Nasdaq’s Single Book Proposal:
No Basis For Further Delay
June 2, 2006

Delaying Single Book will harm investors.

Nasdaq must migrate to Single Book quickly for technical and legal reasons. INET volume is growing rapidly (currently 28% of consolidated volume) and is threatening to cripple the NSX quotation systems. The launch of Single Book will remove INET’s quotes from NSX and avoid any disruption.

Single Book will transform Nasdaq into a strict price-time priority venue. The Commission has for many years advocated this change in Nasdaq’s market structure as a means of increasing order interaction, reducing order isolation, and reducing internalization.

Order delivery is inefficient and harms investors. During the first week of May 2006, Bloomberg rejected 12.2 percent of all orders delivered; over 32,000 customer orders were not executed. The five ECN-commenters rejected over 130,000 orders that week, or 16% of orders delivered/routed by Nasdaq. During the critical start of the trading day (prior to 9:30:15), Bloomberg rejected over 25% of delivered orders and the five commenters rejected over 48% of delivered orders. There is no justification to grant Bloomberg a special delay, particularly where Bloomberg will use the delay to reject investor orders at these alarming rates.

Bloomberg overstates its need for delay.

Bloomberg is already technologically capable of participating in Nasdaq via automatic execution. Bloomberg currently participates in Nasdaq’s Opening and Closing Crosses via automatic execution. During the first week of May 2006, Bloomberg executed almost two million shares via automatic executions in the Opening and Closing Crosses. If Bloomberg can accept automatic executions in the Crosses, it can do so throughout the trading day.

Bloomberg is already technologically capable of managing its ”double execution” risk. Numerous agency brokers participate in Nasdaq via automatic execution and manage the risk of double executions by waiting for a “cancel” message from Nasdaq before executing an internal match. Bloomberg’s technical staff has told Nasdaq that Bloomberg has already programmed this feature into its system to participate in Nasdaq via automatic execution.

Bloomberg is technologically capable of quoting in the NASD ADF within a matter of days. In numerous conversations with Bloomberg technologists, Bloomberg has consistently represented to Nasdaq that moving its quotes to the ADF is a project that can be completed in days and not weeks or months. This is consistent with the speed with which BATS moved its quotes from Nasdaq to the NASD ADF.

Bloomberg overstates the impact of Single Book on ECNs.

Bloomberg is the only commenter not participating in another market. BATS, DirectEdge, Track and OnTrade are all quoting in alternative venues: BATS is quoting in NSX and the other three are quoting in the ADF.

Bloomberg's order delivery executions represent less than one percent of consolidated trading in Nasdaq stocks. For the first week of May 2006, orders that Nasdaq delivered to Bloomberg and that Bloomberg executed accounted for just nine-tenths of one percent of consolidated trades and just seven-tenths of one percent of consolidated volume in Nasdaq stocks. Bloomberg's total activity – including orders executed within Bloomberg's system – accounted for just1.6 percent of consolidated trades and 1.4 percent of consolidated volume. Bloomberg attempts to inflate its market share by using as its denominator only the activity in SuperMontage and by ignoring activity in Arca, Brut, INET, and other venues.

The Nasdaq Single Book will continue to route orders to Bloomberg should it choose to quote in an alternative venue. If Bloomberg chooses to leave Nasdaq, Nasdaq will route orders to Bloomberg just as it routes orders today to the NASD ADF, NYSE, Amex, Arca, NSX, CHX and others. There is just one practical difference between order delivery and routing: routing will not permit Bloomberg to forcibly charge Nasdaq members that use Nasdaq systems more than it charges those that subscribe to Bloomberg.

Bloomberg opposes any change to its individual status quo.

Bloomberg opposes Nasdaq's ability to remove order delivery and simultaneously opposes Nasdaq's efforts to change its fee structure for order delivery. Bloomberg has participated in Nasdaq systems in the same fashion for many years, and has failed to adapt to new business conditions in the securities markets and to evolve, as many of its competitors have done. In Bloomberg's view, Nasdaq exists to serve and preserve Bloomberg's aging business model. Any change that would force Bloomberg to innovate and compete is anathema to Bloomberg.

Bloomberg has opposed numerous Nasdaq attempts to automated and improve. It has opposed the Nasdaq Exchange Registration, Nasdaq Official Opening Price and Opening Cross, the Nasdaq Official Closing Price and Closing Cross, the Nasdaq Auto-Ex Order, SuperMontage and many other proposals. Each time, Bloomberg claims that Nasdaq is trying to force Bloomberg out of the Nasdaq market and out of business. Bloomberg is the ECN that cries "wolf!" - always predicting dire consequences, yet always managing somehow to overcome whatever strawman it erects.