

## Summary of changes to Primex Auction System

In response to users' requests, Nasdaq has released the first major update to the Primex Auction System<sup>®</sup>. This version, scheduled for production at the start of the fourth quarter of 2002, includes additional functionality that more closely aligns the Auction System and SuperMontage<sup>SM</sup>. These changes make it even easier to use the two systems in tandem.

The list of enhancements to the Primex Auction System and the Primex Workstation is described below. For more detailed descriptions, download the Primex Auction System User Guide at [www.nasdaqtrader.com](http://www.nasdaqtrader.com), under [Transaction Services/User Guides](#). An overall description of the System can be found at [www.primextrading.com](http://www.primextrading.com), under [Detailed Description](#).

### ***System Enhancements***

#### **Ship to SuperMontage**

The Primex Auction System is designed to work in tandem with SuperMontage. Primex participants have the option of exposing their market and marketable limit orders (including orders priced within the NBBO) in the Primex Auction System and having any remaining unexecuted portion automatically forwarded to SuperMontage. If a limit order is shipped to SuperMontage and does not immediately execute there, the order is posted for display in SuperMontage as a day order.

Routing orders destined for SuperMontage through the Auction System can be cost-efficient, because orders that execute in Primex are not generally charged execution fees. Orders that execute in SuperMontage are subject to that system's normal execution fees.

#### **Anti-Internalization Qualifier (AIQ)**

The AIQ functionality, when selected, can preclude an order from executing against proprietary interest from the same firm. The AIQ may be applied to orders, responses and indications. The function is designed to prevent intra-firm trades that may not be permissible for certain types of accounts, such as those subject to ERISA or an investment advisory relationship.

To see a complete list of cases in which an AIQ flag will inhibit intra-firm interactions, see the User Guide at [www.nasdaqtrader.com](http://www.nasdaqtrader.com), under [Transaction Services/User Guides](#).

#### **All-Or-None Orders**

The All-Or-None (AON) functionality allows Primex subscribers to place a condition on certain orders that ensures they will be executed in their entirety or not at all. The all-or-none condition is restricted only to orders that the subscriber exposes for a "zero-second" auction.

#### **Anonymity**

The Primex Auction System will provide its users pre-trade anonymity similar to what is available in SuperMontage. That is, orders entered into the system for exposure will disclose MPID information only in the event of an execution.

Predefined response interest, or indications, that participants register in the system and which do not execute remain undisclosed. Real-time responses which do not interact with orders also

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remain undisclosed. Any response interest that interacts in the system discloses its MPID information at the time of execution.

Previously, the Primex Auction System operated using end-of-day anonymity. The system and Nasdaq's ACT<sup>SM</sup> masked actual contra-parties until after the close of regular trading.

## Short Sale Indicators

All trading interest submitted to Primex (orders, responses and PRIs) can now be identified with either the Short Sale or Short Sale Exempt indicator.

The system will validate the execution of short sales in Nasdaq National Market securities based on NASD Rule 3350. This rule prohibits NASD members from short selling in NNM-listed stocks at or below the inside best bid, when the best bid is below the previous inside bid for that stock. The system will not apply this validation to short sales for those stocks listed on the Nasdaq SmallCap market or for exchange-listed stocks.

Please note that although the system will properly record short sales and short-sale exempt executions, execution messages shown in the Display Window of the Primex Workstation or delivered via API will not reflect Short Sale information.

## Give Up ID

Give Up orders are entered by broker/dealers on behalf of other broker/dealers. The Primex Auction System allows firms to enter orders, responses and indications with Give Up MPIDs.

To authorize a Give Up firm, contact Nasdaq Market Operations at 800-219-4861.

## ***Primex Workstation Enhancements***

### Trade Ticker

The Primex Workstation has been enhanced to include a real-time trade ticker that shows executions taking place in the Auction System. The trade ticker displays scrolling trade messages across two lines for a list of securities specified in the user's Watchlist.

In addition, the user has the option to reduce the size of the Primex Workstation to show only the ticker display. This limits the space occupied by the Primex Workstation on the monitor.

### Average Price

Participants can now view calculations of average price for orders and indications that execute in the system. The average price can be seen in the Views' section in both the basic and detailed displays.

### Sorting

Participants can now sort their Views of open orders and indications as well as executions. These sort options will enable the user to list orders, indications or executions in time order from the earliest to the latest, or vice versa, on the basic display. The views can also be modified to hide execution information on the basic display.