

Financial Information Forum

Market Transparency Evolution Across NMS Securities, Pinks & Bullies

July 7, 2010

Hosted by: **Bloomberg**



Agenda

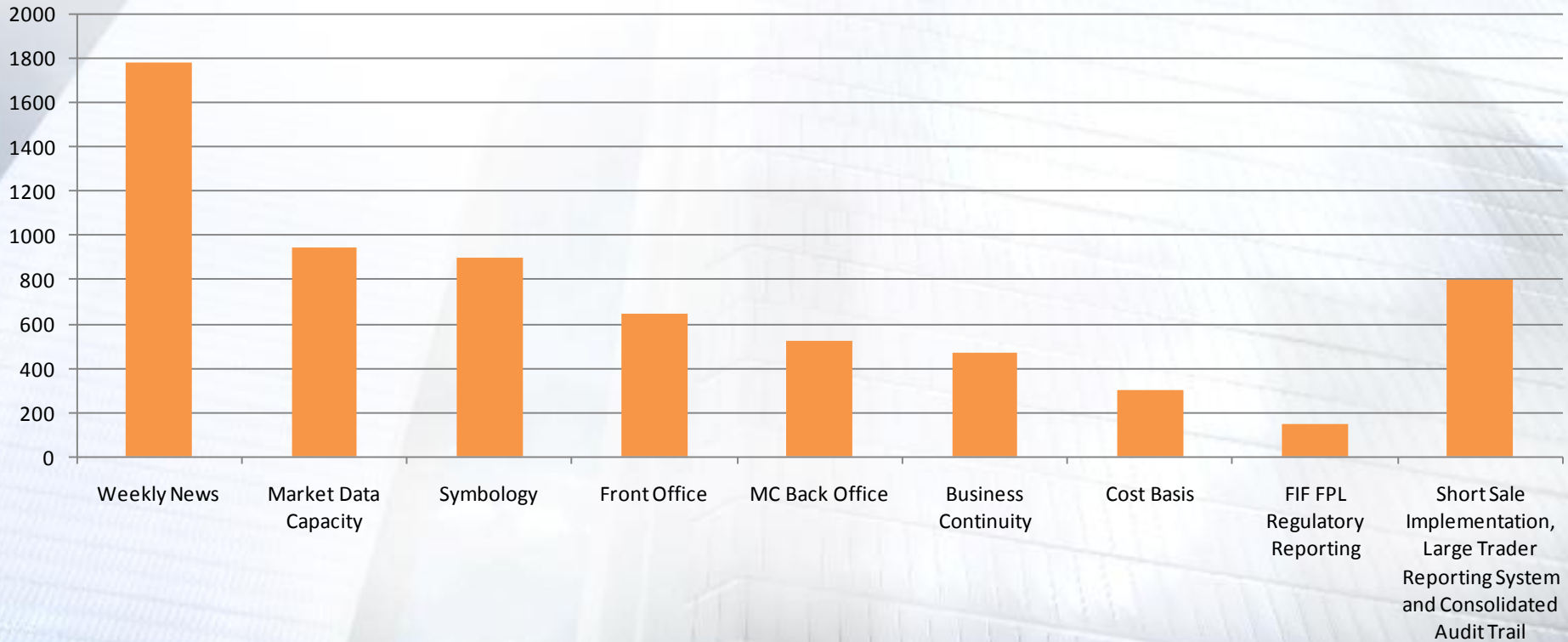
- Welcome: Leo McBlain, Chairman, FIF
- FIF Quarterly Update: Manisha Kimmel, Executive Director, FIF
- Market Transparency Evolution Across NMS Securities, Pinks & Bullies: Panel Discussion
 - Cromwell Coulson, Chief Executive Officer, Pink OTC Markets
 - Brian P. Faughnan, Vice President, NMS Product Planning, Management & Development, NYSE Euronext
 - Dr. Frank Hatheway, Chief Economist, NASDAQ OMX
 - Tom Jordan, President & CEO, Jordan & Jordan (Moderator)
- Adjourn to Reception

FIF 2Q2010 Update

- New Members
 - Mantara
 - Nomura Securities
 - Chicago Stock Exchange
- 2010 Working Groups
 - Large Trader Reporting System
 - Consolidated Audit Trail
 - Short Sale Implementation
 - FIF/FPL Regulatory Reporting

FIF 2Q2010: Member participation

FIF Member Participation (Distribution List Size)



FIF 2Q2010 Update: Recent Activities

- Large Trader Reporting System Comment Letter submitted on June 22nd
- FIF Member Feedback on Stock Circuit Breaker Implementation – Venue Behavior document and Relevant Links Portal
- Meetings with SEC and Listing Markets on Short Sale Implementation
- Over 30 Initiatives covered in the Monthly Initiative Tracking Summary
- Cost Basis Relevant Links Portal
- Automated Trading Report with Stock Circuit Breaker Analysis
- Monthly Capacity Statistics

FIF Stock Circuit Breaker – Venue Behavior

EXCHANGE BEHAVIOR DURING CIRCUIT BREAKER HALT

Prepared by FIF. Last updated on June 7, 2010, v 2.1. Contact fifinfo@fif.com for updates

