

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="85"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2013"/> - * <input type="text" value="033"/>
Amendment No. (req. for Amendments *) <input type="text"/>		

Filing by NASDAQ Stock Market  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires * <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>
Section 806(e)(2) <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

A Proposed Rule Change to Extend the Pre-Market Hours of the Exchange to 4:00 a.m. EST.

**Contact Information**  
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date  Executive Vice President and General Counsel

By

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to extend the pre-market hours of the Exchange to 4:00 a.m. EST, from the current opening time of 7:00 a.m. EST.

The Exchange has designated this proposed rule change as immediately effective as a non-controversial proposal under Exchange Act Rule 19b-4(f)(6)<sup>3</sup> based on its similarity to the rules of the NYSE Arca Exchange. NASDAQ will implement this proposal on March 18, 2013, which is at least 30 days from the date of submission of this proposal.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of NASDAQ pursuant to authority delegated by the Board of Directors of the Exchange on July 10, 2012. NASDAQ staff will advise the Board of Directors of the Exchange of any action

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

taken pursuant to delegated authority. No other action by NASDAQ is necessary for the filing of the rule change.

The proposed rule change has been designated as appropriate to become effective upon filing. Questions regarding this rule filing may be directed to Jeffrey S. Davis, Vice President and Deputy General Counsel, The NASDAQ OMX Group, Inc. at (301) 978-8484.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

**Background.** NASDAQ's equities trading day is divided into three sessions: (1) the pre-market session which runs from 7:00 a.m. to 9:29:59 a.m.; (2) the regular session which runs from 9:30 a.m. to 4:00 p.m.; and (3) the post-market session which runs from 4:00:00:01 p.m. to 8:00 p.m. The vast majority of trading occurs during the regular session; over 91 percent of average daily trading volume in NASDAQ-listed equities is executed during the regular session. Nonetheless, the pre-market and post-market sessions provide critical price formation and trading opportunities for a small group of equities market participants. For those equities and market participants, the presence of a transparent, liquid, and efficient market during the pre-market or post-market session is vital to public investors, and to the firms themselves.

The NYSE Arca Exchange is currently the only U.S. equities exchange that operates a pre-market trading session for equities beginning at 4:00 a.m. Increasingly, the trading period between 4:00 a.m. and 7:00 a.m. provides a significant opportunity for certain investors and traders. A meaningful percentage of total daily trading volume in NASDAQ-listed securities is reported as executed before 7:00 a.m., especially for

individual stocks that experience material news or other trading events overnight.

Additionally, NASDAQ understands from its members that an increasing number of limit orders are entered into the NYSE Arca system before 7:00 a.m. and execute after 7:00 a.m. While it is difficult to quantify the total number of orders and shares in this category based on available trade reporting limitations, NASDAQ believes that significant liquidity comes to rest prior to 7:00 a.m.

Accordingly, NASDAQ believes that opening its system at 4:00 a.m. will benefit investors, the national market system, NASDAQ members and the NASDAQ market. Opening at 4:00 a.m. will benefit investors and the national market system by increasing competition for order flow and executions, and thereby spurring product enhancements and lowering prices. Opening at 4:00 a.m. will benefit NASDAQ members and the NASDAQ market by increasing trading opportunities between 4:00 a.m. and 7:00 a.m. without increasing ancillary trading costs (telecommunications, data, connectivity, etc.) and, thereby, decreasing average trading costs per share. Opening NASDAQ at 4:00 a.m. will also benefit NASDAQ members that choose not to participate in the early hours but nonetheless gain the opportunity to interact with liquidity entered by other members during the early session.

**Operations.** From the members' operational perspective, NASDAQ's goal is to permit trading for those that choose to trade, without imposing burdens on those that do not. Thus, for example, NASDAQ will not require any NASDAQ member to participate in the extended session, including not requiring registered market makers to make two-sided markets between 4:00 a.m. and 7:00 a.m. NASDAQ will minimize members' preparation efforts to the greatest extent possible by allowing members to trade beginning

at 4:00 a.m. with the same equipment, connectivity, order types, and data feeds they currently use from 7:00 a.m. onwards.

Opening Process. NASDAQ will offer no opening cross at 4:00 a.m., just as it offers no Opening Cross at 7:00 a.m. today. Instead, at 4:00 a.m., the NASDAQ system will “wake up” by loading in price/time priority all open trading interest carried over from the previous trading day. Also at 4:00 a.m., NASDAQ will open the execution system and accept new eligible orders, just as it currently does at 7:00 a.m. Members will be permitted to enter orders beginning at 4:00 a.m. Market makers will be permitted but not required to open their quotes beginning at 4:00 a.m. in the same manner they open their quotes today beginning at 7:00 a.m.

Order Types. Every NASDAQ order type that is currently available beginning at 7:00 a.m. will be available beginning at 4:00 a.m. All other order types, and all order type behaviors, will otherwise remain unchanged. NASDAQ will not extend the expiration times of any orders. For example, an order that is currently available from 7:00 a.m. to 4:00 p.m. will be modified to be available from 4:00 a.m. to 4:00 p.m. An order that is available from 7:00 a.m. to 9:30 a.m. will be modified to be available from 4:00 a.m. to 9:30 a.m. In the future, display and non-display characteristics will operate beginning at 4:00 a.m., as they do today beginning at 7:00 a.m.

Routing Services. NASDAQ will route orders to away markets between 4:00 a.m. and 7:00 a.m., just as it does today between 7:00 a.m. and 9:30 a.m. All routing strategies set forth in NASDAQ Rule 4758 will remain otherwise unchanged, performing the same instructions they perform between 4:00 a.m. and 7:00 a.m. today.

Order Processing. Order processing under NASDAQ Rule 4757 will operate beginning at 4:00 a.m. just as it does today beginning at 7:00 a.m. There will be no changes to the ranking, display, execution algorithms, or decrementation processes or rules.

Data Feeds. NASDAQ will report the best bid and offer on the Exchange to the appropriate network processor, as it currently does beginning 7:00 a.m. NASDAQ proprietary data feeds will be disseminated beginning at 4:00 a.m. using the same formats and delivery mechanisms with which NASDAQ currently disseminates them beginning at 7:00 a.m.

Trade Reporting. Trades executed between 4:00 a.m. and 7:00 a.m. will be reported to the appropriate network processor with the “.T” modifier, just as they are reported today beginning at 7:00 a.m.

Adjustment of Open Orders. NASDAQ will adjust open orders for the 4:00 a.m. opening pursuant to the requirements of NASDAQ Rule 4761 just as it does today for the 7:00 a.m. opening.

Fees. NASDAQ is changing no fees in connection with this proposal.

***Market Surveillance.*** NASDAQ’s commitment to high quality regulation at all times will extend to 4:00 a.m. NASDAQ will offer all surveillance coverage currently performed by NASDAQ MarketWatch beginning at 3:45 a.m. In other words, surveillance coverage will begin 15 minutes pre-open, just as it does today.

Personnel. Quality surveillance begins with quality personnel. Highly trained primary and back-up regulatory personnel will be in place at 3:45 a.m. and the NASDAQ Call Center will open at 4:00 a.m.

Systems. All MarketWatch surveillance systems will launch by the time trading starts. At 4:00 a.m. NASDAQ personnel will begin conducting alert reviews, clearly erroneous trade processing, and member firm contacts just as they do today beginning at 7:00 a.m.

Trading Halts. Currently MarketWatch institutes trading halts from 7 a.m. to 8 p.m. NASDAQ plans to institute a subset of trading halts between 4:00 a.m. and 7:00 a.m. First, NASDAQ will halt trading at the request of an issuer, which NASDAQ believes is also the practice of the NYSE across its affiliated exchanges for its listed companies. Second, NASDAQ will halt trading in conjunction with a trading halt imposed by a foreign listing market. As described below, NASDAQ does not plan to review issuer disclosures during the 4:00 a.m. to 7:00 a.m. period, obviating the need for material news halts.

Clearly Erroneous Trade Processing. NASDAQ will process trade breaks beginning at 4:00 a.m. pursuant to NASDAQ Rules 4762 and 11890 just as it does today beginning at 7:00 a.m.

Issuer Disclosure Requirements. To avoid burdening issuers, NASDAQ will not extend the current issuer disclosure requirements set forth in NASDAQ Rule 5250 and NASDAQ IM-5250, which require overnight material disclosures to be forwarded to MarketWatch by 6:50 a.m. This will allow issuers to continue the practice of disclosing material news between 4:00 a.m. and 7:00 a.m. to avoid triggering a halt by NASDAQ or another listing market. Issuers prefer to avoid triggering material news halts because the halt process involves interaction between NASDAQ and designated officials at the issuer. Our proposed policy would obviate the need for these officials to be available at

unexpected hours. This also limits the need for trade halt coordination between NASDAQ and the NYSE Arca Exchange between 4:00 a.m. and 7:00 a.m.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>4</sup> in general, and with Section 6(b)(5) of the Act,<sup>5</sup> in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transaction in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed rule change promotes this goal by offering additional trading opportunities to NASDAQ members that desire them, without imposing burdens on NASDAQ members that do not. The proposal will facilitate a well-regulated, orderly, and efficient market during a period of time that is currently underserved.

NASDAQ notes that the proposed trading period has been available for years on the NYSE Arca Exchange. NASDAQ believes that the availability of trading between 4:00 a.m. and 7:00 a.m. has been beneficial to market participants including investors and issuers on other markets. The Exchange believes that offering a competing trading session will further benefit investors by promoting competition and order interaction, while imposing no added costs on investors or other market participants that choose not avail themselves of these benefits.

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<sup>4</sup> 15 U.S.C. 78f.

<sup>5</sup> 15 U.S.C. 78f(b)(5).

4. Self-Regulatory Organization's Statement on Burden on Competition

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. To the contrary, NASDAQ believes that offering a competing early trading session is pro-competitive in that it will increase competition for order flow, for execution services and for listings. The fact that the early trading session is itself an identical response to the competition provided by another market is proof of its pro-competitive nature. NASDAQ fully expects that other listing venues will respond by further extending their trading sessions as well.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>6</sup> and Rule 19b-4(f)(6)<sup>7</sup> thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

NASDAQ believes that the proposed rule change meets each of these requirements in that the NYSE Arca Exchange currently offers an early trading session that is orderly and efficient. The NASDAQ proposal presents no regulatory issues not already implicated and addressed in the context of the NYSE Arca trading session. The NYSE Arca early trading session presents the same regulatory issues as NASDAQ's proposal, including consolidated and proprietary market data, order entry and execution services, halts, disclosures, clearly erroneous trades, and market surveillance. Investors, firms and the Commission are familiar with the operation of early trading sessions, and NASDAQ has designed its proposal to present no new regulatory issues.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposal to extend trading hours to 4:00 a.m. EST is based on Rule 7.34 of the Equities Trading Rules of the NYSE Arca Exchange as described above in Section 3a of this form.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 –Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5 –Text of Proposed Changes

**EXHIBIT 1**

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASDAQ-2013-033)

February \_\_, 2013

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Pre-Market Hours of the Exchange to 4:00 a.m. EST

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 21, 2013, The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”), filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

NASDAQ proposes to extend the pre-market hours of the Exchange to 4:00 a.m. EST, from the current opening time of 7:00 a.m. EST.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

**Background.** NASDAQ's equities trading day is divided into three sessions: (1) the pre-market session which runs from 7:00 a.m. to 9:29:59 a.m.; (2) the regular session which runs from 9:30 a.m. to 4:00 p.m.; and (3) the post-market session which runs from 4:00:00:01 p.m. to 8:00 p.m. The vast majority of trading occurs during the regular session; over 91 percent of average daily trading volume in NASDAQ-listed equities is executed during the regular session. Nonetheless, the pre-market and post-market sessions provide critical price formation and trading opportunities for a small group of equities market participants. For those equities and market participants, the presence of a transparent, liquid, and efficient market during the pre-market or post-market session is vital to public investors, and to the firms themselves.

The NYSE Arca Exchange is currently the only U.S. equities exchange that operates a pre-market trading session for equities beginning at 4:00 a.m. Increasingly, the trading period between 4:00 a.m. and 7:00 a.m. provides a significant opportunity for certain investors and traders. A meaningful percentage of total daily trading volume in NASDAQ-listed securities is reported as executed before 7:00 a.m., especially for individual stocks that experience material news or other trading events overnight. Additionally, NASDAQ understands from its members that an increasing number of limit orders are entered into the NYSE Arca system before 7:00 a.m. and execute after 7:00 a.m. While it is difficult to quantify the total number of orders and shares in this category

based on available trade reporting limitations, NASDAQ believes that significant liquidity comes to rest prior to 7:00 a.m.

