

Market Characteristics

Home of Innovation



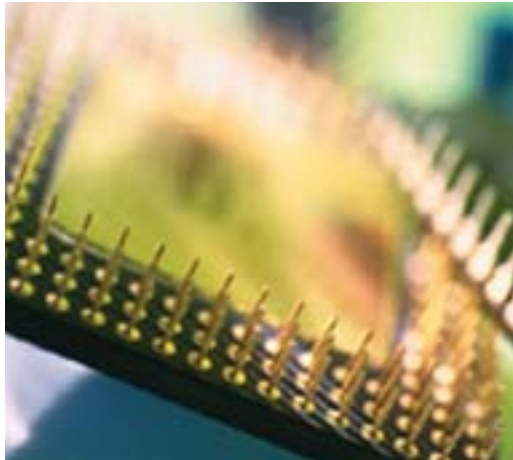
NASDAQ WAS THE FIRST STOCK MARKET TO ADVERTISE, PROVIDING ITS LISTED COMPANIES WITH A FINANCIAL MEDIA PLATFORM THAT OFFERS UNSURPASSED VISIBILITY.

We take enormous pride in listing nearly 4,000 companies—more than any other U.S. equities market. Many are names that have come to be synonymous with growth and innovation. Others are younger, less well-known companies whose collective vision and energies are poised to shape the world of tomorrow.

Key to the NASDAQ culture is the cultivation of a strong and highly effective partnership with our listed companies. Not only do we give them access to capital, visibility and an exceptional portfolio of services, we also share their commitment to moving the world forward. It is our goal as much as theirs to help roll out the next great idea, to help improve the way people live and work, and to foster growth and innovation in the United States and throughout the world. ■

Market Characteristics

Unsurpassed Technology



NASDAQ SENDS DATA TO OVER 400,000 TERMINALS WORLDWIDE.

NASDAQ's market platform has long been known as a marvel of technology—an open architecture system with the capacity to serve thousands of market participants worldwide. NASDAQ is the world's largest subscriber network—connecting 11,000 traders in 790 firms and more than 1,000 locations. More than 2 million users in 83 countries have access to screens displaying NASDAQ data. NASDAQ is the world leader in financial technology with unmatched capacity, reliability, speed, and depth. The numbers speak for themselves:

- NASDAQ's fault-tolerant design provides the ultimate in dependability—with 99.98% up-time since 1982.
- NASDAQ is the world's fastest stock market in terms of both order confirmation and order execution. Market participants can enter their orders and gain confirmation in just over 1/5th of a second.
- NASDAQ systems routinely handle over 5,000 transactions per second.
- On a typical day, NASDAQ disseminates 6.5 million quotes, 2.5 million trades and 1.5 million orders.

In 2001, NASDAQ handled 471.2 billion shares, more share volume than all other major U.S. stock markets combined. Peak share volume for a single day in 2001 was 3.2 billion shares and daily share volume averaged 1.9 billion.

Market Characteristics**Unsurpassed Technology**

Also in 2001, NASDAQ became the first and only U.S. stock market ever to meet ISO 9001 Quality Standards. ISO is recognized worldwide for quality management and assurance standards. ISO 9001 certification gives NASDAQ's computer and network operations, facilities, and technical services a world-recognized seal of approval. NASDAQ SuperMontage is built on NASDAQ's reliable technology and provides information and functionality never before available in NASDAQ. ■

Market Characteristics

▼ Transparency



NASDAQ'S LEVEL OF TRANSPARENCY CREATES A MORE SEAMLESS MARKET LINKING LISTED COMPANIES TO MAJOR POOLS OF CAPITAL WORLDWIDE.