NASDAQ Listed Stocks

#	Exchange/ECN	Behavior When Stock Halted (new orders)			Stock Halted (resting - orders on the book)	NASDAQ Display Only Period (new orders)	Behavior After Stock Has Been Halted for > 10min and no Halt Cross and print from NASDAQ	Behavior After Primary Market Resumes Trading	FAQ Links	Testing Links
		Behavior	Order Types Accepted (New)	Order Types Not Accepted						
1	NASDAQ	Accept and queue new order	Market, Limit, Time-in-force of Day, GTC, IOC	Post-only, Mid-point peg	Queue, accept cxls, no mods	Accept and queue	Trading not Resumed	Resume trading	NASDAQ FAQ	NASDAQ Testing
2	NASDAQ BX	Reject new order	N/A	N/A	Queue, accept cxls, no mods	Reject	Trading not Resumed	Resume trading		
3	NYSE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	NYSE FAQ 1	
4	NYSE AMEX	N/A	N/A	N/A	All existing orders cancelled	Accept and queue	Resume trading	Resume trading		CTA Testing
5	NYSE ARCA	Accept and queue new order	Market, Limit, OPG, IOC, MOC, LOC, CO	ISO, SOG	Queue, accept mods, cxls unsolicited cxls (post-only orders)	Accept and queue	Resume trading	Resume trading	NYSE FAQ 2	
6	BATS	Reject new order	N/A	N/A	All orders cancelled	Reject	Resume trading on a case-by-case basis	Resume trading	BATS FAQ	
7	ISE	Accept and queue new order	N/A	N/A	TBD	Accept and queue	Will not Resume, wait for primary	Resume trading		
8	CHX	Reject new order	N/A	N/A	Queue	Accept and queue	Will not Resume, wait for primary	Resume trading	CHX FAQ	
9	NSX	Reject new order	N/A	N/A	All orders cancelled	Reject	Resume trading on a case-by-case basis	Resume trading	NSX FAQ	
10	CBSX	Accept and queue new order	Limit, Do_Not_Route, Time-in-force of Day, Reserve	Market, IOC, ISO, ISO-Book, All Cross-type Orders	Queue, accept mods, cxls	Accept and queue	Will not Resume, wait for primary, unless primary delay is extensive	Resume trading	CBSX FAQ	
11	Direct Edge	Accept and queue new order	Day, GTT (except post-only)		Queue, accept mods, cxls unsolicited cxls (post-only orders)	Accept and queue	Resume trading on a case-by-case basis	Resume trading	Direct Edge FAQ	
12	FINRA	N/A	N/A	N/A	N/A	N/A	Will not Resume, wait for primary (unless reason primary cannot reopen is due to issues unrelated to an order imbalance and other exchanges have resumed)	Resume trading	TBD	

NYSE & NYSE AMEX Listed Stocks

#	Exchange/ECN	Behavior When Stock Halted (new orders)			Stock Halted (resting - orders on the book)	Behavior After Stock Been Halted for > 10min and no Equipment Changeover halt, Reg/Non-Reg trading halt, Non-Reg Order Imbalance halt from NYSE *	Behavior After Primary Market Resumes Trading	FAQ Link	Testing Links
		Behavior	Order Types Accepted (New)	Order Types NOT Accepted					
1	NASDAQ	Reject new order	N/A	N/A	Queue, accept cxls, no mods	Will not Resume, wait for primary	Resume trading	NASDAQ FAQ	NASDAQ Testing
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3	NYSE	Accept and queue new order	Market, Limit, OPG, IOC, MOC, LOC, CO	ISO, SOG	Queue, accept mods, cxls	N/A	Resume trading		
4	NYSE AMEX	Accept and queue new order	Market, Limit, OPG, IOC, MOC, LOC, CO	ISO, SOG	Queue, accept mods, cxls	N/A	Resume trading	NYSE FAQ 1	CTA Testing
5	NYSE ARCA	Accept and queue new order	Market, Limit, OPG, IOC, MOC, LOC, CO	ISO, SOG	Queue, accept mods, cxls unsolicited cxls (post-only orders)	Trading not Resumed	Resume trading	NYSE FAQ 2	
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Market Transparency Evolution Across NMS Securities, Pinks & Bullies