Accordingly, NASDAQ believes that opening its system at 4:00 a.m. will benefit investors, the national market system, NASDAQ members and the NASDAQ market. Opening at 4:00 a.m. will benefit investors and the national market system by increasing competition for order flow and executions, and thereby spurring product enhancements and lowering prices. Opening at 4:00 a.m. will benefit NASDAQ members and the NASDAQ market by increasing trading opportunities between 4:00 a.m. and 7:00 a.m. without increasing ancillary trading costs (telecommunications, data, connectivity, etc.) and, thereby, decreasing average trading costs per share. Opening NASDAQ at 4:00 a.m. will also benefit NASDAQ members that choose not to participate in the early hours but nonetheless gain the opportunity to interact with liquidity entered by other members during the early session.

***Operations.*** From the members' operational perspective, NASDAQ's goal is to permit trading for those that choose to trade, without imposing burdens on those that do not. Thus, for example, NASDAQ will not require any NASDAQ member to participate in the extended session, including not requiring registered market makers to make two-sided markets between 4:00 a.m. and 7:00 a.m. NASDAQ will minimize members' preparation efforts to the greatest extent possible by allowing members to trade beginning at 4:00 a.m. with the same equipment, connectivity, order types, and data feeds they currently use from 7:00 a.m. onwards.

**Opening Process.** NASDAQ will offer no opening cross at 4:00 a.m., just as it offers no Opening Cross at 7:00 a.m. today. Instead, at 4:00 a.m., the NASDAQ system

will “wake up” by loading in price/time priority all open trading interest carried over from the previous trading day. Also at 4:00 a.m., NASDAQ will open the execution system and accept new eligible orders, just as it currently does at 7:00 a.m. Members will be permitted to enter orders beginning at 4:00 a.m. Market makers will be permitted but not required to open their quotes beginning at 4:00 a.m. in the same manner they open their quotes today beginning at 7:00 a.m.

Order Types. Every NASDAQ order type that is currently available beginning at 7:00 a.m. will be available beginning at 4:00 a.m. All other order types, and all order type behaviors, will otherwise remain unchanged. NASDAQ will not extend the expiration times of any orders. For example, an order that is currently available from 7:00 a.m. to 4:00 p.m. will be modified to be available from 4:00 a.m. to 4:00 p.m. An order that is available from 7:00 a.m. to 9:30 a.m. will be modified to be available from 4:00 a.m. to 9:30 a.m. In the future, display and non-display characteristics will operate beginning at 4:00 a.m., as they do today beginning at 7:00 a.m.

Routing Services. NASDAQ will route orders to away markets between 4:00 a.m. and 7:00 a.m., just as it does today between 7:00 a.m. and 9:30 a.m. All routing strategies set forth in NASDAQ Rule 4758 will remain otherwise unchanged, performing the same instructions they perform between 4:00 a.m. and 7:00 a.m. today.

Order Processing. Order processing under NASDAQ Rule 4757 will operate beginning at 4:00 a.m. just as it does today beginning at 7:00 a.m. There will be no changes to the ranking, display, execution algorithms, or decrementation processes or rules.

Data Feeds. NASDAQ will report the best bid and offer on the Exchange to the appropriate network processor, as it currently does beginning 7:00 a.m. NASDAQ proprietary data feeds will be disseminated beginning at 4:00 a.m. using the same formats and delivery mechanisms with which NASDAQ currently disseminates them beginning at 7:00 a.m.

Trade Reporting. Trades executed between 4:00 a.m. and 7:00 a.m. will be reported to the appropriate network processor with the “.T” modifier, just as they are reported today beginning at 7:00 a.m.

Adjustment of Open Orders. NASDAQ will adjust open orders for the 4:00 a.m. opening pursuant to the requirements of NASDAQ Rule 4761 just as it does today for the 7:00 a.m. opening.

Fees. NASDAQ is changing no fees in connection with this proposal.

***Market Surveillance.*** NASDAQ’s commitment to high quality regulation at all times will extend to 4:00 a.m. NASDAQ will offer all surveillance coverage currently performed by NASDAQ MarketWatch beginning at 3:45 a.m. In other words, surveillance coverage will begin 15 minutes pre-open, just as it does today.

Personnel. Quality surveillance begins with quality personnel. Highly trained primary and back-up regulatory personnel will be in place at 3:45 a.m. and the NASDAQ Call Center will open at 4:00 a.m.

Systems. All MarketWatch surveillance systems will launch by the time trading starts. At 4:00 a.m. NASDAQ personnel will begin conducting alert reviews, clearly erroneous trade processing, and member firm contacts just as they do today beginning at 7:00 a.m.

Trading Halts. Currently MarketWatch institutes trading halts from 7 a.m. to 8 p.m. NASDAQ plans to institute a subset of trading halts between 4:00 a.m. and 7:00 a.m. First, NASDAQ will halt trading at the request of an issuer, which NASDAQ believes is also the practice of the NYSE across its affiliated exchanges for its listed companies. Second, NASDAQ will halt trading in conjunction with a trading halt imposed by a foreign listing market. As described below, NASDAQ does not plan to review issuer disclosures during the 4:00 a.m. to 7:00 a.m. period, obviating the need for material news halts.

Clearly Erroneous Trade Processing. NASDAQ will process trade breaks beginning at 4:00 a.m. pursuant to NASDAQ Rules 4762 and 11890 just as it does today beginning at 7:00 a.m.

Issuer Disclosure Requirements. To avoid burdening issuers, NASDAQ will not extend the current issuer disclosure requirements set forth in NASDAQ Rule 5250 and NASDAQ IM-5250, which require overnight material disclosures to be forwarded to MarketWatch by 6:50 a.m. This will allow issuers to continue the practice of disclosing material news between 4:00 a.m. and 7:00 a.m. to avoid triggering a halt by NASDAQ or another listing market. Issuers prefer to avoid triggering material news halts because the halt process involves interaction between NASDAQ and designated officials at the issuer. Our proposed policy would obviate the need for these officials to be available at unexpected hours. This also limits the need for trade halt coordination between NASDAQ and the NYSE Arca Exchange between 4:00 a.m. and 7:00 a.m.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>3</sup> in general, and with Section 6(b)(5) of the Act,<sup>4</sup> in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transaction in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed rule change promotes this goal by offering additional trading opportunities to NASDAQ members that desire them, without imposing burdens on NASDAQ members that do not. The proposal will facilitate a well-regulated, orderly, and efficient market during a period of time that is currently underserved.

NASDAQ notes that the proposed trading period has been available for years on the NYSE Arca Exchange. NASDAQ believes that the availability of trading between 4:00 a.m. and 7:00 a.m. has been beneficial to market participants including investors and issuers on other markets. The Exchange believes that offering a competing trading session will further benefit investors by promoting competition and order interaction, while imposing no added costs on investors or other market participants that choose not avail themselves of these benefits.

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<sup>3</sup> 15 U.S.C. 78f.

<sup>4</sup> 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

NASDAQ does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. To the contrary, NASDAQ believes that offering a competing early trading session is pro-competitive in that it will increase competition for order flow, for execution services and for listings. The fact that the early trading session is itself an identical response to the competition provided by another market is proof of its pro-competitive nature. NASDAQ fully expects that other listing venues will respond by further extending their trading sessions as well.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>5</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>6</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>6</sup> 17 CFR 240.19b-4(f)(6).

protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved. The Exchange has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2013-033 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2013-033. This file number should be included on the subject line if e-mail is used.

To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2013-033, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Proposed new text is underlined; Deleted text is [bracketed].

**NASDAQ Stock Market Rules****Equity Rules**

\* \* \* \* \*

**4120. Trading Halts****(a) Authority to Initiate Trading Halts or Pauses**

In circumstances in which Nasdaq deems it necessary to protect investors and the public interest, Nasdaq, pursuant to the procedures set forth in paragraph (c):

**(1)** may halt trading on Nasdaq of a Nasdaq-listed security to permit the dissemination of material news, provided, however, that in the Pre-Market Session (as defined in section 4120(b)(4)) NASDAQ will halt trading for dissemination of news only at the request of an issuer or pursuant to section (a)(2) below; or

**(2)** may halt trading on Nasdaq of a security listed on another national securities exchange during a trading halt imposed by such exchange to permit the dissemination of material news; or

**(3)** may halt trading on Nasdaq: (A) in a security listed on another national securities exchange when such exchange imposes a trading halt in that security because of an order imbalance or influx ("operational trading halt"); or (B) Nasdaq market makers in a security listed on Nasdaq, when the security is a derivative or component of a security listed on another national securities exchange and such exchange imposes an operational trading halt in that security. In the event that Nasdaq halts trading, Nasdaq Participants may commence quotations and trading at any time following initiation of operational trading halts, without regard to procedures for resuming trading set forth in paragraph (c); or

**(4)** may halt trading in an American Depositary Receipt ("ADR") or other security listed on Nasdaq, when the Nasdaq-listed security or the security underlying the ADR is listed on or registered with another national or foreign securities exchange or market, and the national or foreign securities exchange or market, or regulatory authority overseeing such exchange or market, halts trading in such security for regulatory reasons; or

**(5)** may halt trading in a security listed on Nasdaq when Nasdaq requests from the issuer information relating to:

**(A)** material news;

**(B)** the issuer's ability to meet Nasdaq listing qualification requirements, as set forth in the Listing Rule 5000 Series; or

**(C)** any other information which is necessary to protect investors and the public interest.

**(6)** may halt trading in a security listed on Nasdaq when

**(A)** extraordinary market activity in the security is occurring, such as the execution of a series of transactions for a significant dollar value at prices substantially unrelated to the current market for the security, as measured by the national best bid and offer, and

**(B)** Nasdaq determines that such extraordinary market activity is likely to have a material effect on the market for the security; and

**(C)**

**(i)** Nasdaq believes that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, Nasdaq;

**(ii)** After consultation with another national securities exchange trading the security on an unlisted trading privileges basis, Nasdaq believes that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, such other national securities exchange; or

**(iii)** After consultation with FINRA regarding a FINRA facility trading the security, Nasdaq believes that such extraordinary market activity is caused by the misuse or malfunction of such FINRA facility or an electronic quotation, communication, reporting, or execution system linked to such FINRA facility.

**(7)** may halt trading in a security that is the subject of an Initial Public Offering on Nasdaq.

**(8)** may halt trading in an index warrant on Nasdaq whenever Nasdaq Regulation shall conclude that such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are the following:

**(A)** trading has been halted or suspended in underlying stocks whose weighted value represents 20 or more of the index value;

**(B)** the current calculation of the index derived from the current market prices of the stocks is not available;

**(C)** other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

**(9)** may halt trading in a series of Portfolio Depository Receipts, Index Fund Shares or

Managed Fund Shares (as defined in Rules 5705 and 5735, respectively) listed on Nasdaq if the Intraday Indicative Value (as defined in Rule 5705) or the index value applicable to that series is not being disseminated as required, during the day in which the interruption to the dissemination of the Intraday Indicative Value or the index value occurs. If the interruption to the dissemination of the Intraday Indicative Value or the index value persists past the trading day in which it occurred, Nasdaq will halt trading no later than the beginning of the trading day following the interruption. Nasdaq may also exercise discretion to halt trading in a series of Portfolio Depository Receipts, Index Fund Shares or Managed Fund Shares based on a consideration of the following factors: (A) trading in underlying securities comprising the index applicable to that series has been halted in the primary market(s), (B) the extent to which trading has ceased in securities underlying the index, or (C) the presence of other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market.

**(10)** shall halt trading in Derivative Securities Products (as defined in Rule 4120(b)(4)(A)) for which a net asset value ("NAV") (and in the case of Managed Fund Shares under Rule 5735, a Disclosed Portfolio) is disseminated if Nasdaq becomes aware that the NAV (or in the case of Managed Fund Shares, the Disclosed Portfolio) is not being disseminated to all market participants at the same time.

Nasdaq will maintain the trading halt until such time as Nasdaq becomes aware that the NAV (or in the case of Managed Fund Shares, the Disclosed Portfolio, as applicable) is available to all market participants or, in the case of Derivative Securities Products traded on Nasdaq pursuant to unlisted trading privileges, until such time trading resumes in the listing market.

**(11)** shall, between 9:45 a.m. and 3:35 p.m., or in the case of an early scheduled close, 25 minutes before the close of trading, immediately pause trading for 5 minutes in any Nasdaq-listed security, other than rights and warrants, when the price of such security moves a percentage specified below within a 5-minute period.

- (A) The price move shall be 10% or more with respect to securities included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products;
- (B) The price move shall be 30% or more with respect to all NMS stocks not subject to section (a)(11)(A) of this Rule with a price equal to or greater than \$1; and
- (C) The price move shall be 50% or more with respect to all NMS stocks not subject to section (a)(11)(A) of this Rule with a price less than \$1.

The determination that the price of a stock is equal to or greater than \$1 under paragraph (a)(11)(B) above or less than \$1 under paragraph (a)(11)(C) above shall be based on the closing price on the previous trading day, or, if no closing price exists, the last sale reported to the Consolidated Tape on the previous trading day.

