

The Archipelago Exchange Calls for the Repeal of Anti-Competitive Rules and Policies

-- Jerry Putnam, CEO of The World's Largest Fully Electronic Stock Exchange, Testifies to Congress About the Need for Competition in Both the Trading and Listing of U.S. Equities --

New York, NY - February 20, 2004 - In testimony to the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises on February 20, 2004, Jerry Putnam, CEO of the Archipelago ExchangeSM (ArcaEx[®]), asserted that a healthy dose of dynamic competition was the best cure for the ills plaguing the U.S. equities marketplaces today.

Like NYSE[®] Rule 390 that “imprisoned investor trade execution on the floor of NYSE” and NYSE Rule 500 that “imprisoned issuer listings on the floor of the NYSE”, both repealed under pressure, Putnam asserted that current NYSE anti-competitive barriers still exist today, protected by the Inter-Market Trading System (ITS) Plan, its trade through rule and governing administrative policy.

“Industry insiders have known for years that the trade through rule is the least enforced rule this side of the double nickel speed limit on America’s highways. And what may come as great surprise to those outside the industry is that the biggest recidivist and serial violator of the trade through rule is none other than the NYSE,” Putnam said in his appeal for trade through enforcement and reform.

Commenting on the NYSE’s recent announcement concerning Direct+ and electronic automation at the NYSE, Putnam stressed that Direct + would not affect inter-market linkages and went on to add that the “NYSE is attempting to masquerade as a reformist when nothing in fact has changed.”

Noting the role of the specialist, Putnam stated “If specialists – in whatever shape or form they may take – provide a valuable service to investors and traders and institutions, they will (should) in deed have a material role in the execution of securities in our marketplaces. The corollary of that statement, of course, is also true; if specialists provide little to no value, or even extract value, from investors and traders and institutions, their role will (should) be immaterial and marginal.”

Highlighting the introduction of Nasdaq’s[®] own version of “Rule 500”, which requires Nasdaq-listed issuers who are part of the Nasdaq-100 Index to be exclusively listed on Nasdaq, Putnam said, of this anti-competitive change, that “The punishment for the crime of dually listing on another exchange is ignominiously being thrown out of the Nasdaq-100 Index Trust (alias “QQQ”) and having hundreds of millions or even billions of dollars in the offending issuer’s stock (depending on market capitalization) summarily sold overnight by the trust.” Noting the hypocrisy of this move Putnam pointed out Nasdaq’s vehement opposition to NYSE’s Rule 500 prior to its abolition and Nasdaq’s recent efforts to court dual listing.

A copy of Jerry Putnam’s complete written testimony is available at http://www.archipelago.com/content/announce/CongressionalWrittenTestimony2_20_04.pdf or under the Inside Archipelago/News and Views/Viewpoints section of the Archipelago web site.

About the Archipelago Exchange

The Archipelago Exchange (ArcaEx) is dedicated to openness, transparency and equal access to equity markets. ArcaEx's advanced technology, open architecture and unbiased trading platform provide investors with fast, cost-efficient and anonymous market access. On October 25, 2001, the SEC approved the rules creating ArcaEx. The exchange features a trading system that searches for the best execution for each order. ArcaEx is the first totally open, fully electronic stock exchange to trade in all New York Stock Exchange®; Nasdaq®; American Stock Exchange®; and Pacific Exchange®; securities. ArcaEx is regulated by the Pacific Exchange. The Archipelago ECN, a precursor to ArcaEx, was one of the four original ECNs, formed in December 1996 with Townsend Analytics. For more information about the Archipelago Exchange, please visit www.archipelago.com.

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