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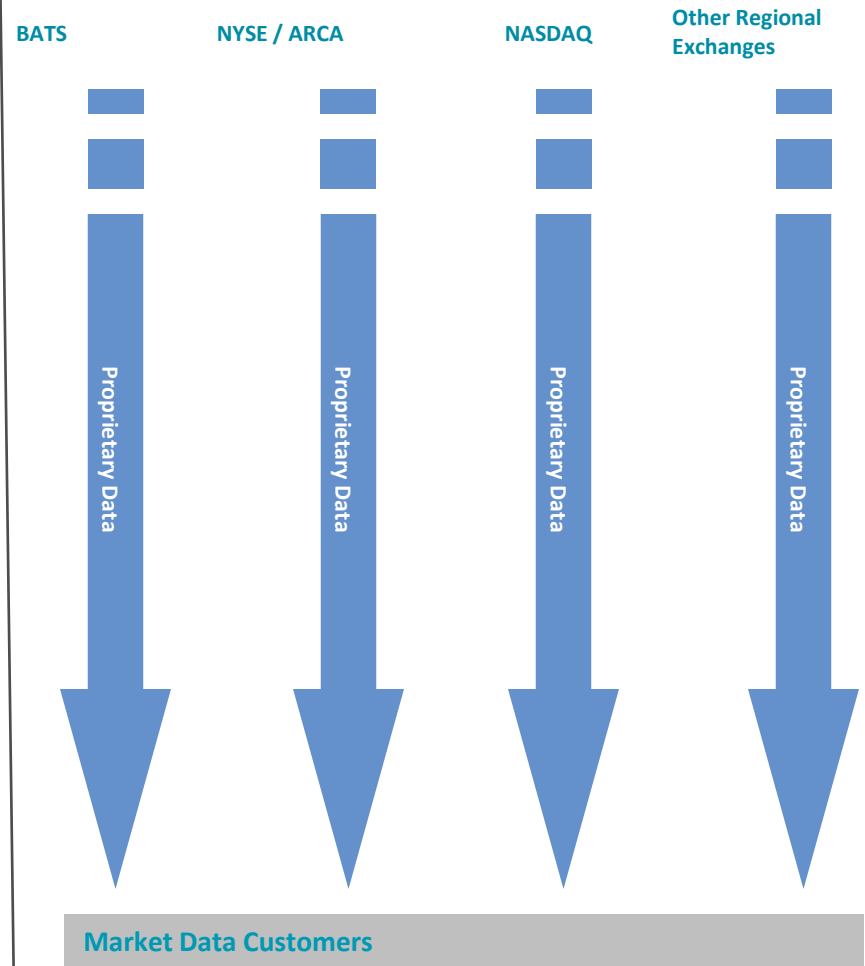
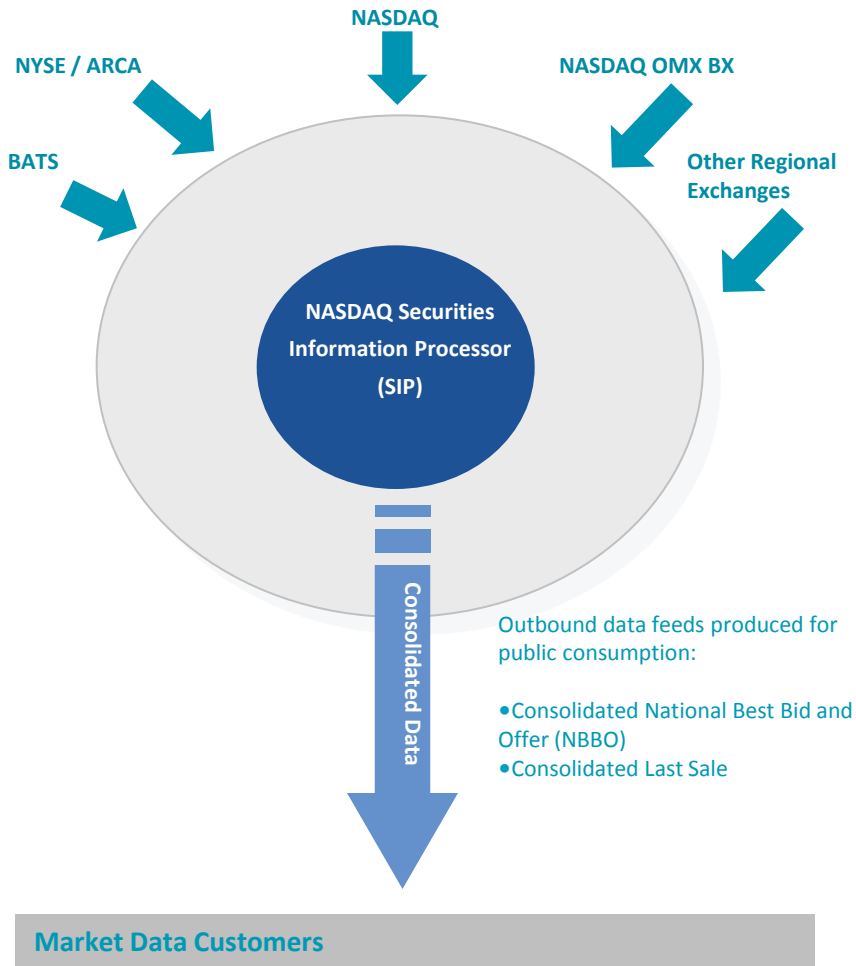
The NASDAQ OMX Group