At the end of the trading pause, Nasdaq will re-open the security using the Halt Cross process set forth in Nasdaq Rule 4753. In the event of a significant imbalance at the end

of a trading pause, Nasdaq may delay the re-opening of a security.

Nasdaq will issue a notification if it cannot resume trading for a reason other than a significant imbalance.

Price moves under this paragraph will be calculated by changes in each consolidated last-sale price disseminated by a network processor over a five minute rolling period measured continuously. Only regular way in-sequence transactions qualify for use in calculations of price moves. Nasdaq can exclude a transaction price from use if it concludes that the transaction price resulted from an erroneous trade.

If a trading pause is triggered under this paragraph, Nasdaq shall immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934. If a primary listing market issues an individual stock trading pause, Nasdaq will pause trading in that security until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen within 10 minutes of notification of a trading pause, Nasdaq may resume trading the security.

The provisions of this paragraph shall be in effect during a pilot set to end on February 4, 2013.

**(b) Trading Halts for Trading of Certain Derivative Securities Products on Nasdaq Pursuant to Unlisted Trading Privileges**

**(1) During Pre-Market Session.** If a Derivative Securities Product begins trading on Nasdaq in the Pre-Market Session and subsequently a temporary interruption occurs in the calculation or wide dissemination of an applicable Required Value, Nasdaq may continue to trade the Derivative Securities Product for the remainder of the Pre-Market Session.

**(2) During Regular Market Session.** During the Regular Market Session, if a temporary interruption occurs in the calculation or wide dissemination of an applicable Required Value, and the listing market halts trading in the Derivative Securities Product, Nasdaq, upon notification by the listing market of a halt due to such temporary interruption, also shall immediately halt trading in the Derivative Securities Product on Nasdaq.

**(3) Post-Market Session and Next Trading Day.**

**(A)** If an applicable Required Value continues not to be calculated or widely disseminated after the close of the Regular Market Session, Nasdaq may trade the Derivative Securities Product in the Post-Market Session only if the listing market traded the Derivative Securities Product until the close of its regular trading session without a halt.

**(B)** If an applicable Required Value continues not to be calculated or widely disseminated as of the beginning of the Pre-Market Session on the next trading day,

Nasdaq shall not commence trading of the Derivative Securities Product in the Pre-Market Session that day. If an interruption in the calculation or wide dissemination of an applicable Required Value continues, Nasdaq may resume trading in the Derivative Securities Product only if calculation and wide dissemination of the applicable Required Value resumes or trading in the Derivative Securities Product resumes in the listing market.

**(4) Definitions.** For purposes of this Rule:

**(A)** Derivative Securities Product means a series of Portfolio Depository Receipts, Index Fund Shares, Managed Fund Shares or Trust Issued Receipts (as defined in Rules 5705, 5735 and 5720, respectively), a series of Commodity-Related Securities (as defined in Rule 4630), securities representing interests in unit investment trusts or investment companies, or any other UTP Derivative Security (as defined in Rule 5740).

**(B)** Pre-Market Session means the trading session that begins at [7:00] 4:00 a.m. and continues until 9:30 a.m.

**(C)** Post-Market Session means the trading session that begins at 4:00 p.m. or 4:15 p.m., and that continues until 8:00 p.m.

**(D)** Regular Market Session means the trading session from 9:30 am. until 4:00 p.m. or 4:15 p.m.

**(E)** Required Value shall mean (i) the value of any index or any commodity-related value underlying a Derivative Securities Product, (ii) the indicative optimized portfolio value, intraday indicative value, or other comparable estimate of the value of a share of a Derivative Securities Product updated regularly during the trading day, (iii) a net asset value in the case of a Derivative Securities Product for which a net asset value is disseminated, and (iv) a disclosed portfolio in the case of a Derivative Securities Product that is a series of managed fund shares or actively managed exchange-traded funds for which a disclosed portfolio is disseminated.

**(c) Procedure for Initiating a Trading Halt**

**(1)** Nasdaq issuers are required to notify Nasdaq of the release of certain material news prior to the release of such information to the public as required by Rule 5250(b)(1).

**(2)** Except in emergency situations, notification shall be provided directly to Nasdaq's MarketWatch Department through Nasdaq's electronic disclosure system available at [www.nasdaq.net](http://www.nasdaq.net). In emergency situations, issuers shall instead provide notification by telephone or facsimile.

**(3)** Upon receipt of information, from the issuer or other source, Nasdaq will promptly evaluate the information, estimate its potential impact on the market and determine whether a trading halt in the security is appropriate.

**(4)** Should Nasdaq determine that a basis exists under Rule 4120(a) for initiating a

trading halt, the commencement of the trading halt will be effective at the time specified by Nasdaq in a notice posted on a publicly available Nasdaq website. In addition, Nasdaq shall disseminate notice of the commencement of a trading halt through major wire services.

**(5)** Trading in a halted security shall resume at the time specified by Nasdaq in a notice posted on a publicly available Nasdaq website. In addition, Nasdaq shall disseminate notice of the resumption of trading through major wire services.

**(6)**

**(A)** In the case of a trading halt under Rule 4120(a)(6) based on the misuse or malfunction of an electronic quotation, communication, reporting, or execution system that is not operated by Nasdaq, Nasdaq will promptly contact the operator of the system in question (as well as any national securities exchange or FINRA facility to which such system is linked) to ascertain information that will assist Nasdaq in determining whether a misuse or malfunction has occurred, what effect the misuse or malfunction is having on trading in a security, and what steps are being taken to address the misuse or malfunction. If the operator of the system is unavailable when contacted by Nasdaq, Nasdaq will continue efforts to contact the operator of the system to ascertain information that will assist Nasdaq in determining whether the trading halt should be terminated.

**(B)** A trading halt initiated under Rule 4120(a)(6) shall be terminated as soon as Nasdaq determines either that the system misuse or malfunction that caused the extraordinary market activity will no longer have a material effect on the market for the security or that system misuse or malfunction is not the cause of the extraordinary market activity.

**(7)**

**(A)** A trading halt or pause initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or Rule 4120(b) shall be terminated when Nasdaq releases the security for trading. Prior to terminating the halt, there will be a 5-minute Display Only Period during which market participants may enter quotations and orders in that security in Nasdaq systems. At the conclusion of the 5-minute Display Only Period, the security shall be released for trading unless Nasdaq extends the Display Only Period for an additional 1-minute period pursuant to subparagraph (C) below. At the conclusion of the Display Only Period, trading shall immediately resume pursuant to Rule 4753.

**(B)** A trading halt initiated under Rule 4120(a)(7) shall be terminated when Nasdaq releases the security for trading. Prior to terminating the halt, there will be a 15-minute Display Only Period during which market participants may enter quotes and orders in that security in Nasdaq systems. In addition, beginning at 7 a.m., market participants may enter Market Hours Day Orders in a security that is the subject of an Initial Public Offering on Nasdaq and designate such orders to be held until the beginning of the Display Only Period, at which time they will be entered into the system. At the conclusion of the 15-minute Display Only Period, the security shall be released for trading unless Nasdaq extends the Display Only Period for up to six additional 5-minute

Display Only Periods pursuant to subparagraph (C) below. At the conclusion of the Display Only Period(s), there shall be an additional delay of between zero and 15 seconds (randomly selected) and then trading shall resume pursuant to Rule 4753.

(C) If at the end of a Display Only Period, Nasdaq detects an order imbalance in the security, Nasdaq will extend the Display Only Period as permitted under subparagraphs (A) and (B) above. Order imbalances shall be established when (i) the Current Reference Prices, as defined in Rule 4753(a)(2)(A), disseminated 15 seconds and immediately prior to the end of the Display Only Period differ by more than the greater of 5 percent or 50 cents, or (ii) all buy or sell market orders will not be executed in the cross.

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#### **4617. Normal Business Hours**

The System operates from [7:00] 4:00 a.m. to 8:00 p.m. Eastern Time on each business day, unless modified by Nasdaq. A Nasdaq Market Maker shall be open for business as of 9:30 a.m. Eastern Time and shall close no earlier than 4:00 p.m. Eastern Time. A Nasdaq Market Maker may voluntarily open for business prior to 9:30 a.m. and remain open for business later than 4:00 p.m. Eastern Time. Nasdaq Market Makers whose quotes are open prior to 9:30 a.m. Eastern Time or after 4:00 p.m. Eastern Time shall be obligated to comply, while their quotes are open, with all Nasdaq Rules that are not by their express terms, or by an official interpretation of Nasdaq, inapplicable to any part of the [7:00] 4:00 a.m. to 9:30 a.m. or 4:00 p.m. to 8:00 p.m. Eastern Time period.

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#### **4750. Nasdaq Market Center-Execution Services**

#### **4751. Definitions**

**This rule will be amended February 25, 2013. To view these changes, see the attached file.**

The following definitions apply to the Rule 4600 and 4750 Series for the trading of securities listed on Nasdaq or a national securities exchange other than Nasdaq.

(a) The term "Nasdaq Market Center," or "System" shall mean the automated system for order execution and trade reporting owned and operated by The NASDAQ Stock Market LLC. The Nasdaq Market Center comprises:

(1) an order execution service that enables Participants to automatically execute transactions in System Securities; and provides Participants with sufficient monitoring and updating capability to participate in an automated execution environment;

(2) a trade reporting service that submits "locked-in" trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions

automatically to the National Trade Reporting System, if required, for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a "locked-in" trading environment;

**(3)** a data feed(s) that can be used to display with attribution to Participants' MPIDs all Quotes and Displayed Orders on both the bid and offer side of the market for all price levels then within the Nasdaq Market Center.

**(b)** The term "System Securities" shall mean all securities listed on Nasdaq and all securities subject to the Consolidated Tape Association Plan and the Consolidated Quotation Plan.

**(c)** The term "Participant" shall mean an entity that fulfills the obligations contained in Rule 4611 regarding participation in the System, and shall include:

**(1)** "Nasdaq ECNs," members that meet all of the requirements of Rule 4623, and that participates in the System with respect to one or more System Securities.

**(2)** "Nasdaq Market Makers" or "Market Makers", members that are registered as Nasdaq Market Makers for purposes of participation in the System on a fully automated basis with respect to one or more System securities.

**(3)** "Order Entry Firms," members that are registered as Order Entry Firms for purposes of entering orders in System Securities into the System. This term shall also include any Electronic Communications Network or Alternative Trading System that fails to meet all the requirements of Rule 4623.

**(d)** With respect to System-provided quotation functionality:

**(1)** The term "Quote" shall mean a single bid or offer quotation submitted to the System and designated for display (price and size) next to the Participant's MPID by a Participant that is eligible to submit such quotations.

**(2)** The term "Automatic Quote Refresh" shall mean the default price increment away from the executed price and the size to which a Participant's Quote will be refreshed if the Participant elects to utilize this functionality. If the Participant does not designate an Automatic Quote Refresh size, which must be at least one normal unit of trading, the default Automatic Quote Refresh size shall be 100 shares and the default Automatic Quote Refresh price increment shall be \$0.25.

**(3)** The term "Reserve Size" shall mean the System-provided functionality that permits a Participant to display in its Displayed Quote part of the full size of a proprietary or agency order, with the remainder held in reserve on an undisplayed basis. Both the displayed and non-displayed portions are available for potential execution against incoming orders. If the Displayed Quote is reduced to less than a normal unit of trading, the System will replenish the display portion from reserve up to at least a single round-lot amount. A new timestamp is created for the replenished portion of the order each time it is replenished from reserve, while the reserve portion retains the time-stamp of its

original entry.

(e) The term "Order" shall mean a single order or multiple orders at the same price submitted to the System by a Participant that is eligible to submit such orders and shall include:

(1) "Attributable Orders," orders that are designated for display (price and size) next to the Participant's MPID;

(2) "Non-Attributable Orders," orders that are entered by a Participant that is designated for display (price and size) on an anonymous basis in the order display service of the System; and

(3) "Non-Displayed Orders," a limit order that is not displayed in the System, but nevertheless remains available for potential execution against all incoming orders until executed in full or cancelled.

(f) The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1) "Discretionary Orders" are orders that have a displayed price and size, as well as a non-displayed discretionary price range, at which the entering party, if necessary, is also willing to buy or sell. The non-displayed trading interest is not entered into the System book but is, along with the displayed size, converted to an IOC buy (sell) order priced at the highest (lowest) price in the discretionary price range when displayed shares become available or an execution takes place at any price within the discretionary price range. The generation of this IOC order is triggered by the cancellation of the open shares of the Discretionary Order. If more than one Discretionary Order is available for conversion to an IOC order, the system will convert all such orders at the same time and priority will be given to the first IOC order(s) that reaches the trading interest on the other side of the market. If an IOC order is not executed in full, the unexecuted portion of the order is automatically re-posted and displayed in the System book with a new time stamp, at its original displayed price, and with its non-displayed discretionary price range.

