

FINANCIAL INFORMATION FORUM

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Via Electronic Delivery

November 15, 2013

John Ramsay
Acting Director, Division of Trading & Markets
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: January 2014 NASDAQ Expanded Suffix Symbology

Dear Mr. Ramsay,

The Financial Information Forum (FIF)¹ would like to take this opportunity to express concerns regarding the Nasdaq Expanded Suffix Symbology currently set for implementation in January 2014.² The FIF Symbology Group has been actively working on addressing implementation issues with the new symbology and does not believe that a January 2014 implementation date is reasonable given the breadth of changes required as well as the limited testing opportunities available before year-end code freezes go into effect. Given the material nature of this change, FIF recommends postponing this initiative until June/July 2014 after a robust industry test in 1Q2014.

Background

NASDAQ currently allows issuers to list Class A and Class B securities by appending an A or B at the end of the symbol without using a dot delimiter (e.g., WXYZA). As stated in [Equity Trader Alert #2013 - 79](#), NASDAQ plans to give issuers the option to use dot (".") suffixes for Class A and Class B shares beginning January 2014 (e.g., WXYZ.A). This change represents a move away from standardization as today all NASDAQ symbols are represented in a single field. After this change goes into effect, Class A and B shares will have multiple representations in NASDAQ and other exchange/utility/vendor systems.

NASDAQ is engaging in this effort for competitive reasons to attract new issuers but has stated that they will not actively recruit issuers to change their symbols. The initial implementation of their symbology initiative will be limited to 6 character symbols (four character roots, a dot, and a one character suffix),

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. This comment letter is based on feedback from FIF broker-dealers and vendors.

² See August 27, 2013 [Equity Trader Alert #2013 - 79](#),

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specifically focusing on Class A and Class B securities, e.g., WXYZ.A and WXYZ.B. Additional notice will be given, before moving beyond Class A and B stocks. While NASDAQ has indicated that they are willing to participate in an industry initiative to standardize suffix symbology across the U.S. equities exchanges, their current effort to expand their suffix symbology will not be part of a broader plan. Rather we are taking a piecemeal approach to symbology that will require additional implementation effort as NASDAQ symbology, or symbology on any other listing market, expands to encompass additional subordinate issues or desired representations of instrument types.

NASDAQ plans to reserve four character root symbols (e.g., XYZA) to avoid symbol conflicts with three character symbols that may also have a suffix (e.g., XYZ.A). This is important because due to system limitations, OPRA and OCC will not include the dot delimiter in options symbols. The dot will be dropped and the symbol concatenated for options symbols.

Impact on Market Participants

Even though this change is expected to impact less than five symbols initially, the NASDAQ Expanded Suffix Symbology impacts every system that receives market data or processes reference data for NASDAQ symbols. This represents a material system change that impacts all aspects of the trade lifecycle including: order entry, market data, security master, compliance systems, regulatory reporting, trade comparison, and clearance and settlement functions. These changes are not limited simply to order entry and market data interfaces with NASDAQ and the other exchanges trading NASDAQ symbols. FINRA OATS will also be modifying their OATS Reportable Securities List to accommodate dot suffixes from NASDAQ. It is important to note that these will be the only OATS-reportable symbols with a dot in them since the NYSE Master Symbol file uses a space as a delimiter (e.g., BRK.A is represented as BRK A)³. Additionally, these changes are not limited to broker dealers and supporting vendor systems, institutional investors will need to update FIX connections and buy-side OMSs will need to accommodate this change.

It is important to recognize that while this change is discretionary on the part of NASDAQ, firms have mandatory regulatory changes that must be addressed including the Odd-Lot modifier changes scheduled for December 9, 2013, OTC Equity Reporting Facility (ORF) Migration scheduled for April 28, 2014, Electronic Blue Sheet changes scheduled for May 1, 2014 as well as Limit Up-Limit Down Phase 2b implementation currently scheduled for December 8, 2013⁴. Firms have already committed resources to these and other enhancements through the end of the year and first quarter of 2014. It is unclear why a discretionary change to enhance NASDAQ's listing offering for purely commercial reasons should take precedence over these other initiatives. The cost of shifting priorities has been acknowledged by other

³ OATS Reportable Securities Daily List – Start of Day List is available at <http://oatsreportable.finra.org/OATSReportableSecurities-SOD.txt>

⁴ It is expected that the implementation date for Limit Up-Limit Down will be extended to February 2014.