Proprietary Market Data Update

July 7 2010



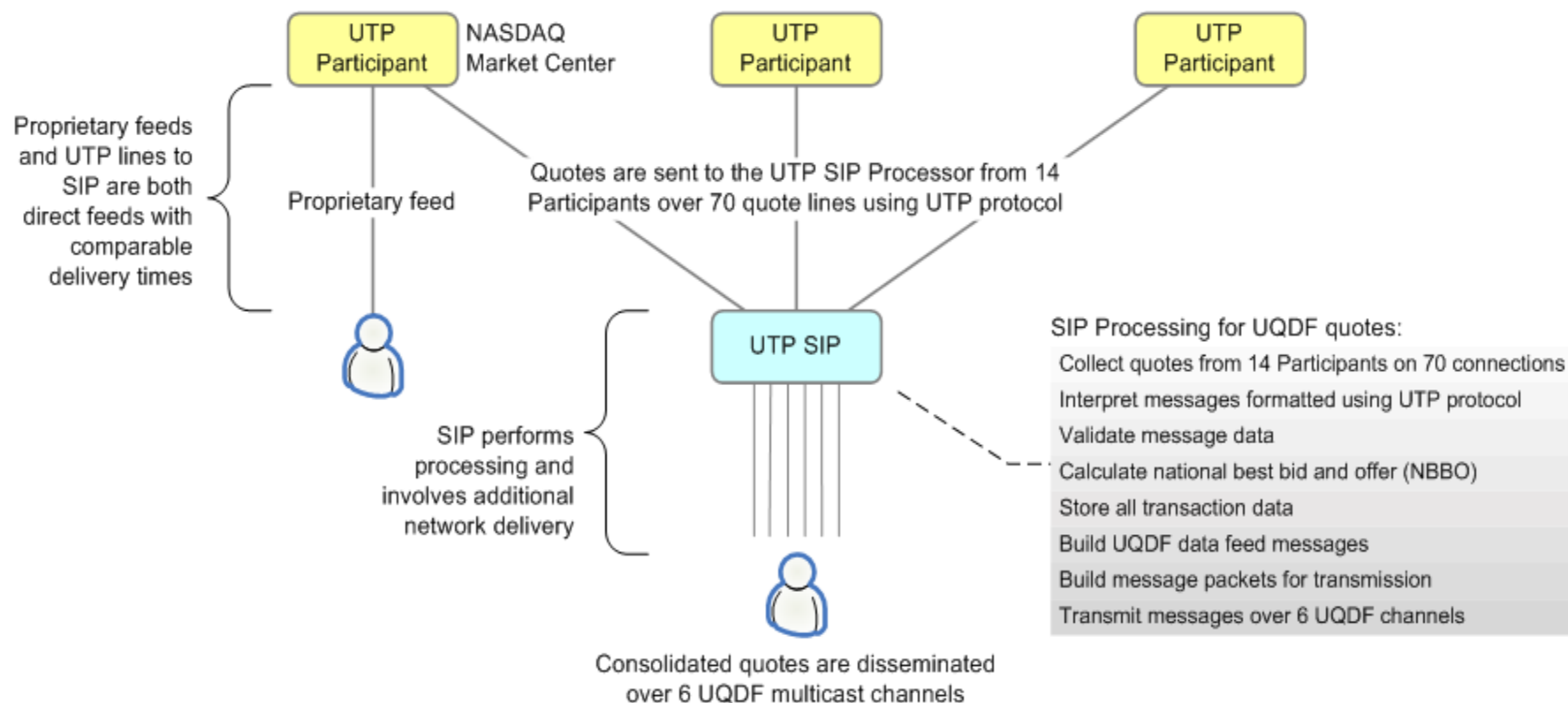
Market Data for U.S. Equities



*An Unlisted Trading Privilege (UTP) is a right, provided by the Securities Exchange Act of 1934, that permits securities listed on any national securities exchange to be traded by other such exchanges.

Comparing a specialize feed with a SIP feed

- Participants send quotes and trades to SIP and on specialized feeds without time preference
- Specialized feeds and UTP lines to SIP are direct feeds with comparable delivery times
- The example shown is for quotes disseminated by the UTP SIP on UQDF:



Outlook for Market Data

- The SEC has proposed two possible increases in transparency for Dark Pools
 - Reducing the order display threshold to 0.25%.
 - Require a market center identifier on dark pool executions.
- Reaction to May 6 – Circuit Breakers
 - By June 14, market wide circuit breakers had been incorporated into both the SIP and exchange' specialized data feeds.
- Further reactions to May 6
 - Role of specialized feeds is being questioned.
 - Options including limiting specialized feeds or expanding the SIP feeds.
- Net Coalition case
 - Contention is over the SEC's approval of NYSE Arca's book feed.

Consolidated Tape System (CTS)

Consolidated Quotation System (CQS)