(2) "Reserve Orders" are limit orders that have both a round-lot displayed size as well as an additional non-displayed share amount. Both the displayed and non-displayed portions of the Reserve Order are available for potential execution against incoming orders. If the round-lot displayed portion of a Reserve Order is reduced to less than a normal unit of trading, the System will replenish the display portion from reserve up to at least a single round-lot amount. A new timestamp is created for the replenished portion of the order each time it is replenished from reserve, while the reserve portion retains the time-stamp of its original entry.

(3) "Limit Orders" are orders to buy or sell a stock at a specified price or better. A limit order is marketable when, for a limit order to buy, at the time it is entered into the System, the order is priced at the current inside offer or higher, or for a limit order to sell, at the time it is entered into the System, the order is priced at the inside bid or lower.

(4) "Pegged Orders" are orders that, after entry, have their price automatically adjusted by the System in response to changes in either the Nasdaq Market Center inside bid or offer or bids or offers in the national market system, as appropriate. A Pegged Order can specify that its price will equal the inside quote on the same side of the market ("Primary Peg"), the opposite side of the market ("Market Peg"), or the midpoint of the national best bid and offer ("Midpoint Peg"). A Pegged Order may have a limit price beyond which the order shall not be executed. In addition, the Primary Peg and Market Peg Orders may also establish their pricing relative to the appropriate bids or offers by the selection of one or more offset amounts that will adjust the price of the order by the offset amount selected. A Midpoint Peg Order is priced based upon the national best bid and offer, excluding the effect that the Midpoint Peg Order itself has on the inside bid or inside offer. Primary Pegged Orders with an offset amount and Midpoint Pegged Orders will never be displayed. A Midpoint Pegged Order may be executed in sub-pennies if necessary to obtain a midpoint price. A new timestamp is created for the order each time it is automatically adjusted.

(5) "Minimum Quantity Orders" are orders that will not execute unless a specified minimum quantity of shares can be obtained. A Minimum Quantity Order that posts to the NASDAQ book will be a Non-Displayed Order, and upon entry, must have a size and a minimum quantity condition of at least one round lot. In the event that the shares remaining in the size of the order following a partial execution thereof are less than the minimum quantity specified by the market participant entering the order, the minimum quantity value of the order will be reduced to the number of shares remaining.

(6) "Intermarket Sweep Order" or "ISO" are limit orders that are designated as ISOs in the manner prescribed by Nasdaq and are executed within the System by Participants at multiple price levels without respect to Protected Quotations of other market centers within the meaning of Rule 600(b) of Regulation NMS under the Act. ISOs are immediately executable within the System pursuant to Rule 4757 and shall not be eligible for routing as set out in Rule 4758.

Simultaneously with the routing of an ISO to the System, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any protected bid or offer (as defined in Rule 600(b) of Regulation NMS under the Act) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an intermarket sweep order (as defined in Rule 600(b) of Regulation NMS under the Act). These additional routed orders must be identified as intermarket sweep orders.

(7) "Price to Comply Order" are orders that, if, at the time of entry, a Price to Comply Order would lock or cross the quotation of an external market, the order will be priced to the current low offer (for bids) or to the current best bid (for offers) and displayed at a price one minimum price increment lower than the offer (for bids) or higher than the bid (for offers). The displayed and undisplayed prices of a Price to Comply order entered through an OUCH port that crosses the market will be adjusted once and, depending on the election of the member firm, either rest on the book or be canceled if the previously-locking price becomes available. The displayed and undisplayed prices of a Price to

Comply order entered through an OUCH port that locks the market will be adjusted once and, depending on the election of the member firm, either rest on the book, be canceled, or adjusted a second time if the previously-locking price becomes available. The displayed and undisplayed prices of a Price to Comply order entered through a RASH port may be adjusted multiple times, depending upon changes to the prevailing NBBO.

**(8)** "Price to Comply Post Order" are orders that, if, at the time of entry, a Price to Comply Post Order would create a violation of Rule 610(d) of Regulation NMS under the Act by locking or crossing the protected quotation of an external market or would cause a violation of Rule 611 of Regulation NMS under the Act, the order will be re-priced and displayed by the System to one minimum price increment (i.e., \$0.01 or \$0.0001) below the current low offer (for bids) or to one penny above the current best bid (for offers). Price to Comply Post Orders will not be routed outside of the System.

**(9)** "Directed Orders" are orders that are directed to an exchange other than Nasdaq as directed by the entering party without checking the Nasdaq book. If unexecuted, the order (or unexecuted portion thereof) shall be returned to the entering party.

Directed Orders may be designated as intermarket sweep orders by the entering party to execute against the full displayed size of any protected bid or offer (as defined in Rule 600(b) of Regulation NMS under the Act). A broker-dealer that designates an order as an intermarket sweep order has the responsibility of complying with Rules 610 and 611 of Regulation NMS. Directed Orders marked as intermarket sweep may only be used with time-in-force parameters of IOC.

Directed Orders may not be directed to a facility of an exchange that is an affiliate of Nasdaq except for Directed Orders directed to the NASDAQ OMX BX Equities Market or to the NASDAQ OMX PSX facility of NASDAQ OMX PHLX.

**(10)** "Post-Only Orders" are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if a Post- Only Order would lock or cross an order on the System, the order will be re-priced and displayed by the System to one minimum price increment (i.e., \$0.01 or \$0.0001) below the current low offer (for bids) or above the current best bid (for offers), unless the value of price improvement associated with executing against a resting order equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the book and subsequently provided liquidity, in which case the order will execute; and (ii) if a Post-Only Order would not lock or cross an order on the System but would lock or cross the national best bid or offer as reflected in the protected quotation of another market center, the order will be priced to the current best offer (for bids) or to the current best bid (for offers) and displayed by the System to one minimum price increment (i.e., \$0.01 or \$0.0001) below the current low offer (for bids) or above the current best bid (for offers).

**(11)** "Midpoint Peg Post-Only Orders" are orders that are priced in the same manner as Midpoint Peg Orders. Upon entry, a Midpoint Peg Post-Only Order will always post to the book unless it is a buy (sell) order that is priced higher than (lower than) a resting sell

(buy) order, in which case it will execute at the price of the resting order. Midpoint Peg Post-Only Orders must always have a price of more than \$1 per share. A Midpoint Peg Post-Only Order that would be assigned a price of \$1 or less per share will be rejected or cancelled, as applicable. Midpoint Peg Post-Only Orders are eligible for entry and execution during regular market hours only, and any Midpoint Peg Post-Only Orders resting on the book at 4:00 pm will be cancelled.

While a Midpoint Peg Post-Only Order that posts to the book is locking a preexisting non-displayed order, the Midpoint Peg Post-Only Order will execute against an incoming order only if the price of the incoming buy (sell) order is higher (lower) than the price of the pre-existing order. For purposes of determining the Nasdaq best bid or offer under Rules 4752, 4753, or 4754, a Midpoint Peg Post-Only Order to buy (sell) that is locking another non-displayed order shall be deemed to have a price equal to the price of the highest sell order (lowest buy order) that would be eligible to execute against the Midpoint Peg Post-Only Order in such circumstances.

**(12)** "Unpriced Orders" are any order types permitted by the System to buy or sell shares of a security at the national best bid (best offer) ("NBBO") at the time when the order reaches the System.

**(13)** "Collared Orders" are all Unpriced Orders except: (1) Market On Open Orders as defined in Rule 4752; (2) Market On Close Orders as defined in Rule 4754; or (3) Unpriced Orders included by the System in any Nasdaq Halt Cross or Nasdaq Imbalance Cross, each as defined in Rule 4753. Any portion of a Collared Order that would execute (either on NASDAQ or when routed to another market center) at a price more than \$0.25 or 5 percent worse than the NBBO at the time when the order reaches the System, whichever is greater, will be cancelled.

**(14)** "Supplemental Orders" are Non-Displayed limit orders. Upon entry, a Supplemental Order will always post to the book and thereafter become eligible for execution against incoming orders in accordance with the Nasdaq Market Center's Supplemental Process, as described in Rule 4757(a)(1) (D). If a Supplemental Order is not executed in full, the remaining portion of the order shall continue to repost in the Supplemental Process until the order is fully executed, the order is cancelled by the member that entered the order, or the size of the order is reduced to less than one normal unit of trading (in which case the remaining order will be cancelled by the System). A Supplemental Order may only execute at the NBBO and shall not trade through a Protected Quotation. All Supplemental Orders must be entered with size of one or more normal units of trading. Supplemental Orders may be entered at any time between [7:00] 4:00 a.m. and 4:00 p.m., but are available for potential execution only between 9:30 a.m. and 4:00 p.m. Any Supplemental Orders still on the book after 4:00 p.m. will be cancelled. Supplemental Orders are not eligible to participate in the Nasdaq Opening Cross, the Nasdaq Halt Cross, the Nasdaq Imbalance Cross, or the Nasdaq Closing Cross.

**(15)** "Market Maker Peg Order" is a limit order that, upon entry, the bid or offer is automatically priced by the System at the Designated Percentage away from the then current National Best Bid and National Best Offer, or if no National Best Bid or National

Best Offer, at the Designated Percentage away from the last reported sale from the responsible single plan processor in order to comply with the quotation requirements for Market Makers set forth in Rule 4613(a)(2). Upon reaching the Defined Limit, the price of a Market Maker Peg Order bid or offer will be adjusted by the System to the Designated Percentage away from the then current National Best Bid and National Best Offer, or, if no National Best Bid or National Best Offer, to the Designated Percentage away from the last reported sale from the responsible single plan processor. If a Market Maker Peg Order bid or offer moves away from the Designated Percentage towards the then current National Best Bid or National Best Offer, as appropriate, by the greater of (a) 4 percentage points, or, (b) one-quarter the applicable percentage necessary to trigger an individual stock trading pause as described in Rule 4120(a)(11), or expands to within that same percentage less 0.5%, the price of such bid or offer will be adjusted to the Designated Percentage away from the then current National Best Bid and National Best Offer, or if no National Best Bid or National Best Offer, to the Designated Percentage away from the last reported sale from the responsible single plan processor. In the absence of a National Best Bid or National Best Offer and if no last reported sale, the order will be cancelled or rejected. If, after entry, the Market Maker Peg Order is priced based on the consolidated last sale and such Market Maker Peg Order is established as the National Best Bid or National Best Offer, the Market Maker Peg Order will not be subsequently adjusted in accordance with this rule until either there is a new consolidated last sale, or a new National Best Bid or new National Best Offer is established by either a national securities exchange or NASDAQ. Market Maker Peg Orders are not eligible for routing pursuant to Rule 4758 and are always displayed on NASDAQ. Notwithstanding the availability of Market Maker Peg Order functionality, a Market Maker remains responsible for entering, monitoring, and resubmitting, as applicable, quotations that meet the requirements of Rule 4613. A new timestamp is created for the order each time that it is automatically adjusted. For purposes of this paragraph, NASDAQ will apply the Designated Percentage and Defined Limit as set forth in Rule 4613, subject to the following exception. Nothing in this rule shall preclude a Market Maker from designating a more aggressive offset from the National Best Bid or National Best Offer than the given Designated Percentage for any individual Market Maker Peg Order. If a Market Maker designates a more aggressive offset from the National Best Bid or National Best Offer, the price of a Market Maker Peg Order bid or offer will be adjusted by the System to maintain the Market Maker-designated offset from the National Best Bid or National Best Offer, or if no National Best Bid or National Best Offer, the order will be cancelled or rejected.

**(g)** The term "Order Size" shall mean the number of shares up to 999,999 associated with a Quote or Order and shall include:

**(1)** "normal unit of trading": the round lot size for the security.

**(2)** "mixed lot": an order that is for more than a normal unit of trading but not a multiple thereof.

**(3)** "odd-lot": an order that is for less than a normal unit of trading.

**(h)** The term "Time in Force" shall mean the period of time that the System will hold an order for potential execution, and shall include:

- (1)** "System Hours Immediate or Cancel" or "SIOC" shall mean, for limit orders so designated, that if after entry into the System the order (or a portion thereof) is not marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering Participant. SIOC Orders shall be available for entry and execution from [7:00] 4:00 a.m. until 8:00 p.m. Eastern Time.
- (2)** "System Hours Day" or "SDAY" shall mean, for orders so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution from [7:00] 4:00 a.m. until 8:00 p.m. Eastern Time on the day it was submitted unless cancelled by the entering party.
- (3)** "System Hours Good-till-Cancelled" or "SGTC" shall mean, for orders so designated, that if after entry into the System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution from [7:00] 4:00 a.m. until 8:00 p.m. Eastern Time unless cancelled by the entering party, or until 1 year after entry, whichever comes first.
- (4)** "System Hours Expire Time" or "SHEX" shall mean, for orders so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution for the amount of time specified by the entering Participant unless canceled by the entering party. SHEX Orders shall be available for entry and execution from [7:00] 4:00 a.m. until 8:00 p.m. Eastern Time.
- (5)** "Market Hours IOC" or "MIOC" shall mean for orders so designated, that if after entry into the System a marketable limit order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering participant. MIOC Orders shall be available for entry from [7:00] 4:00 a.m. until 4:00 p.m. Eastern Time and for potential execution from 9:30 a.m. until 4:00 p.m. Eastern Time. MIOC Orders entered between [7:00] 4:00 a.m. and 9:30 a.m. Eastern Time will be held within the System until 9:30 a.m. at which time the System shall determine whether such orders are marketable.
- (6)** "Market Hours Day" or "MDAY" shall mean for orders so designated, that if after entry into the System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution until 4:00 p.m. Eastern Time, unless canceled by the entering party, after which it shall be returned to the entering party. MDAY Orders shall be available for entry from [7:00] 4:00 a.m. until 4:00 p.m. Eastern Time and for potential execution from 9:30 a.m. until 4:00 p.m. Eastern Time.
- (7)** "Market Hours GTC" or "MGTC" shall mean for orders so designated, that if after entry into System, the order is not fully executed, the order (or unexecuted portion

thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until 1 year after entry, whichever comes first. MGTC Orders shall be available for entry from [7:00] ~~4:00~~ a.m. until 8:00 p.m. Eastern Time and for potential execution from 9:30 a.m. until 4:00 p.m. Eastern Time.

