to surveil Nasdaq in the same manner that it does today. NASD Regulation's Market Regulation Department operates a highly automated process of investigating and preventing abusive, manipulative, or illegal trading practices in the Nasdaq Market Center and Brut.. NASD Regulation carries out its regulatory responsibilities through education, examinations, market surveillance, registration of securities personnel, advertising and underwriting regulation, disciplinary actions that violate rules, investigation of customer complaints, and forums to resolve disputes.

To promote effective regulation and investor confidence, and to protect market participants, Market Regulation has put in place regulatory programs and has established specialized units focused on determining compliance with specific Nasdaq rules and regulations and federal securities laws. Market Regulation is comprised of investigative, examination, and operational units consisting of analysts, attorneys, and examiners based in Rockville, Maryland, Chicago and New York. The Market Regulation Department utilizes state-of-the-art technology to carry out its regulatory responsibilities. This technology provides the ability to reconstruct market transactions utilizing trading data and quote information that is captured second-by-second throughout the trading day, and alert staff to potential violative activity.

The Market Regulation Department also conducts onsite inspections of the larger Nasdaq Market Center and Brut participants to assess compliance with Nasdaq market-making and trading rules and regulations and federal securities laws. The regulatory information gathered from online surveillance, customer and broker/dealer complaints, and on-site examinations of trading activity is shared and analyzed by experts in the Market Regulation Department to determine whether violative activity has occurred and disciplinary action is warranted. The staff's mission is to serve investors and all market participants by being a fair, efficient, and effective regulator.

As it does today, NASD Market Regulation may investigate any Nasdaq member or associated person, or any transaction occurring on the Nasdaq market, for potential violation of the federal securities laws, and relevant SEC and Nasdaq rules. NASD Market Regulation will have complete discretion to initiate, conduct, close and report on investigations, without input or review by Nasdaq.