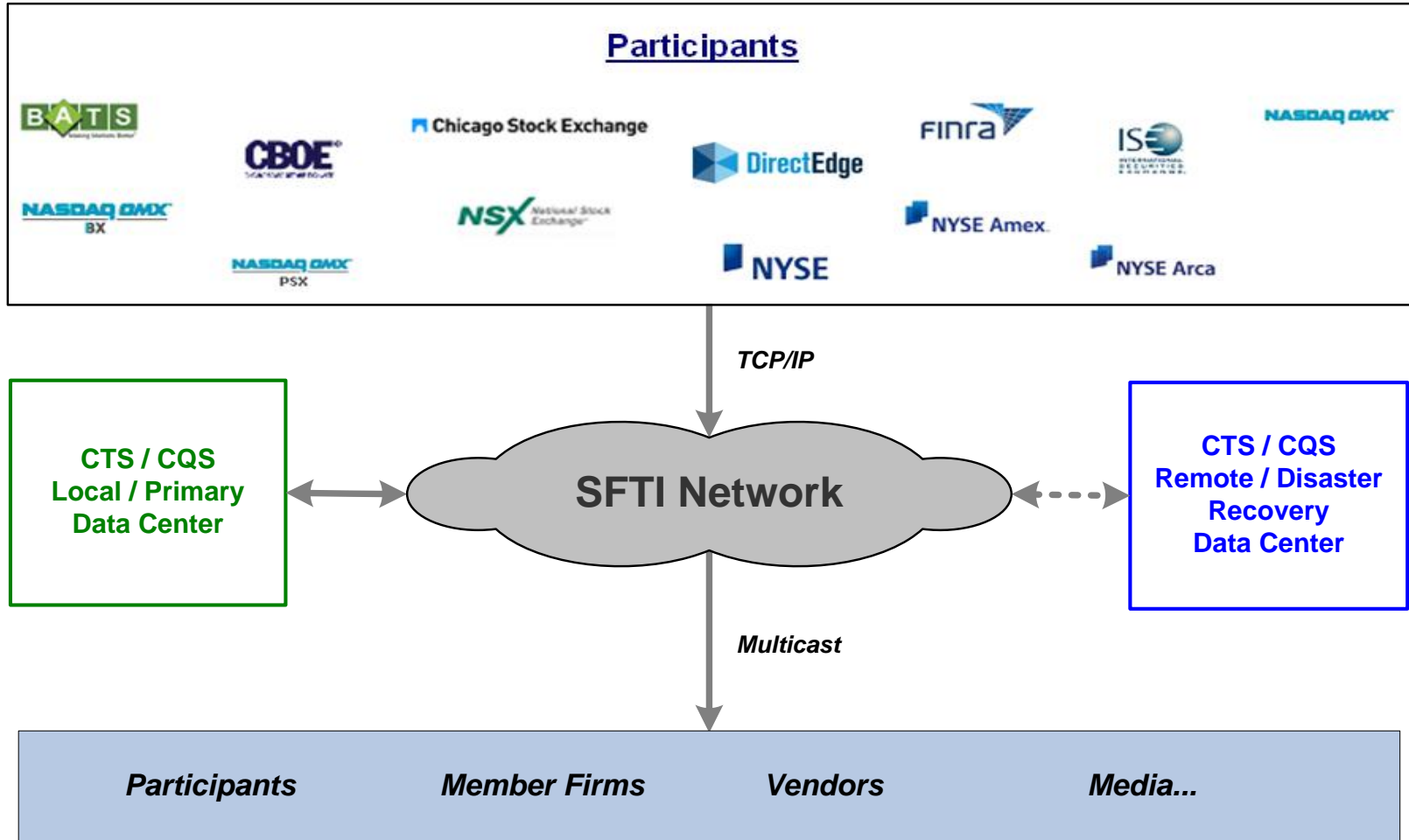
Overview

July 7, 2010

CTS/CQS

- CTS collects, consolidates and disseminates last sale price and size reports and other information for all Tape A and Tape B listed securities, bonds and local issues from all U.S. Exchanges and FINRA.
 - Participant Open, High, Low and Last Prices and Consolidated High, Low and Last Prices are calculated by security.
- CQS collects, consolidates and disseminates quotation and other information for all Tape A and Tape B listed equity securities, bonds and local issues from all U.S. Exchanges and FINRA.
 - National and FINRA 'Best Bids and Offers' (BBO) are calculated by security.

CTS/CQS DATA FLOW



CTS/CQS PEAKS AND PROJECTIONS

	CTS		CQS	
System Historical Peaks:	MPS	Date	MPS	Date
• 1 Second	49,570	2/23/10	233,344	6/29/10
• 5 Seconds	22,620	4/28/10	209,739	6/29/10
Average Latency*	<10ms		<5ms	
Projections:	MPS	Mbps	MPS	Mbps
• July, 2010	50,000	29.0	250,000	187.0
• Sept, 2010	60,000	34.8	300,000	224.4
• Jan, 2011	75,000	43.6	350,000	261.8
• July, 2011	100,000	58.1	400,000	299.2

* Processing Time – measured from the time the messages are received from the Participant to when they are sent out by CTS or CQS.

CTS/CQS RECENT AND UPCOMING ACTIVITIES

- New/Re-activated Participants
 - Direct Edge 'A' & 'X' (July 2, 2010)
 - BATS 'Y' (TBD)
 - Nasdaq OMX PSX (TBD)
- Data Center Migration
 - Local/Primary Data Center migration to Mahwah
 - » CQS (July 26, 2010)
 - » CTS (Aug 2, 2010)
- New Requirements
 - Volatility Trading Pause (June 3, 2010)
 - Short Sale Price Restriction (November 10, 2010)

Introducing Real-Time+ Game Changing Data Licensing from the Largest OTC Market Operator



July 2010

R. Cromwell Coulson

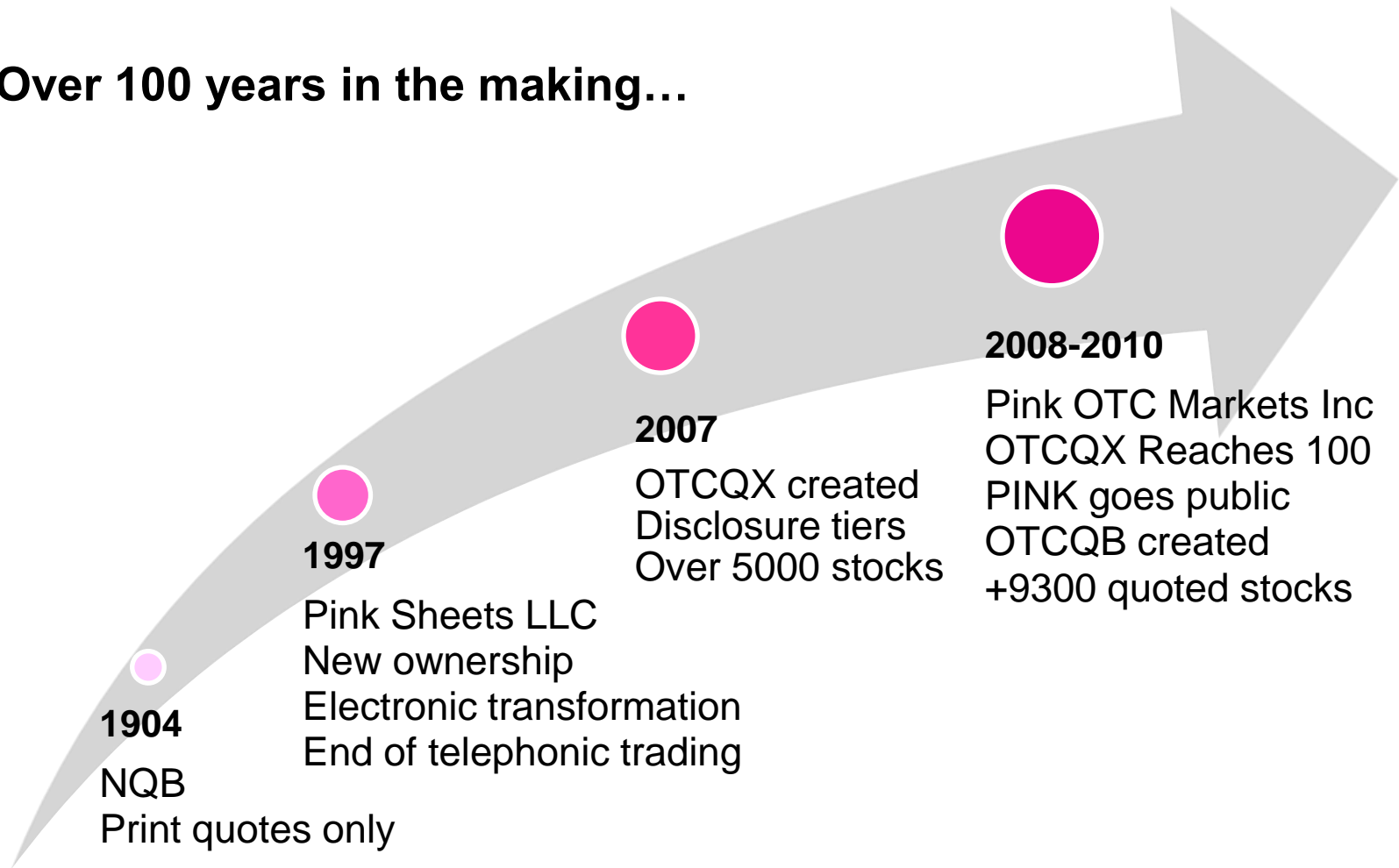
President and CEO

Pink OTC Markets Inc.

pink
OTC MARKETS

Evolution of Pink OTC Markets

Over 100 years in the making...