(8) "Good-til-market close" or "GTMC" shall mean for orders so designated, that if after entry into the System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution until cancelled by the entering party, or until the completion of the Nasdaq Closing Cross, after which it shall be returned to the entering party. GTMC orders shall be available for entry and potential execution from [7:00] ~~4:00~~ a.m. and 8:00 p.m. Eastern Time. GTMC orders entered after the Nasdaq Closing Cross will be treated as SIOC orders.

(i) The term "System Book Feed" shall mean a data feed for System eligible securities.

#### **4752. Opening Process**

(a) **Definitions.** For the purposes of this rule the term:

(1) "Imbalance" shall mean the number of shares of buy or sell MOO, LOO or Early Market Hours orders that may not be matched with other MOO, LOO, Early Market Hours, Open Eligible Interest or OIO order shares at a particular price at any given time.

(2) "Order Imbalance Indicator" shall mean a message disseminated by electronic means containing information about MOO, LOO, OIO, and Early Market Hours orders and the price at which those orders would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

(A) "Current Reference Price" shall mean:

(i) The single price that is at or within the current Nasdaq Market Center best bid and offer at which the maximum number of shares of MOO, LOO, OIO, Open Eligible Interest and Early Market Hours orders can be paired.

(ii) If more than one price exists under subparagraph (i), the Current Reference Price shall mean the price that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at which shares will remain unexecuted in the cross.

(iv) If more than one price exists under subparagraph (iii), the Current Reference Price shall mean the price that minimizes the distance from the bid-ask midpoint of the inside quotation prevailing at the time of the order imbalance indicator dissemination.

(B) the number of shares represented by MOO, LOO, OIO, Early Market Hours orders, and Open Eligible Interest that are paired at the Current Reference Price;

(C) the size of any Imbalance;

**(D)** the buy/sell direction of any Imbalance; and

**(E)** indicative prices at which the Nasdaq Opening Cross would occur if the Nasdaq Opening Cross were to occur at that time and the percent by which the indicative prices are outside the then current Nasdaq Market Center best bid or best offer, whichever is closer. The indicative prices shall be:

(i) "Near Clearing Price" which shall mean the price at which both the MOO, LOO, OIO, and Early Market Hours orders and Open Eligible Interest in the Nasdaq Market Center would execute, and

(ii) "Far Clearing Price" which shall mean the price at which the MOO, LOO, OIO, and Early Market Hours orders in the Nasdaq Opening Book would execute.

(iii) If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

**(3)** "Limit On Open Order" or "LOO" shall mean an order to buy or sell at a specified price or better that is to be executed only during the Nasdaq Opening Cross. LOO orders shall execute only at the price determined by the Nasdaq Opening Cross and shall be available for automatic execution. LOO orders may be entered, cancelled and cancel/replaced between [7:00] 4:00 a.m. and 9:28 a.m. without restriction. LOO orders may not be cancelled or corrected after 9:28 a.m.

**(4)** "Market on Open Order" or "MOO" shall mean an order to buy or sell at the market that is to be executed only during the Nasdaq Opening Cross. MOO orders may be entered, cancelled, and cancel/replaced between [7:00] 4:00 a.m. and 9:28 a.m. and shall execute only at the price determined by the Nasdaq Opening Cross.

**(5)** "Nasdaq Opening Cross" shall mean the process for determining the price at which orders shall be executed at the open and for executing those orders.

**(6)** "Opening Imbalance Only Order" or "OIO" shall mean an order to buy or sell at a specified price or better that may be executed only during the Nasdaq Opening Cross and only against MOO, LOO or Early Market Hours orders. OIO orders may be entered between [7:00] 4:00 a.m. and 9:29:59 a.m., but they may not be cancelled or modified after 9:28 except to increase the number of shares. OIO sell (buy) orders shall only execute at or above (below) the 9:30 Nasdaq Market Center offer (bid).

**(7)** "Market Hours Orders" shall mean any order that may be entered into the system and designated with a time-in-force of MIOC, MDAY, MGTC. Market Hours Orders shall be designated as "Early Market Hours Orders" if entered into the system prior to 9:28 a.m. and shall be treated as market-on-open and limit-on-open orders, as appropriate, for the purposes of the Nasdaq Opening Cross. Orders entered into the system at 9:28 a.m. or after shall be designated as "Late Market Hours Orders" and shall be treated as imbalance-only orders for the purposes of the cross. Beginning at 9:28 a.m., requests to cancel or modify Market Hours Orders shall be suspended until after completion of the

Opening Cross at which time such requests shall be processed, to the extent that such orders remain available within the System.

**(8)** "Open Eligible Interest" shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of SDAY, SGTC, SHEX, or GTMC.

**(9)** "Nasdaq Order Imbalance Snapshot" shall mean a message disseminated by electronic means containing a subset of information contained in the Order Imbalance Indicator using a format optimized for newswire services.

**(b)** Trading Prior To Normal Market Hours. The system shall process all eligible Quotes/Orders at [7:00] 4:00 a.m.:

**(1)** At [7:00] 4:00 a.m., the system shall add in time priority all eligible Orders in accordance with each order's defined characteristics.

**(2)** No earlier than between 9:25 a.m. and 9:30 a.m., the system shall open all remaining unopened Quotes in accordance with each firm's instructions.

**(3)** Nasdaq Quoting Market Participants may instruct Nasdaq to open their Quotes as follows:

**(A)** At the price of the firm's quote when the quote was closed by the participant during the previous trading day with a normal unit of trading displayed size;

**(B)** At a price and size entered by the participant between [7:00] 4:00 a.m. and 9:24:59 a.m.

**(4)** All trades executed prior to 9:30 shall be automatically appended with the ".T" modifier

**(c)** System securities in which no Nasdaq Opening Cross occurs shall begin trading at 9:30 a.m. by integrating Market Hours orders into the book in time priority and executing in accordance with market hours rules.

**(d)** Processing of Nasdaq Opening Cross. For System securities, the Nasdaq Opening Cross shall occur at 9:30, and market hours trading shall commence when the Nasdaq Opening Cross concludes.

**(1)** Beginning at 9:28 a.m., Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds until market open.

**(2)** (A) The Nasdaq Opening Cross shall occur at the price that maximizes the number of shares of MOO, LOO, OIO, Early Market Hours orders, and executable quotes and orders in the Nasdaq Market Center to be executed.

**(B)** If more than one price exists under subparagraph (A), the Nasdaq Opening Cross shall occur at the price that minimizes any Imbalance.

(C) If more than one price exists under subparagraph (B), the Nasdaq Opening Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

(D) If more than one price exists under subparagraph (C), the Nasdaq Opening Cross shall occur at the price that minimizes the distance from the bid-ask midpoint of the inside quotation prevailing at 9:30 a.m.

(E) If the Nasdaq Opening Cross price established by subparagraphs (A) through (D) is outside the benchmarks established by Nasdaq by a threshold amount, the Nasdaq Opening Cross shall occur at a price within the threshold amounts that best satisfies the conditions of subparagraphs (A) through (D). Nasdaq management shall set and modify such benchmarks and thresholds from time to time upon prior notice to market participants.

(3) If the Nasdaq Opening Cross price is selected and fewer than all shares of MOO, LOO, OIO and Early Market Hours Orders that are available in the Nasdaq Market Center would be executed, all Quotes and Orders shall be executed at the Nasdaq Opening Cross price in the following priority:

(A) MOO and Early Market Hours market peg orders, with time as the secondary priority;

(B) LOO orders, Early Market Hours limit orders, OIO orders, SDAY limit orders, SGTC limit orders, GTMC limit orders, SHEX limit orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Opening Cross price based on limit price with time as the secondary priority;

(C) LOO orders, OIO Orders, Early Market Hours and displayed interest of quotes, SDAY limit orders, SGTC limit orders, GTMC limit orders, and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority;

(D) Reserve interest of quotes, SDAY limit orders, SGTC limit orders, and GTMC limit orders and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority; and

(4) All Quotes and Orders executed in the Nasdaq Opening Cross shall be executed at the Nasdaq Opening Cross price, trade reported anonymously, and disseminated via a national market system plan. The Nasdaq Opening Cross price shall be the Nasdaq Official Opening Price for stocks that participate in the Nasdaq Opening Cross.

### **4753. Nasdaq Halt and Imbalance Crosses**

#### **(a) Definitions.**

For the purposes of this rule the term:

(1) "Imbalance" shall mean the number of shares of Eligible Interest that may not be matched with other order shares at a particular price at any given time.

**(2)** "Order Imbalance Indicator" shall mean a message disseminated by electronic means containing information about Eligible Interest and the price at which such interest would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

**(A)** "Current Reference Price" shall mean:

**(i)** The single price at which the maximum number of shares of Eligible Interest can be paired.

**(ii)** If more than one price exists under subparagraph (i), the Current Reference Price shall mean the price that minimizes any Imbalance.

**(iii)** If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at which shares will remain unexecuted in the cross.

**(iv)** If more than one price exists under subparagraph (iii), the Current Reference Price shall mean:

(a) In the case of an IPO, the price that is closest to the Issuer's Initial Public Offering Price;

(b) In the case of another halt type in which the security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the trading halt; and

(c) In the case of another halt type in which the security has not already traded during normal market hours on that trading day, the price that is closest to the previous Nasdaq Official Closing Price.

**(B)** the number of shares of Eligible Interest that are paired at the Current Reference Price;

**(C)** the size of any Imbalance;

**(D)** the buy/sell direction of any Imbalance; and

**(E)** indicative prices at which the Nasdaq Halt Cross would occur if the Nasdaq Halt Cross were to occur at that time. The indicative prices shall be:

(i) The Far Clearing Price which shall be the same as the Current Reference Price, and

(ii) The Near Clearing Price which shall be the same as the Current Reference Price.

(iii) If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

**(3)** "Nasdaq Halt Cross" shall mean the process for determining the price at which

Eligible Interest shall be executed at the open of trading for a halted security and for executing that Eligible Interest.

**(4)** "Eligible Interest" shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of SIOC, SDAY, SGTC, MIOC, MDAY, MGTC, SHEX, or GTMC.

**(5)** "Nasdaq Imbalance Cross" shall mean the process for determining when the market for a Nasdaq security is no longer trading in an orderly fashion and for determining the price at which Eligible Interest shall be executed in order to restore orderly trading.

**(6)** "Nasdaq Order Imbalance Snapshot" shall mean a message disseminated by electronic means containing a subset of information contained in the Order Imbalance Indicator using a format optimized for newswire services.

**(b)** Processing of Nasdaq Halt Cross. For Nasdaq-listed securities that are the subject of a trading halt or pause initiated pursuant to Rule 4120(a)(1), (4), (5), (6), (7) or (11), the Nasdaq Halt Cross shall occur at the time specified by Nasdaq pursuant to Rule 4120, and Market hours trading shall commence when the Nasdaq Halt Cross concludes.

**(1)** At the beginning of the Display Only Period and continuing through the resumption of trading, Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds.

**(2)** (A) The Nasdaq Halt Cross shall occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed.

**(B)** If more than one price exists under subparagraph (A), the Nasdaq Halt Cross shall occur at the price that minimizes any Imbalance.

**(C)** If more than one price exists under subparagraph (B), the Nasdaq Halt Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

**(D)** If more than one price exists under subparagraph (C), the Nasdaq Halt Cross shall occur at:

(i) In the case of an IPO, the price that is closest to the Issuer's Initial Public Offering Price;

(ii) In the case of another halt type in which the security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the trading halt; and

(iii) In the case of another halt type in which the security has not already traded during normal market hours on that trading day, the price that is closest to the previous Nasdaq Official Closing Price.

