Nasdaq's Single Book Proposal:
Many Choices For ECNs
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Approving the Single Book quickly will benefit investors. If approved, Nasdaq's Single Book will benefit investors by offering a fast, transparent system that executes trades in price/time priority. It will promote competition by allowing Nasdaq to decrease overall trading costs for hundreds of firms that trade on Nasdaq for millions of investors' accounts. It also will ensure that Nasdaq is compliant with the new Access and Order Protection Rules of Regulation NMS. Delaying the Single Book will delay these benefits to investors, reward Bloomberg's routine dilatory tactics, and penalize Nasdaq after it responded faster than other markets to meet the original Regulation NMS implementation date.

The Single Book will be available equally to all Nasdaq members, including all ECNs. Nasdaq is not excluding ECNs. Nasdaq welcomes Bloomberg, DirectEdge, TrackECN and any other ECN to participate in its execution systems provided that they, like all other Nasdaq members, make their trading interest available for automatic execution when using the Nasdaq Market Center. All Single Book functionality is offered equally to all participants and all participants will be charged the same fees. Nasdaq is simply proposing to eliminate special benefits that currently provide a small class of privileged users with an advantage over other broker dealers with which they compete.

ECNs such as Bloomberg are fully capable of operating in an automatic execution environment. In fact, two ECNs (TrackECN and MarketXT) have participated in Nasdaq on an automated execution basis. Bloomberg is one of the premier technology operators in the securities industry, with respected capabilities not only in trading, but order routing and data consolidation as well. Bloomberg's own execution systems are fully automated and it requires its own subscribers to accept automatic executions.

Bloomberg chooses not to accept automatic executions for its individual business reasons. Bloomberg's business model is to isolate orders within its own system and thereby maximize internalization. If internal executions are merely "incidental" to Bloomberg's business model, as it claims, eliminating order delivery functionality would have minimal impact on Bloomberg's business. Accordingly, Nasdaq should not be forced to conform to Bloomberg's business model and thereby cripple its own ability to compete effectively.

The risk of "double execution" is a long-standing straw man. For many years, Bloomberg has claimed that to automate would expose it to the risk double executions; once within its own system and again within Nasdaq's. Bloomberg assumes that it must cancel its quote on Nasdaq only ***after*** executing an order internally. This ignores the many agency brokers that accept automatic executions in Nasdaq and that manage the risk of double executions by canceling their quotes on Nasdaq ***before*** executing an order internally. Bloomberg competes directly with these agency brokers, including among many others ITG, Instinet (which no longer has an ECN) Bank of New York, UNX, White Cap Securities, and Sanford Bernstein.