OTC Dealer Brings Fast, Efficient Trading

RHHBY S.Pref **RHHBY: OTCQX International Premier ROCHE HOLDING LTD S/ADR** Venue: Pink Quote PBQ: Yes
 PSID: 28572 Cusip: 771195104 otcQX

NBBO: 41.35 / 41.46 (200 x 200) Last: ▼ 41.46 -0.83 (-1.96%) 12:59:41 Hi: 41.53 Lo: 40.59 PCL: 42.29 Vol: 129,174 Trades: 186 \$Vol: 5,310,417.52
 You: / (x) WWAP: 41.11058
 You2: / (x) Hide | More News

Add .10

Join	INTL	41.35	200	12:48	JANE	41.46	200	12:56
Best	ETRF	41.35	200	13:06	ETRF	41.50	200	13:06
<input type="button" value="↶"/> <input type="button" value="↷"/>	JANE	41.31	200	12:56	HDSN	41.90	200	12:01
Away	HDSN	41.20	200	12:46	NITE	42.00	200	10:31
Hit	NITE	40.52	200	09:33	INTL	42.00	200	12:48
Sweep	FORT	40.25	200	09:15	MAXM	42.50	200	10:42
Max	SBSH	40.02	1000	11:25	UBSS	42.50	200	12:51
	MAXM	39.38	200	11:25	FORT	42.60	200	11:25
	UBSS	39.30	200	12:51	VERT	44.00	200	11:25
	PERT	37.50	200	12:47	SBSH	44.45	200	11:25
	VERT	36.25	200	11:25	PERT	45.00	200	12:46
	cMLCO	41.95	200	11:25	cDOMS	41.60	200	11:55
	cABLE	41.10	200	11:19	cPUMA	41.75	200	10:26

Pop-out

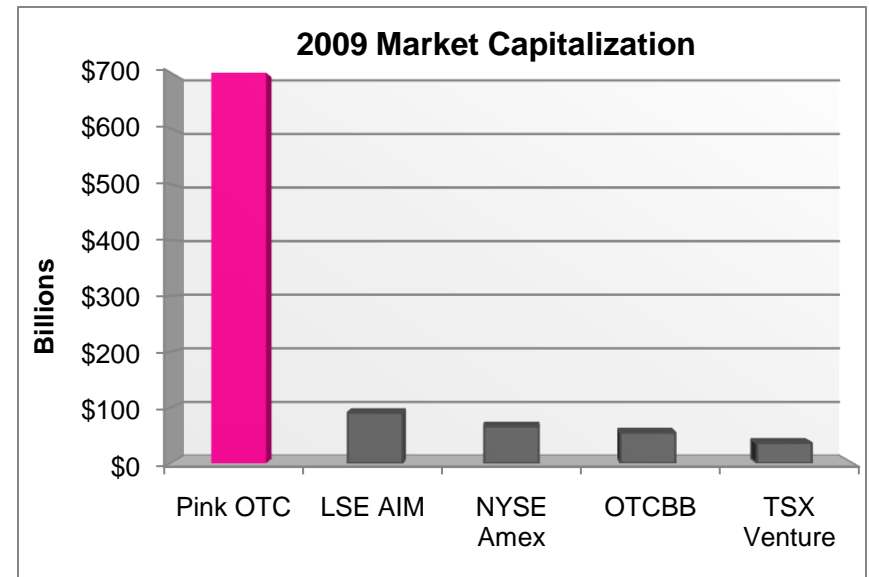
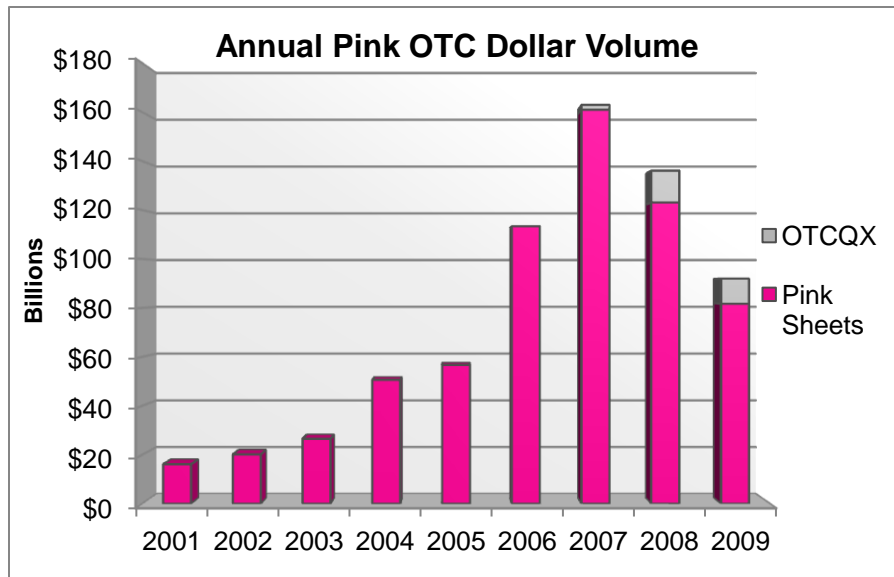
Timestamp	Price	Volume	Tick Direction	Change
12:46:51	41.35	274		-0.94
12:47:39	41.50	982	▲	-0.79
12:47:54	41.35	400	▼	-0.94
12:50:34	41.40	868	▲	-0.89
12:51:55	41.50	100	▲	-0.79
12:59:41	41.46	177	▼	-0.83

