From Xiaohui Gao and Jay R. Ritter,
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Appendix B. Adjustment of trading volume on Nasdaq

To adjust for institutional features of the way that Nasdaq and NYSE-Amex volume are computed, prior to February 1, 2001, we divide Nasdaq volume by 2.0. This accounts for the practice of counting as trades both trades with market makers and trades among market makers. On February 1, 2001, a "riskless principal" rule went into effect, according to the director of research of Nasdaq and Frank Hathaway, the chief economist of Nasdaq, that resulted in a reduction of approximately 10% in reported volume. Thus, for February 1, 2001 to December 31, 2001, we divide Nasdaq volume by 1.8. During 2002, securities firms began to charge institutional investors commissions on Nasdaq trades, rather than the prior practice of merely marking up or down the net price, resulting in a further reduction in reported volume of approximately 10%. Thus, for 2002 and 2003, we divide Nasdaq volume by 1.6. For 2004 and later years, in which much of the volume of Nasdaq (and NYSE) stocks has been occurring on crossing networks and other venues, we use a divisor of 1.0, reflecting the fact that there are no longer important differences in the reporting of Nasdaq and NYSE volume.