FINANCIAL INFORMATION FORUM

December 21, 2012

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File Number SR-NASDAQ-2012-140

Dear Ms. Murphy,

The Financial Information Forum (FIF)[1] would like to take this opportunity to comment on the discontinuation of NASDAQ's automated quotation refresh functionality ("AQR") currently scheduled for January 15, 2013.

We are extremely concerned that the January 15, 2013 implementation date does not allow sufficient time for implementation of all functionality associated with the AQR system. It is important to note that additional work is required to replicate AQR functionality beyond instituting the market maker peg order type that was introduced in October. In order for market makers to provide liquidity at various price points, order management and trading systems need to be enhanced. For example, if the NBBO is 10.00 X 10.05 and a Market Maker A is bidding $10.00 for 100 shares. New functionality is required to move the trader's quote to 9.95 (or whatever increment is established by the market maker) once Market Maker A's bid quote is removed by execution at $10.00. Automating this process of quote movement after quote execution is critical functionality for managing market making activity. The market maker peg order type simply maintains the quote at a certain distance from the inside. New functionality is required to replicate the AQR functionality that manages quotes after execution.

Incorporating this new functionality into order management and trading systems is not a trivial change. Some firms require architectural reprogramming to mission critical systems that control trading operations. It is necessary to run thorough regression testing that includes testing of market access controls. Even in instances where firms can rely on vendor solutions for changes, these changes need to be incorporated into overall market access and risk management controls. Given that year-end code freezes typically extend into the first week of January, it will be difficult to fully incorporate and test December releases of vendor software changes in support of this functionality.

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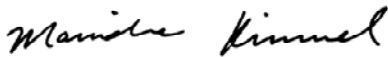
[1] FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

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Without full AQR functionality incorporated into internal and vendor systems, firms are contemplating interim solutions that would reduce their overall exposure in NASDAQ securities and limit their ability to provide liquidity. Rather than risk market disruption as a result of the inability of some firms to leverage well-tested system functionality, FIF recommends moving the discontinuation date of AQR to February 25, 2013. Based on our discussions with NASDAQ representatives, we understand that there are no technical or operational issues with extending the AQR discontinuation date. The additional time would allow sufficient time for a more orderly roll-out of vendor functionality. Additionally, it would allow firms to move past year-end code freezes and provide adequate time to complete testing and development bug fixes.

Given the current January 15, 2013 deadline, we urge the Commission to take action as quickly as possible and allow sufficient time for adequate testing of these critical systems.

Regards,

Manisha Kimmel
Executive Director
Financial Information Forum

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