**(3)** If the Nasdaq Halt Cross price is selected and fewer than all shares of Eligible Interest

that are available in the Nasdaq Market Center would be executed, all Eligible Interest shall be executed at the Nasdaq Halt Cross price in price/time priority.

(4) All Eligible Interest executed in the Nasdaq Halt Cross shall be executed at the Nasdaq Halt Cross price, trade reported anonymously, and disseminated via a national market system plan. The Nasdaq Halt Cross price shall be the Nasdaq Official Opening Price for stocks that participate in the Nasdaq Halt Cross unless the stock has already been traded during normal market hours on that trading day.

(c) Reserved.

(d) Nasdaq-listed securities that are the subject of a trading halt initiated pursuant to Rule 4120(a) and in which no Halt Cross occurs, shall open for trading at the time specified by Nasdaq pursuant to Rule 4120 in the following manner:

(1) Orders shall be added to the book in time priority.

(2) The Nasdaq Official Opening Price for such securities shall be the first Nasdaq market center execution following trade resumption unless the security has already traded during Market hours on that trading day.

#### **4754. Nasdaq Closing Cross**

(a) Definitions. For the purposes of this rule the term:

(1) "Close Eligible Interest" shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of SDAY, SGTC, MDAY, MGTC, SHEX, or GTMC.

(2) "Imbalance" shall mean the number of shares of buy or sell MOC or LOC orders that cannot be matched with other MOC or LOC, Close Eligible Interest or IO order shares at a particular price at any given time.

(3) "Imbalance Only Order" or "IO" shall mean an order to buy or sell at a specified price or better that may be executed only during the Nasdaq Closing Cross and only against MOC or LOC orders. IO orders can be entered between [7:00] ~~4:00~~ a.m. and 3:59:59 p.m., but they cannot be modified after 3:50:00 except to increase the number of shares. IO orders can be cancelled between 3:50:00 p.m. and 3:55:00 p.m. only by requesting Nasdaq to correct a legitimate error (e.g., side, size, symbol, price or duplication of an order). IO orders cannot be cancelled after 3:55:00 p.m. for any reason. IO sell (buy) orders will only execute at or above (below) the 4:00:00 System offer (bid).

(4) "Limit On Close Order" or "LOC" shall mean an order to buy or sell at a specified price or better that is to be executed only during the Nasdaq Closing Cross. LOC orders can be entered, cancelled, and corrected without restriction between [7:00] ~~4:00~~ a.m. and 3:50:00 p.m. LOC orders can be cancelled between 3:50:00 p.m. and 3:55:00 p.m. only by requesting Nasdaq to correct a legitimate error (e.g., side, size, symbol, price or duplication of an order). LOC orders cannot be cancelled after 3:55:00 p.m. for any reason. LOC Orders will execute only at the price determined by the Nasdaq Closing

Cross. All LOC orders must be available for automatic execution.

(5) "Market on Close Order or MOC" shall mean an order to buy or sell at the market that is to be executed only during the Nasdaq Closing Cross. MOC orders can be entered, cancelled, and corrected between [7:00] 4:00 a.m. and 3:50:00 p.m. MOC orders can be cancelled between 3:50:00 p.m. and 3:55:00 p.m. only by requesting Nasdaq to correct a legitimate error (e.g., side, size, symbol, price or duplication of an order). MOC orders cannot be cancelled after 3:55:00 p.m. for any reason. MOC orders will execute only at the price determined by the Nasdaq Closing Cross. All MOC orders must be available for automatic execution.

(6) "Nasdaq Closing Cross" shall mean the process for determining the price at which orders shall be executed at the close and for executing those orders.

(7) "Order Imbalance Indicator" shall mean a message disseminated by electronic means containing information about MOC, LOC, IO, and Close Eligible Interest and the price at which those orders would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

(A) "Current Reference Price" shall mean:

- (i) The single price that is at or within the current Nasdaq Market Center best bid and offer at which the maximum number of shares of MOC, LOC, IO and Close Eligible Interest can be paired.
- (ii) If more than one price exists under subparagraph (i), the Current Reference Price shall mean the price that minimizes any Imbalance.
- (iii) If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at which shares will remain unexecuted in the cross.
- (iv) If more than one price exists under subparagraph (iii), the Current Reference Price shall mean the price that minimizes the distance from the bid-ask midpoint of the inside quotation prevailing at the time of the order imbalance indicator dissemination.

(B) the number of shares represented by MOC, LOC, IO, and Close Eligible Interest that are paired at the Current Reference Price;

(C) the size of any Imbalance;

(D) the buy/sell direction of any Imbalance; and

(E) indicative prices at which the Nasdaq Closing Cross would occur if the Nasdaq Closing Cross were to occur at that time and the percent by which the indicative prices are outside the then current Nasdaq Market Center best bid or best offer, whichever is closer. The indicative prices shall be:

- (i) "Far Clearing Price" which shall mean the price at which both the MOC, LOC, and IO, orders would execute, and
- (ii) "Near Clearing Price" which shall mean the price at which the MOC, LOC, IO, and Eligible Interest would execute.
- (iii) If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

**(8)** "Nasdaq Order Imbalance Snapshot" shall mean a message disseminated by electronic means containing a subset of information contained in the Order Imbalance Indicator using a format optimized for newswire services.

**(b)** Processing of Nasdaq Closing Cross. The Nasdaq Closing Cross will begin at 4:00:00, and post-market hours trading will commence when the Nasdaq Closing Cross concludes.

**(1)** Order Imbalance Indicator. Beginning at 3:50 p.m., Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds until market close.

**(2)** (A) The Nasdaq Closing Cross will occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed.

**(B)** If more than one price exists under subparagraph (A), the Nasdaq Closing Cross shall occur at the price that minimizes any Imbalance.

**(C)** If more than one price exists under subparagraph (B), the Nasdaq Closing Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

**(D)** If more than one price exists under subparagraph (C), the Nasdaq Closing Cross shall occur at: a price that minimizes the distance from the System bid-ask midpoint at the time of the Nasdaq Closing Cross.

**(E)** If the Nasdaq Closing Cross price established by subparagraphs (A) through (D) above is outside the benchmarks established by Nasdaq by a threshold amount, the Nasdaq Closing Cross will occur at a price within the threshold amounts that best satisfies the conditions of subparagraphs (A) through (D) above. Nasdaq management shall set and modify such benchmarks and thresholds from time to time upon prior notice to market participants.

**(3)** If the Nasdaq Closing Cross price is selected and fewer than all MOC, LOC IO and Close Eligible Interest would be executed, orders will be executed at the Nasdaq Closing Cross price in the following priority:

**(A)** MOC orders, with time as the secondary priority;

**(B)** LOC orders, limit orders, IO orders, displayed quotes and reserve interest priced

more aggressively than the Nasdaq Closing Cross price based on price with time as the secondary priority;

(C) LOC orders, IO Orders displayed interest of limit orders, and displayed interest of quotes at the Nasdaq Closing Cross price with time as the secondary priority;

(D) Reserve interest at the Nasdaq Closing Cross price with time as the secondary priority; and

(E) Unexecuted MOC, LOC, and IO orders will be canceled.

(4) All orders executed in the Nasdaq Closing Cross will be executed at the Nasdaq Closing Cross price, trade reported anonymously, and disseminated via the consolidated tape. The Nasdaq Closing Cross price will be the Nasdaq Official Closing Price for stocks that participate in the Nasdaq Closing Cross.

(5) Auxiliary Procedures. When significant trading volume is expected at the close of Market hours, Nasdaq may apply auxiliary procedures for the Closing Cross to ensure a fair and orderly market. The determination to implement auxiliary procedures for the Closing Cross shall be made by the President of Nasdaq or any Executive Vice President designated by the President. Nasdaq shall inform market participants of such auxiliary procedures as far in advance as practicable. Auxiliary procedures shall include:

(A) Setting an earlier time or times for the end of the order entry periods set forth in paragraph (a) for IO, MOC, and LOC orders. Nasdaq may end the order entry period as early as 3:40 p.m.

(B) Setting an earlier time for the order modification and cancellation periods in paragraph (a) for IO, MOC, and LOC orders. Nasdaq may end the order modification and cancellation periods as early as 3:40 p.m.

(C) Setting an earlier time for the dissemination times and frequencies set forth in paragraph (b) for the Order Imbalance Indicator. Nasdaq may begin disseminating the Order Imbalance Indicator as early as 3:40 p.m. and may increase or decrease the frequency with which the Order Imbalance Indicator is disseminated.

(D) Adjusting the threshold values set forth in subparagraph (c)(2)(D) to no greater than 20 percent.

#### **4755. Order Entry Parameters**

##### **(a) System Orders**

(1) General—A System order is an order that is entered into the System for display and/or execution as appropriate. Such orders are executable against marketable contra-side orders in the System as provided in Rule 4757.

(A) All System Orders shall indicate limit price and whether they are a buy, short sale, or long sale. Systems Orders can be designated as Market Hours Immediate or Cancel ("MIOC"), Market Hours Good-till-Cancelled ("MGTC"), Market Hours Day ("MDAY"), System Hours Expire Time ("SHEX"), System Hours Day ("SDAY"), System Hours Immediate or Cancel ("SIOC"), System Hours Good-till-Cancelled ("SGTC"), or Good-til-Market Close "GTMC").

(B) A System order may also be designated as Reserve Order, a Pegged Order, a Non-Displayed Order, a Minimum Quantity Order, an Intermarket Sweep Order, a Price to Comply order, a Price to Comply Post order, a Discretionary Order, a Directed Order, a Post-Only Order, a Midpoint Peg Post-Only Order, or a Supplemental Order.

(C) System Hours Pegged Orders, excluding System Hours Pegged orders ultimately sought to be directed to either the New York Stock Exchange ("NYSE") or the American Stock Exchange ("AMEX"), may only be entered between 9:30 a.m. and 4:00 p.m. Eastern Time.

(2) Reserved.

(3) Routing—All System orders entered by Participants directing or permitting routing to other market centers shall be routed for potential display and/or execution as set forth in Rule 4758. Beginning March 5, 2007, in connection with the trading of securities governed by Regulation NMS, System orders shall be routed for potential display and/or execution in Compliance with Regulation NMS.

(4) Regulation NMS—Beginning March 5, 2007, in connection with the trading of securities governed by Regulation NMS, Intermarket Sweep Orders shall be executed exclusively within the System and the entering Participants shall be responsible for compliance with Regulation NMS Order Protection Rule and Locked and Crossed market rule with respect to such orders. Orders eligible for execution outside the System shall be processed in compliance with Regulation NMS, including accessing protected quotations and resolving locked and crossed markets, as instructed.

#### **4756. Entry and Display of Quotes and Orders**

**This rule will be amended February 17, 2013. To view these changes, see the attached file.**

(a) Entry of Orders—Participants can enter orders into the System, subject to the following requirements and conditions:

(1) Participants shall be permitted to transmit to the System multiple orders at a single as well as multiple price levels. Each order shall indicate the amount of Reserve Size (if applicable).

(2) The System shall time-stamp an order which shall determine the time ranking of the order for purposes of processing the order.

(3) Orders can be entered into the System (or previously entered orders cancelled or modified) from [7:00 ] 4:00 a.m. until 8:00 p.m. Eastern Time. Participants may modify a previously entered order without cancelling it or affecting the priority of the order on the book solely for the purpose of modifying the marking of a sell order as long, short, or short exempt; provided, however, that if an order is redesignated as short, a Short Sale Period is in effect under Rule 4763, and the order is not priced at a Permitted Price or higher under Rule 4763(e), the order will be cancelled. In addition, a partial cancellation of an order to reduce its share size will not affect the priority of the order on the book. Except as provided in Rule 4761, all other modifications of orders will result in the replacement of the original order with a new order with a new time stamp.

**(b) Entry or Quotes**—Nasdaq Market Makers and Nasdaq ECNs can enter Quotes into the system from [7:00] 4:00 a.m. to 8:00 p.m. Eastern Time. When open, Quotes will be processed as System Hours GTC Orders (SGTC). Nasdaq Market Makers and Nasdaq ECNs may elect to utilize the Automatic Quote Refresh functionality. Entry of Quotes will be subject to the requirements and conditions set forth in section (a) above.

**(c) Display of Quotes and Orders**—The System will display quotes and orders submitted to the System as follows:

**(1) System Book Feed**—quotes and orders resident in the System available for execution will be displayed via the System Book Feed.

**(2) Best Priced Order Display** - For each System Security, the aggregate size of all Quotes and Orders at the best price to buy and sell resident in the System will be transmitted for display to the appropriate network processor, unless the aggregate size is less than one round lot in which case the aggregate size will be displayed in the System Book Feed but not be transmitted to a network processor.

**(3) Exceptions**—The following exceptions shall apply to the display parameters set forth in paragraphs (1) and (2) above:

**(A) Reserve Size**—Reserve Size shall not be displayed in the System, but shall be accessible as described in Rule 4757.