Our Strategy: Information + Transparency = Efficiency

- Increase price transparency
- Make the OTC trading process more efficient for broker-dealers
- Organize the OTC Market with different market tiers
- Improve the availability and quality of issuer disclosure for investors
- Offer a quality-controlled OTCQX platform to attract new investor-friendly companies to the OTC market

Growth of Pink OTC Markets

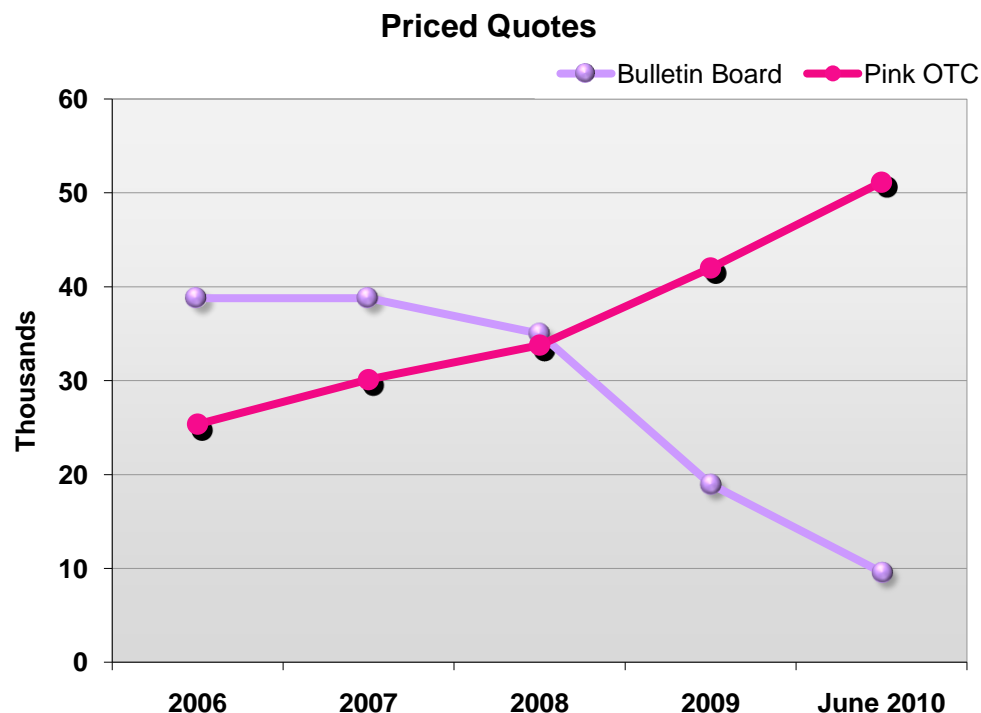
Pink OTC Is The Third Largest U.S. Marketplace



...and one of the largest alternative markets globally.

The OTC Market is Consolidating on Our Platform

More people rely on Pink OTC Markets for the most current, comprehensive OTC data



- **85%** of all priced quotes in the OTC market and all the electronic inter-dealer trading is processed by Pink OTC's systems
- **Only 28** OTC securities are now quoted exclusively on FINRA's OTC Bulletin Board
- **5 million** quotes each day are disseminated in over 9,300 securities

Organizing the OTC Market for Investors

Our Tier System attracts better and better companies to the marketplace

Pink OTC Markets has created a 3-Tier System based on the amount of disclosure each company provides to the marketplace.

otcQX the quality-controlled marketplace

otcqb the U.S. registered & reporting marketplace

pink sheets the speculative trading marketplace

The result: greater transparency and clarity for traders and investors.

World Class companies are choosing OTCQX, the quality-controlled marketplace.



BG GROUP

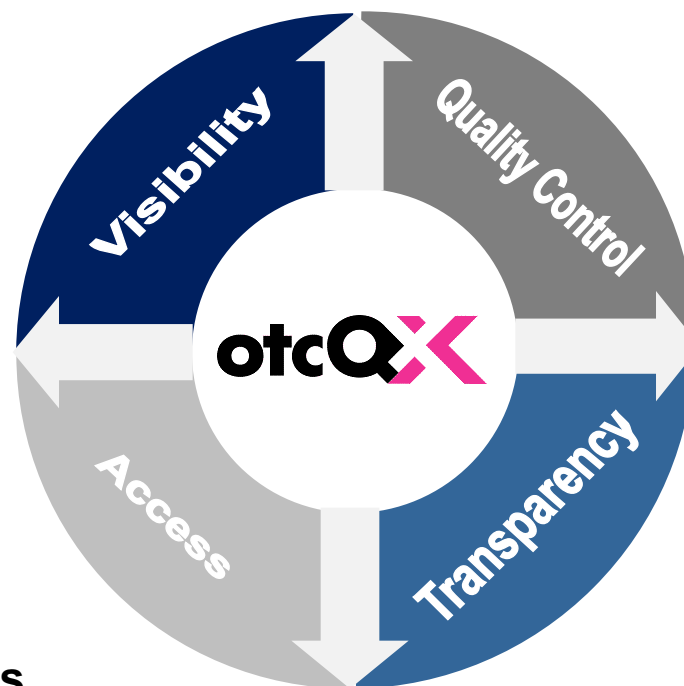


OTCQX – The Quality Controlled Marketplace

The OTCQX[®] marketplace offers OTC companies a visible listing in the U.S. that is friendlier to investors

