NASD Self-Help Modifier Implementation Issues
Joint SIFMA/FIF Survey Results and Recommendations
March 30, 2007

Following the meeting between NASD and representatives of SIFMA and FIF, additional feedback from firms and service bureaus was collected in order to better describe the implementation issues and level of effort required to include a self-help modifier in the sales condition field of trade reports. Firms have indicated that implementing the modifier is not impossible, but would most certainly require additional effort that was not expected (based on a review of October 16, 2007 SIP and TRF specs).

The level of difficulty associated with implementing the self-help modifier depends on which component includes the functionality for determining and maintaining information on the self-help status of the automated trading centers. The following table summarizes the combined results of SIFMA and FIF surveying their respective constituencies regarding the development effort required to implement the self-help modifier in byte 2 of the sales condition code when self-help is the only exemption invoked.

Implementation Effort Required	Implementation Time Required	Number of Respondents	% of Total
Limited	4 months	2	13%
Moderate	4 - 6 months	8 (representing over 250 BD clients)	50%
Moderate to Significant	5 – 6 months	2	13%
Significant	6 – 7 months	4	25%

Firms and service bureaus responding to the survey provided additional feedback, which is grouped by the level of effort as follows:

Limited Implementation Effort:
The firms noting that limited implementation effort is required explained that their systems do not have a significant disconnect between quoting and trade reporting. Their front office systems have been designed in such a way that they would be able to integrate self-help into ACT reporting in the July timeframe.

Moderate Implementation Effort:
The firms noting a moderate implementation effort provided the following explanations:
- Amount of effort required is based on coding for the Trade-Through Exempt flag for specific instances where the only exemption claimed is self-help.
- Current systems are not presently architected to transmit information regarding self-help to downstream systems.
- Even when a firm has the data to determine if self-help is the appropriate exemption, testing of this would be difficult and significant, since most of the various use cases depend on venue order books and how they react to market conditions.
- Once a firm decides to stop routing orders to the SRO/ATS, it needs to co-ordinate that change with an update to its trade reporting application. Those are

generally separate applications, and making a bridge between the two will not be a simple change.

- A moderate amount of effort is required because the current design of a firm's Reg NMS infrastructure does not require passing the self-help information through the system to the trade reporting system. Further, both primary trade reporting systems (e.g., ACT FIX) as well as back-up trade reporting infrastructures (e.g., ACT via a SOES connection) need to be modified. This significantly increases the complexity of the task.
- Our firm has not devoted resources to planning for an additional trade modifier to be used in these circumstances. Therefore, resources dedicated to other areas will have to be pulled off those projects to tackle this requirement.
- Firm is using a third party system to declare self-help for order routing, but the SORT engine is not hooked up to the firm's internal trade reporting system. They receive e-mail and end of day reports for self-help declarations. While they do receive messages back from the third party vendor when sending ISOs and will know if the only protected quote was one they were declaring self-help on, these messages are not integrated into the trade reporting system.
- Our firm's having multiple trading systems for the different businesses within equities adds difficulty since coordinating this across all applications would be required.

Significant Implementation Effort:
The firms noting a significant implementation effort provided the following explanations:
- In cases where the decision to invoke self-help against a market center is made by production/customer support groups, it will require code changes in order to take that decision all the way from the production/customer support area to the part of the system where the ACT reporting is done.
- Database conversion and storage capacity requirements were set prior to the release of the new specification. Implementing the self-help modifier requires input from upstream vendors before the firm can implement their own changes.
- The self-help modifier is the only trade modifier that is dependent on market connectivity status. In cases where the self-helped market is included in the market data feed and is accessible to the trading system but self-help status is maintained within the market connectivity component, the implementation effort is significant. Development required includes passing market connectivity status between that module and the trading and trade reporting systems.
- Logic needs to be added to only include the self-help flag in the absence of other ISOs.
- In those cases where a buy-side client had indicated a single price execution (also known as "Print and Sweep") and a firm might otherwise print the trade report immediately using the ISO exempt flag, it is unclear if the firm would need to wait to determine if self-help was invoked on the market where the ISO had been routed.
- Many different flows are involved in the process. Mechanisms for declaring self help are different across architectures within a firm.
- The need to connect self-help logic to trade reporting is unclear; developing the arbitration logic between self-help and ISO routing is not trivial.
- For a firm relying on a vendor, their understanding is that accommodating this change is a significant effort.

- Coordination between compliance, IT and business unit is required, and several additional man weeks of development and coordination time is required.

SIFMA/FIF Recommended Approach:

We note that use of the self-help exemption will be well-documented as part of a firm's policies and procedures, and recommend that firms be afforded flexibility in providing self-help information to the NASD at least until after the industry has had more experience with the self-help exemption. Such flexibility would reduce the implementation burden on firms at this time, and we believe still give NASD sufficient surveillance information until final decisions are made in this area. In this regard, the following self-help options could be provided to firms:

1) Incident reports made available to NASD upon request.

2) A possible monthly or daily report sent to the NASD with self-help start time, end time, and reason for declaration.

3) Firms could copy NASD on emails when declaring self-help against a market.

Rather than make a final decision on this now, SIFMA and FIF jointly and respectfully recommend using the Reg NMS Pilot Phase to determine how self-help is being used and what makes sense from a trade modifier perspective.

We would be happy to explore this issue with you further either before or during the Pilot Phase.

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