**(B) Discretionary Orders**—The discretionary portion of Discretionary Orders shall not be displayed but shall be made available for execution only upon the appearance of contra-side marketable trading interest, and shall be executed pursuant to Rule 4751(f) and Rule 4757.

**(C) Non-Displayed Orders**—Non-Displayed Orders are not displayed in the System, and have lower priority within the System than an equally priced Displayed Order, regardless of time stamp, and shall be executed pursuant to Rule 4757.

**(4) Beginning March 5, 2007**, in connection with the trading of securities governed by Regulation NMS, pursuant to Rule 600(b)(4) of Regulation NMS under the Act, Nasdaq has implemented such systems, procedures, and rules as are necessary to render it capable of meeting the requirements for automated quotations, as defined in Rule 600(b)(3) of

Regulation NMS under the Act; and immediately to identify its quotations as manual whenever it has reason to believe it is not capable of displaying automated quotations. Nasdaq has adopted policies and procedures for notifying members and other trading centers that it has reason to believe it is not capable of displaying automated quotations or, once manual, that it has restored the ability to display automated quotations and is preparing to identify its quotation as automated. In addition, Nasdaq has adopted policies and procedures for responding to notices that it receives from other trading centers indicating that they have elected to use the "self-help" exception of Rule 611(b)(1) of Regulation NMS under the Act.

**4757. Book Processing**

(a) System orders shall be executed through the Nasdaq Book Process set forth below:

(1) Price/Time Execution Algorithm. The System shall execute equally priced or better priced trading interest within the System in price/time priority in the following order:

(A) Displayed Orders;

(B) Non-Displayed Orders, the reserve portion of Quotes and Reserve Orders, in price/time priority among such interest;

(C) The discretionary portion of Discretionary Orders as set forth in Rule 4751(f);

(D) Supplemental Orders in accordance with the following process: Between 9:30 a.m. and 4:00 p.m., an order that has been designated as eligible for routing in accordance with Rule 4758 and that has not been fully executed pursuant Rule 4757(a)(1)(A) - (C) shall be matched against posted Supplemental Orders in price/time priority among such interest. An order will be matched against Supplemental Order(s) only at the NBBO, and only if the size of the order is less than or equal to the aggregate size of Supplemental Order interest available at the price of the order. In addition, a Supplemental Order will not execute if the NBBO is locked or crossed.

(2) Decrementation - Upon execution, an order shall be reduced by an amount equal to the size of that execution.

(3) Price Improvement - Any potential price improvement resulting from an execution in the System shall accrue to the taker of liquidity.

Example:

Buy order resides on Nasdaq book at 10.

Incoming order to sell priced at 9 comes into the System

Order executes at 10 (seller get \$1 price improvement)

(4) Exception: Anti-Internalization - Market participants may direct that quotes/orders entered into the System not execute against quotes/orders entered under the same MPID,

or under the same MPID and with a unique group identification modifier that represents a group of quotes/orders from the same MPID. In such a case, a market participant may elect, at the MPID or order entry port, from the following options;

- (i) if the interacting quotes/orders from the same MPID (or order entry port) are equivalent in size, both quotes/orders will be cancelled back to their entering parties. If the interacting quotes/orders from the same MPID (or order entry port) are not equivalent in size, share amounts equal to size of the smaller of the two quotes/orders will be cancelled back to their originating parties with the remainder of the larger quote/order being retained by the System for potential execution; or
- (ii) regardless of the size of the interacting quotes/orders, cancelling the oldest of them in full.

**(b) Market Access.** In addition to the Exchange Rules regarding routing to away trading centers, NASDAQ Execution Services, as defined in Rule 4758(b), has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NASDAQ Execution Services to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements of Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

#### **4758. Order Routing**

##### **(a) Order Routing Process**

**(1)** The Order Routing Process shall be available to Participants from [7:00] 4:00 a.m. until 8:00 p.m. Eastern Time, and shall route orders as described below. All routing of orders shall comply with Rule 611 of Regulation NMS under the Exchange Act.

**(A)** The System provides a variety of routing options. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The System will consider the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. Nasdaq reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are:

- (i) DOT is a routing option for orders that the entering firm wishes to designate for participation in the NYSE or NYSE Amex opening or closing processes. DOT orders are routed directly to NYSE or NYSE Amex, as appropriate. After attempting to execute in the opening or closing process, DOT orders thereafter check the System for available shares and are converted into SCAN or STGY orders, depending on the designation of the entering firm. DOT orders that are designated to participate in the NYSE or NYSE Amex opening process but that are entered after

9:30 a.m. will also be converted into SCAN or STGY orders, depending on the designation of the entering firm.

- (ii) a. DOTI is a routing option for orders that the entering firm wishes to direct to the NYSE or NYSE Amex without returning to the Nasdaq Market Center. DOTI orders check the System for available shares and then are sent to destinations on the System routing table before being sent to NYSE or NYSE Amex, as appropriate. DOTI orders do not return to the Nasdaq Market Center book after routing.
- b. The entering firm may alternatively elect to have DOTI orders check the System for available shares and thereafter be directly sent to NYSE or NYSE Amex as appropriate.
- (iii) STGY is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another accessible market center, the System shall route the order to the locking or crossing market center. SKNY is a form of STGY in which the entering firm instructs the System to bypass any market centers included in the STGY System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.
- (iv) SCAN is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. SKIP is a form of SCAN in which the entering firm instructs the System to bypass any market centers included in the SCAN System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.
- (v) TFTY is a routing option under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.
- (vi) MOPP is a routing option under which orders route only to Protected Quotations and only for displayed size. If shares remain unexecuted after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.
- (vii) SAVE is a routing option under which orders may either (i) route to the NASDAQ OMX BX Equities Market and NASDAQ OMX PSX, check the System,

and then route to other destinations on the System routing table, or (ii) may check the System first and then route to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

- (viii) SOLV is a routing option under which orders may either (i) route to the NASDAQ OMX BX Equities Market and NASDAQ OMX PSX, check the System, and then route to other destinations on the System routing table, or (ii) may check the System first and then route to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another accessible market center, the System shall route the order to the locking or crossing market center.
- (ix) "Directed Orders" are routed orders described in Rule 4751.
- (x) LIST is a routing option under which an order, if received before the security has opened on its primary listing market, will be routed to the primary listing market for participation in that market's opening process. After the security has opened on its primary listing market, unexecuted shares will be returned to the NASDAQ system. Thereafter, the order will check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. Any remaining shares will be posted on the book. In addition, LIST orders entered after the security has opened on the primary listing market (but before 3:58 p.m.) will check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table, with remaining shares posted on the book. Once on the book, if the order is subsequently locked or crossed by another market center, the System will not route the order to the locking or crossing market center. At 3:58pm, all LIST orders will be cancelled on the System and any remaining shares will route to the security's primary listing market for participation in its closing process. LIST orders received at or after 3:58 p.m. but before 4:00 p.m. will check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table, and remaining shares will be routed to the security's primary listing market to participate in its closing process. Shares unexecuted in the closing process will be posted to the NASDAQ book. LIST orders received after 4:00 p.m. will be posted to the NASDAQ book. If trading in the security is stopped across all markets, LIST orders will be sent to the primary listing market to participate in the re-opening process. When normal trading resumes, unexecuted shares will be cancelled off of the primary and posted on the NASDAQ book. LIST orders may not be designated as MGTC or SGTC.
- (xi) CART is a routing option under which orders route to the NASDAQ OMX BX Equities Market and NASDAQ OMX PSX and then check the System. If shares remain un-executed, they are posted to the book or cancelled. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

Orders that do not check the System for available shares prior to routing may not be sent to a facility of an exchange that is an affiliate of Nasdaq, except for orders that are sent to the NASDAQ OMX BX Equities Market or to the NASDAQ OMX PSX facility of NASDAQ OMX PHLX.

**(B) Priority of Routed Orders.** Regardless of the routing option selected, orders sent by the System to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System.

**(b) Routing Broker**

**(1)** All routing by the System shall be performed by the Nasdaq Stock Market LLC's affiliated broker-dealer, Nasdaq Execution Services LLC, which, in turn, shall route orders to other market centers as directed by the Nasdaq Stock Market LLC.

**(2)** Nasdaq Execution Services LLC will not engage in any business other than: (a) as an outbound router for the Nasdaq Stock Market LLC and (b) any other activities it may engage in as approved by the Commission

**(3)** Nasdaq Execution Services LLC shall operate as a facility, as defined in Section 3(a)(2) of the Act, of the Nasdaq Stock Market LLC.

**(4)** For purposes of SEC Rule 17d-1, the designated examining authority of Nasdaq Execution Services LLC shall be a self-regulatory organization unaffiliated with the Nasdaq Stock Market LLC or any of its affiliates.

**(5)** The Nasdaq Stock Market LLC shall be responsible for filing with the Securities and Exchange Commission rule changes related to the operation of, and fees for services provided by, Nasdaq Execution Services LLC and Nasdaq Execution Services shall be subject to exchange non-discrimination requirements.

**(6)** The books, records, premises, officers, agents, directors and employees of Nasdaq Execution Services LLC as a facility of the Nasdaq Stock Market LLC shall be deemed to be the books, records, premises, officers, agents, directors and employees of the Nasdaq Stock Market LLC for purposes of, and subject to oversight pursuant to, the Exchange Act. The books and records of Nasdaq Execution Services LLC as a facility of the Nasdaq Stock market LLC shall be subject at all times to inspection and copying by the Commission.

**(7)** Use of Nasdaq Execution Services to route orders to other market centers will be optional. Parties that do not desire to use Nasdaq Execution Services LLC must enter orders into the Nasdaq Stock Market LLC as immediate-or-cancel orders or any other order-type available through the Nasdaq Stock Market LLC that is ineligible for routing.

**(8)** Nasdaq Execution Services LLC shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the NASDAQ Stock Market LLC and its facilities (including Nasdaq Execution Services LLC as its routing facility) and any other entity.

**(c) Market Access.** In addition to the Exchange Rules regarding routing to away trading centers, NASDAQ Execution Services has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NASDAQ Execution Services to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements under Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

**(d) Cancellation of Orders and Error Account**

**(1)** Nasdaq or Nasdaq Execution Services may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at Nasdaq, Nasdaq Execution Services, or a routing destination. Nasdaq or Nasdaq Execution Services shall provide notice of the cancellation to affected members as soon as practicable.

**(2)** Nasdaq Execution Services shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at Nasdaq Execution Services, Nasdaq, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ("error positions").

**(A)** For purposes of this Rule 4758(d), an error position shall not include any position that results from an order submitted by a member to Nasdaq that is executed on Nasdaq and automatically processed for clearance and settlement on a locked-in basis.

**(B)** Except as provided in Rule 4758(d)(2)(C), Nasdaq Execution Services shall not (i) accept any positions in its error account from an account of a member, or (ii) permit any member to transfer any positions from the member's account to Nasdaq Execution Services' error account.

**(C)** If a technical or systems issue results in Nasdaq not having valid clearing instructions for a member to a trade, Nasdaq Execution Services may assume that member's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.

**(3)** In connection with a particular technical or systems issue, Nasdaq Execution Services or Nasdaq shall either (i) assign all resulting error positions to members in accordance with subparagraph (A) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (B) below. Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

(A) Nasdaq Execution Services or Nasdaq shall assign all error positions resulting from a particular technical or systems issue to the members affected by that technical or systems issue if Nasdaq Execution Services or Nasdaq:

(i) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the members affected by that technical or systems issue;

(ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the members affected by that technical or systems issue; and

(iii) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (d)(1) above.

(B) If Nasdaq Execution Services or Nasdaq is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected members in accordance with subparagraph (A) above, or if Nasdaq Execution Services or Nasdaq determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (d)(1) above, then Nasdaq Execution Services shall liquidate the error positions as soon as practicable. Nasdaq Execution Services shall:

(i) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and

(ii) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and Nasdaq Execution Services/Nasdaq associated with the liquidation of the error positions.

(4) Nasdaq Execution Services and Nasdaq shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to members or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

#### **4759. Reserved**

Reserved

#### **4760. Anonymity**

(a) Transactions executed in the System shall be cleared and settled anonymously. The transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities.

(b) Nasdaq shall reveal a Participant's identity in the following circumstances:

(1) when a registered clearing agency ceases to act for a participant, or the Participant's

clearing firm, and the registered clearing agency determines not to guarantee the settlement of the Participant's trades;

(2) for regulatory purposes or to comply with an order of an arbitrator or court;

(3) if both Participants to the transaction consent;

(4) Unless otherwise instructed by a member, Nasdaq will reveal to a member, no later than the end of the day on the date an anonymous trade was executed, when the member's Quote or Order has been decremented by another Quote or Order submitted by that same member.