NASDAQ's open market structure offers a level of transparency not found on the other major U.S. markets. Transparency, the ability to view investors' buy and sell orders for securities at multiple price levels, helps investors gauge trends in the market and is crucial to the decision-making process. On NASDAQ, bid and ask quotations in each security are broadcast over the network, making NASDAQ a highly transparent marketplace. All NASDAQ market participants—regardless of whether they are professional traders—can see the same information on their screens. In NASDAQ SuperMontage, the display of orders now shows the aggregate buy and sell interest in each security at the top five price levels with access to depth at any price level by query. ■

Market Characteristics

Depth of Market

“Depth of market” refers to the amount of capital committed and the total number of buyers and sellers within the market. NASDAQ provides greater depth of market because of the capital commitment and participation of multiple market makers. This sponsorship serves to deepen the market as a whole, enhancing price stability and liquidity. ECNs contribute to greater depth of market by bringing additional buyers and sellers into the market. NASDAQ National Market stocks have an average of 19 registered market makers. In NASDAQ SuperMontage, each market participant can enter unlimited quotes and orders at each price level, creating deeper markets. ■

Industry	Company	Number of Market Makers
Information Technology	Dell Computer Corporation	95
Health Care	Amgen, Inc.	92
Consumer Discretionary	Amazon.com, Inc.	87
Information Technology	QUALCOMM, Inc.	85
Health Care	Biogen, Inc.	75
Consumer Discretionary	Ebay, Inc.	75
Information Technology	Symantec Corporation	70
Consumer Discretionary	Starbucks Corporation	67
Health Care	Gilead Sciences, Inc.	62
Consumer Discretionary	Bed Bath & Beyond, Inc.	61
Industrials	Fiserv, Inc.	58
Financials	Fifth Third Bancorp	58
Industrials	Apollo Group, Inc.	52
Financials	Safeco Corporation	49
Industrials	Cintas Corporation	45
Energy	Patterson-UTI Energy, Inc.	44
Financials	Northern Trust Corporation	44
Consumer Staples	Whole Foods Market, Inc.	40
Materials	Sigma-Aldrich Corporation	40
Consumer Staples	Performance Food Group	28

NASDAQ Economic Research, 12/2002, Excludes ECNs.



Market Characteristics

Liquidity

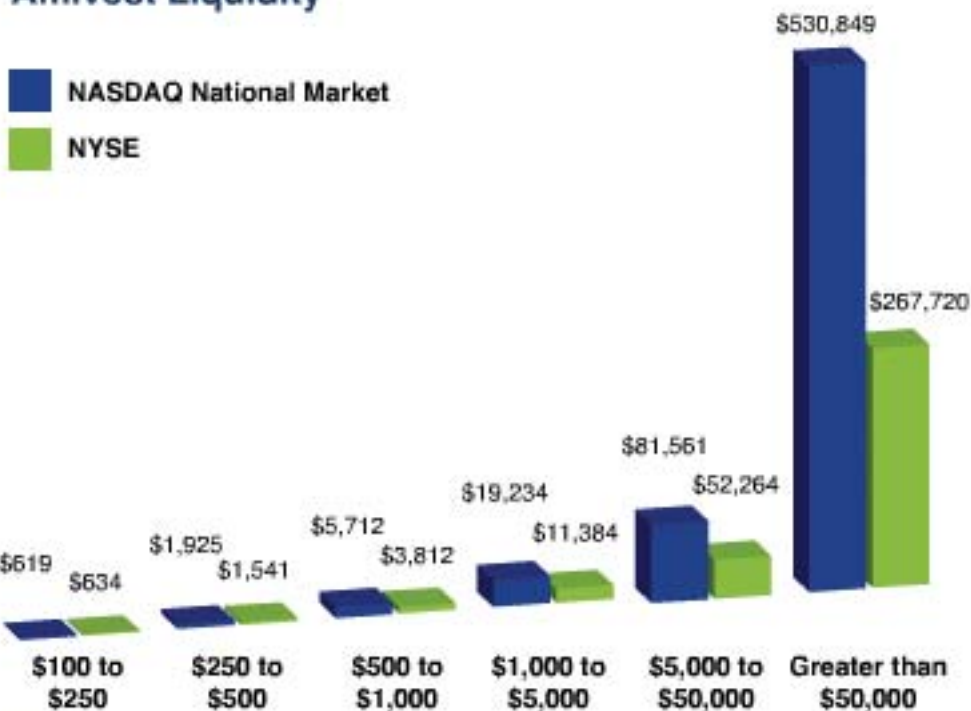
NASDAQ's market structure facilitates greater liquidity—the ease and speed with which a stock can be bought and sold in the market. Liquid stocks have narrower bid-ask spreads and lower market impact costs. As the world's largest electronic stock market, NASDAQ is not limited to one, central trading location. Trading is executed through a sophisticated computer and telecommunications network which transmits timely, critical investment information to more than 2 million users in 83 countries. Without the size limitations or geographic boundaries of a physical trading floor, NASDAQ's market structure allows a virtually unlimited number of market participants to trade in a company's stock. NASDAQ market makers enhance NASDAQ's liquidity by providing investors ready access to capital and uninterrupted trading in their stock. ECNs add to the market's liquidity by bringing additional orders into NASDAQ. NASDAQ SuperMontage offers a deep, liquid "book" which allows investors to automatically and efficiently access liquidity in NASDAQ through market participants. Reserve and anonymous display features encourage market participants to enter more and larger orders, therefore drawing more liquidity into the system. ■