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self-regulatory organizations including FINRA in their recent ADF filing where they discuss the costs of “reallocating resources, shifting scheduling, and implementing” initiative-specific enhancements.⁵

Firms are concerned about the unintended consequences that the new symbols will have on their systems including trade rejections, inability to settle, and mishandling/incorrect mapping of data as it relates to trading and compliance. It is not a trivial task to simply block symbols with the new expanded suffixes from all systems that interact with NASDAQ symbols. The effort to do so would likely take longer than the current January 2014 go-live date. Additionally, to ensure that all required systems are adequately shielded from the new symbology would require robust testing.

FIF has performed a survey of its members which indicates that the majority of firms with concerns are large broker dealers⁶ with extensive retail and correspondent clearing customer bases. A copy of survey results is attached to this document. The most significant concerns identified by FIF members include:

- Ability to perform all required analysis, development, testing and deployment before year-end code freezes.
- Adequate time for testing especially integration and end-to-end testing to avoid risk to internal systems and the market.
- Unidentified issues that will only emerge as a result of testing.
- Increased complexity and risk of errors as a result of moving to a non-standard symbology for NASDAQ symbols.

As noted in the key concerns above, the insufficient time to complete adequate testing including comprehensive industry testing is a serious concern. As Proposed Regulation SCI notes, the Commission Roundtable entitled “Technology and Trading: Promoting Stability in Today’s Markets” as well as subsequent comment letters agreed that robust testing prior to material system changes reduces the risk of errors.⁷ While several FIF members participated in NASDAQ’s November 9 weekend test, several exchanges did not participate. Additionally, many of those that participated simply recorded the market data for future playback since systems are not ready to be tested.

Additionally the timing of the December 14 test is likely too late for firms to have an opportunity to make further system changes based on any new information learned from the test before code freezes begin. Members are concerned that the guidance given to date by Nasdaq is that symbology changes must be ready as early as January 2nd which would be within change freeze windows at most if not all firms. This implies that all changes in their final form would have to be fully deployed at all firms prior to the start of the freeze periods which generally begin in mid-December. The impact of code freezes and

⁵ SR-FINRA-2013-031 - Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Participation on the Alternative Display Facility

⁶ FIF members include service bureaus that support smaller broker dealers. These firms have expressed concerns regarding their clients’ readiness for January 2014.

⁷ 78 FR 18090

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insufficient testing has been acknowledged by NASDAQ with respect to past initiatives. NASDAQ postponed the discontinuation of their AQR system noting that “By extending the retirement date of AQR, member firms will be afforded additional time to test and implement new coding to their systems, thus avoiding the potential market disruption that may be caused by one or more market makers that are unable to meet their market maker obligations.”⁸ The impact of NASDAQ symbology is far greater than a single system and we believe adequate testing is critical to a successful roll-out of this change.


In a recent press release, Chairman White stated, “Our securities markets are strong and work effectively for millions of investors and businesses. The orderly functioning of those markets and the robustness of our market infrastructure are vitally important to our nation’s economy. That is why we hold ourselves to very high standards.”⁹ FIF believes that we have an opportunity to ensure that a material systems change that impacts the infrastructure for NASDAQ trading can be implemented in a low-risk, seamless fashion so that we meet the high standards expected of us by the markets and our clients. Given recent market disruptions relating to IPOs and other trading activity, we would also think that issuers would prefer to have well-subscribed offerings without any trading or downstream issues associated with the trading of their securities.

In order to address the concerns raised by FIF members, we respectfully request the following:

- Perform an industry test of the NASDAQ Expanded Symbology in 1Q2014
- Postpone the implementation date of the NASDAQ Expanded Symbology to June/July 2014

Give the immediacy of the January 2014 deadline, we urge the Commission to take action swiftly and address industry concerns with respect to NASDAQ Symbology. We would welcome the opportunity to discuss this issue in further detail. Please contact me at 312-953-9228 or kimmel@fif.com.

Regards,



Manisha Kimmel
Executive Director
Financial Information Forum

cc: The Honorable Mary Jo White, Chairman
The Honorable Luis A. Aguilar, Commissioner
The Honorable Daniel J. Gallagher, Commissioner
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner

James R. Burns, Deputy Director, Division of Trading and Markets

⁸ See SR-NASDAQ-2013-007 - Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Operative Date of Recent Changes Made to Rules 4613(a)(2)(F) and (G), and Rule 4751(f)(15)

⁹ SEC Chair White Statement on Meeting With Leaders of Exchanges, 2013-78, Sept 12, 2013

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