Companies benefit from:

- **Visibility**
 - Distribution of company disclosure
- **Transparency**
 - Real-Time Level 2 Quotes
- **Access**
 - Regulated broker-dealer marketplace
 - Trading through Online brokerage accounts
- **Quality Control**
 - Qualitative and Quantitative Standards



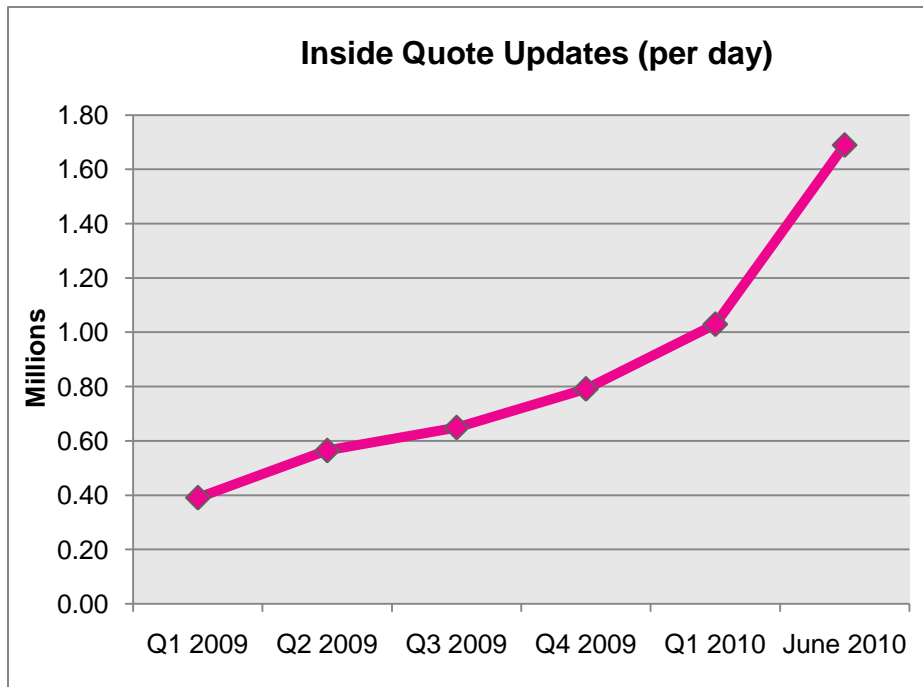
Growth in Quality, Disclosure & Transparency is Driving Trading Activity

OTC Market Tier	# Securities	\$ Volume	Share Volume	Avg. \$ Volume per Security	% Total \$ Volume
OTCQX	112	\$1,200,122,748	115,602,605	\$10,715,382	8.73%
OTCQB	3,763	\$2,530,171,455	28,611,586,739	\$672,381	18.40%
Pink Sheets Current	1,235	\$7,351,008,732	27,688,246,005	\$5,952,234	53.45%
Pink Sheets Limited	852	\$2,472,312,602	66,607,921,195	\$2,901,775	17.98%
Pink Sheets No Information	3,434	\$200,419,170	45,958,126,940	\$58,363	1.46%
Totals	9,396	\$13,754,034,708	168,981,483,484		

Source: Pink OTC Markets, May 2010

We Have More OTC Market Data

Optimum Performance Demands Real-time Data. And we deliver it.



Algorithmic trading and increases in ADRs and Canadian ordinary shares are driving a substantial increase in number of quote updates – both inside and total.

Volumes are accelerating rapidly:

- **230%** increase in total quote updates, year over year
- **3 million** more total quote updates per day in first 6 months of 2010
- **1.3 million** more inside quote updates per day since beginning of 2009

Introducing Real-Time+

Market data that's real-time, all the time.

Real-Time Reference Price

- Real-Time Best Bid and Ask in over 9,300 OTC securities
- Designed for market data terminal providers and financial website operators to give their users a baseline reference price in real-time
- Free to distributors of our premium products
- New multi-cast feed architecture
- Includes security data such as OTC Market Tiers

The Go-To Source for Broker-Dealers, Traders & Professional Investors

Real-Time+ has what you need to stay on top of the market.

Level 1+ Enhanced BBO

- Real-Time Best Bid & Ask with aggregated size
- Real-Time Price Level Bid & Ask with aggregate size for all levels
- Real-Time Pink Link time & sales
- Essential liquidity information for Investors making trading decisions

Level 2+ Professionals Choice

- Real-Time Best Bid & Ask and Level 2 Quotes
- Market Participant and Trader information included
- Real-Time Pink Link time & sales
- The Premier Market Data Product for OTC Professionals and Sophisticated Investors

The Recognized Source for OTC Security Valuation

Pink OTC has a full suite of market data products and licenses.

Pricing/Valuation Data

Pink OTC's End of Day Pricing Service is the recognized source for U.S. OTC equity security valuation.

- Over 30 data points are delivered after the close on over 20,000 OTC securities.
- Pricing data is included for over 9,300 OTC securities
- No fees or restrictions after 24 hours

Compliance, Company & Historical Data

Compliance departments, data distributors, research analysts and others access the OTC data that matters to them through Pink OTC's products:

- Security Data File (daily)
- Company Information File (weekly)
- Monthly Market Activity File (monthly)
- OTC Quote History Files (weekly and monthly)
- Data Research Service

FINRA QCF Proposal

Experience teaches us to be most on our guard to protect liberty when the government's purposes are beneficent.

The greatest dangers to liberty lurk in the insidious encroachment by men of zeal, well meaning but without understanding.

Louis D. Brandeis

Let Us Help You Stay on Top of the Market

With flexible licensing and real-time multicast technology – our customers get the right data at the right time.

Call or visit anytime for more information:

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- marketdatainquiries@pinkotc.com
- www.otcmarkets.com