Market Characteristics

Liquidity

Float Category (\$Mns)	In thousands	
	NASDAQ	NYSE
\$100 to \$250	\$619	\$634
\$250 to \$500	\$1,925	\$1,541
\$500 to \$1,000	\$5,712	\$3,812
\$1,000 to \$5,000	\$19,234	\$11,384
\$5,000 to \$50,000	\$81,561	\$52,264
Greater than \$50,000	\$530,849	\$267,720

Amivest Liquidity



*The Amivest liquidity ratio measures the dollar value of trading associated with a 1 percent change in price.

Market Characteristics

SuperMontage



SUPERMONTAGE PROVIDES A STRONGER CENTER OF LIQUIDITY WITH GREATER DEPTH AND TRANSPARENCY.

NASDAQ's next generation trading system, SuperMontage, provides more trade information and process quotes and orders more efficiently than previously processed. At the core of SuperMontage is a new central display montage from which participants can, for the first time, enter multiple levels of trading interest. SuperMontage is the first stock market platform that:

- Fully integrates a public limit order book and market maker quotations.
- Allows market makers and ECNs to enter multiple quotes at single or multiple price levels.
- Displays orders either anonymously or by name.
- Shows aggregate investor buy and sell interest five levels deep.
- Time-stamps individual orders to preserve position and priority.

These SuperMontage features add up to a fairer, more level playing field for all market participants, increasing market quality and investor protection.

For more information about NASDAQ SuperMontage, visit www.NASDAQ.com/reference/SMIssuerbrol.pdf ■

Market Characteristics

Spreads

The spread for a stock on any market is the difference between a stock's bid and ask price. On NASDAQ, the spread typically represents the capital risk market makers undertake when buying or selling a stock. The relevant spread on NASDAQ is the inside spread. The inside spread is the difference in price between the best bid and the best ask among all market participants trading in a stock. It is this price or better at which a customer order must be executed. Trading occurs at or inside the inside spread.

At NASDAQ, competition is one of the most important factors in creating price efficiencies. The aggressive competition fostered among NASDAQ market participants helps to ensure investors the best prices for the stocks they trade. With NASDAQ's move to decimals in 2001, spreads immediately decreased 50%. The cost to trade NASDAQ stocks has declined 80% since 1996. Continual enhancements to NASDAQ are driving down trading costs and spreads. ■

Relative Spreads- NASDAQ National Market Dollar Volume & Duration Weighted	
1996	0.93%
1997	0.60%
1998	0.41%
1999	0.28%
2000	0.29%
2001	0.17%
2002	0.14%

Relative Spreads - Dollar Volume & Duration Weighted



NASDAQ Economic Research, 12/2002

Market Characteristics

Spreads

Float Category (\$Mns)	NASDAQ	NYSE
\$100 to \$250	0.56%	0.52%
\$250 to \$500	0.32%	0.33%
\$500 to \$1,000	0.19%	0.22%
\$1,000 to \$5,000	0.10%	0.16%
\$5,000 to \$50,000	0.06%	0.11%
Greater than \$50,000	0.04%	0.08%

Relative Spreads - Dollar Volume & Duration Weighted



NASDAQ Economic Research, 12/2002