#### **4761. Adjustment of Open Quotes and/or Orders**

The Nasdaq Market Center will automatically adjust the price and/or size of open quotes and/or orders in all Nasdaq Market Center eligible securities (unless otherwise noted) resident in the system in response to issuer corporate actions related to a dividend, payment or distribution, on the ex-date of such actions, except where a cash dividend or distribution is less than one cent (\$0.01), as follows:

(a) Quotes — All bid and offer side quotes shall be purged from the system.

(b) Sell Orders — Sell side orders in Nasdaq-listed and NYSE-listed securities shall not be adjusted by the system and must be modified, if desired, by the entering party, except for reverse splits where such sell side orders shall be purged from the system. Sell side orders in Amex-listed securities shall be adjusted in accordance with the procedures set forth below for Buy Orders in the event of a Stock Dividend or Stock Split.

(c) Buy Orders — Buy side orders shall be adjusted by the system based on the particular corporate action impacting the security (i.e. cash dividend, stock dividend, both, stock split, reverse split) as set forth below:

(1) Odd lot orders in non-Nasdaq listed securities that result from partial execution rather than order entry shall be cancelled rather than adjusted.

(2) Cash Dividends: Buy side order prices shall be first reduced by the dividend amount and the resulting price will then be rounded down to the nearest penny unless marked "Do Not Reduce".

(3) Stock Dividends and Stock Splits: Buy side order prices shall be determined by first rounding up the dollar value of the stock dividend or split to the nearest penny. The resulting amount shall then be subtracted from the price of the buy order. Unless marked "Do Not Increase", the size of the order shall be increased by first, (A) multiplying the size of the original order by the numerator of the ratio of the dividend or split, then (B) dividing that result by the denominator of the ratio of the dividend or split, then (C) rounding that result to the next lowest share.

(4) Dividends Payable in Either Cash or Securities at the Option of the Stockholder: Buy side order prices shall be reduced by the dollar value of either the cash or securities,

whichever is greater. The dollar value of the cash shall be determined using the formula in paragraph (2) above, while the dollar value of the securities shall be determined using the formula in paragraph (3) above. If the stockholder opts to receive securities, the size of the order shall be increased pursuant to the formula in subparagraph (3) above.

**(5) Combined Cash and Stock Dividends/Split:** In the case of a combined cash dividend and stock split/dividend, the cash dividend portion shall be calculated first as per section (1) above, and stock portion thereafter pursuant to sections (2) and/or (3) above.

**(6) Reverse Splits:** All orders (buy and sell) shall be cancelled and returned to the entering firm.

**(d)** Open buy and sell orders that are adjusted by the system pursuant to the above rules, and that thereafter continuously remain in the system, shall retain the time priority of their original entry.

#### **4762. Clearly Erroneous Transactions**

All matters related to clearly erroneous transactions executed in the System shall be initiated and adjudicated pursuant to Rule 11890.

#### **4763. Short Sale Price Test Pursuant to Rule 201 of Regulation SHO**

**This rule will be amended February 17, 2013. To view these changes, see the attached file.**

- (a) **Definitions.** For purposes of this Rule, the terms "covered security", "listing market", and "national best bid" shall have the same meaning as in Rule 201 of Regulation SHO.
- (b) **Short Sale Price Test.** The System (as defined in NASDAQ Rule 4751(a)) shall not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the security, from the security's closing price on the listing market as of the end of regular trading hours on the prior day ("Trigger Price").
- (c) **Determination of Trigger Price.** For covered securities for which the Exchange is the listing market, the System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the single plan processor.
- (1) The System will not calculate the Trigger Price of a covered security until it opens trading for that security.
  - (2) If a covered security did not trade on the Exchange on the prior trading day (due to a trading halt, trading suspension, or otherwise), the Exchange's determination of the Trigger Price shall be based on the last sale price on the Exchange for that security on the most recent day on which the security traded.

(d) **Duration of Short Sale Price Test.** If the Short Sale Price Test is triggered by the listing market with respect to a covered security, the Short Sale Price Test shall remain in effect until the close of trading on the next trading day, as provided for in Regulation SHO Rule 201(b)(1)(ii) (the "Short Sale Period").

- (1) If the Exchange determines pursuant to Rule 4762 that the Short Sale Price Test for a covered security was triggered because of a clearly erroneous execution, the Exchange may lift the Short Sale Price Test before the Short Sale Period ends for securities for which the Exchange is the listing market or, for securities listed on another market, notify the other market of the Exchange's determination that the triggering transaction was a clearly erroneous execution. The Exchange may also lift the Short Sale Price Test before the Short Sale Period ends, for a covered security for which the Exchange is the listing market, if the Exchange has been informed by another exchange or a self-regulatory organization ("SRO") that a transaction in the covered security that occurred at the Trigger Price was a clearly erroneous execution, as determined by the rules of that exchange or SRO.
- (2) If the Exchange determines that the prior day's closing price for a listed security is incorrect in the System and resulted in an incorrect determination of the Trigger Price, the Exchange may correct the prior day's closing price and lift the Short Sale Price Test before the Short Sale Period ends.

(e) **Re-pricing of Orders during Short Sale Period.** Except as provided below, during the Short Sale Period, short sale orders that are limited to the national best bid or lower and short sale market orders will be re-priced by the System one minimum allowable price increment above the current national best bid ("Permitted Price"). To reflect declines in the national best bid, the Exchange will continue to re-price a short sale order at the lowest Permitted Price down to the order's original limit price, or if a market order, until the order is filled. Non-displayed orders between the NASDAQ bid and offer at the time of receipt will also be re-priced upward to a Permitted Price to correspond with a rise in the national best bid.

- (1) During the Short Sale Period, immediate or cancel ("IOC") orders requiring that all or part of the order be executed immediately will be executed to the extent possible at a Permitted Price and higher and then cancelled, and will not be re-priced. Inter-market sweep orders not marked "short exempt" will be handled in the same manner as IOC orders.
- (2) During the Short Sale Period, short sale orders that are Limit-on-Open and Market-on-Open Orders defined in NASDAQ Rule 4752(a)(3) and (a)(4) and Limit-on-Close and Market-on-Close Orders defined in NASDAQ Rule 4754(a)(4) and (a)(5) shall be re-priced as described above, unless the spread between the national best bid and offer is \$0.01. In that case, such orders shall be converted to Mid-Point Peg Orders defined in NASDAQ Rule 4751(f)(4). Once converted, such orders will be priced at the midpoint of the national best bid and offer and may execute in subpennies if necessary to obtain a midpoint price.

(3) During the Short Sale Period, if an order was entered as a long sale order or a short sale exempt order but is subsequently marked pursuant to NASDAQ Rule 4756(a)(3) as a short sale order, the System will cancel the order unless it is priced at a Permitted Price or higher.

(f) **Execution of Permissible Orders during the Short Sale Period.** During the Short Sale Period, the System will execute and display a short sale order without regard to whether the order is at a Permitted Price or higher if, at the time of initial display of the short sale order, the order was at a price above the then current national best bid. Short sale orders that are entered into the Exchange prior to the Short Sale Period but are not displayed will be re-priced as described in (e) above.

(g) **Short Exempt Orders.** During the Short Sale Period, the System will execute and display orders marked "short exempt" without regard to whether the order is at a Permitted Price or higher. The System will accept orders marked "short exempt" at any time when the System is open for order entry, regardless of whether the Short Sale Price Test has been triggered.

\* \* \*

## **5250. Obligations for Companies Listed on The Nasdaq Stock Market**

### **(a) Obligation to Provide Information to Nasdaq**

(1) Nasdaq may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a Company's continued listing, including, but not limited to, any material provided to or received from the Commission or Other Regulatory Authority. A Company may be denied continued listing if it fails to provide such information within a reasonable period of time or if any communication to Nasdaq contains a material misrepresentation or omits material information necessary to make the communication to Nasdaq not misleading. The Company shall provide full and prompt responses to requests by Nasdaq or by FINRA acting on behalf of Nasdaq for information related to unusual market activity or to events that may have a material impact on trading of its securities in Nasdaq.

(2) As set forth in Rule 5625, a Company must provide Nasdaq with prompt notification after an Executive Officer of the Company becomes aware of any noncompliance by the Company with the requirements of the Rule 5600 Series.

### **(b) Obligation to Make Public Disclosure**

#### **(1) Disclosure of Material Information**

Except in unusual circumstances, a Nasdaq-listed Company shall make prompt disclosure to the public through any Regulation FD compliant method (or combination of methods) of disclosure of any material information that would reasonably be expected to affect the value of its securities or influence investors' decisions. The Company shall, prior to the release of the information, provide notice of such disclosure to Nasdaq's MarketWatch

Department at least ten minutes prior to public announcement if the information involves any of the events set forth in IM-5250-1 and the public release of the material information is made between 7:00 a.m. to 8:00 p.m. If the public release of the material information is made outside [of Nasdaq market hours] the hours of 7:00 a.m. to 8:00 p.m., Nasdaq Companies must notify MarketWatch of the material information prior to 6:50 a.m. ET. As described in IM-5250-1, prior notice to the MarketWatch Department must be made through the electronic disclosure submission system available at [www.nasdaq.net](http://www.nasdaq.net), except in emergency situations.

## **(2) Disclosure of Notification of Deficiency**

As set forth in Rule 5810(b) and IM-5810-1, a Company that receives a notification of deficiency from Nasdaq is required to make a public announcement by filing a Form 8-K, where required by SEC rules, or by issuing a press release disclosing receipt of the notification and the Rule(s) upon which the deficiency is based, and describing each specific basis and concern identified by Nasdaq in reaching its determination that the Company does not meet the listing standard. However, note that in the case of a deficiency related to the requirement to file a periodic report contained in Rule 5250(c)(1) or (2), the Company is required to make the public announcement by issuing a press release. As described in Rule 5250(b)(1) and IM-5250-1, the Company must notify Nasdaq's MarketWatch Department about the announcement through the electronic disclosure submission system available at [www.nasdaq.net](http://www.nasdaq.net), except in emergency situations when notification may instead be provided by telephone or facsimile. If the public announcement is made between 7:00 a.m. to 8:00 p.m. [during Nasdaq market hours], the Company must notify MarketWatch at least ten minutes prior to the announcement. If the public announcement is made outside [of Nasdaq market hours] 7:00 a.m. to 8:00 p.m., the Company must notify MarketWatch of the announcement prior to 6:50 a.m. ET.

## **(c) Obligation to File Periodic Financial Reports**

**(1)** A Company shall timely file all required periodic financial reports with the Commission through the EDGAR System or with the Other Regulatory Authority. A Company that does not file through the EDGAR System shall supply to Nasdaq two (2) copies of all reports required to be filed with the Other Regulatory Authority or email an electronic version of the report to Nasdaq at [continuedlisting@nasdaq.com](mailto:continuedlisting@nasdaq.com). All required reports must be filed with Nasdaq on or before the date they are required to be filed with the Commission or Other Regulatory Authority. Annual reports filed with Nasdaq shall contain audited financial statements.

## **(2) Foreign Private Issuer Interim Reports**

Each Foreign Private Issuer shall submit on a Form 6-K an interim balance sheet and income statement as of the end of its second quarter. This information, which must be presented in English, but does not have to be reconciled to U.S. GAAP, must be provided no later than six months following the end of the Company's second quarter. In the case

of a Foreign Private Issuer that is a limited partnership, such information shall be distributed to limited partners if required by statute or regulation in the jurisdiction in which the limited partnership is formed or doing business or by the terms of the partnership's limited partnership agreement.

### **(3) Auditor Registration**

Each listed Company shall be audited by an independent public accountant that is registered as a public accounting firm with the Public Company Accounting Oversight Board, as provided for in Section 102 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7212).

### **(d) Distribution of Annual and Interim Reports**

#### **(1) Distribution of Annual Reports**

Each Company (including a limited partnership) shall make available to Shareholders an annual report containing audited financial statements of the Company and its subsidiaries (which, for example, may be on Form 10-K, 20-F, 40-F or N-CSR) within a reasonable period of time following the filing of the annual report with the Commission. A Company may comply with this requirement either:

**(A)** by mailing the report to Shareholders;

**(B)** by satisfying the requirements for furnishing an annual report contained in Rule 14a-16 under the Act; or

**(C)** by posting the annual report to Shareholders on or through the Company's website (or, in the case of a Company that is an investment company that does not maintain its own website, on a website that the Company is allowed to use to satisfy the website posting requirement in Rule 16a-3(k) under the Act), along with a prominent undertaking in the English language to provide Shareholders, upon request, a hard copy of the Company's annual report free of charge. A Company that chooses to satisfy this requirement pursuant to this paragraph (C) must, simultaneous with this posting, issue a press release stating that its annual report has been filed with the Commission (or Other Regulatory Authority). This press release shall also state that the annual report is available on the Company's website and include the website address and that Shareholders may receive a hard copy free of charge upon request. A Company must provide such hard copies within a reasonable period of time following the request.

#### **(2) Distribution of Interim Reports**

Nasdaq Companies that distribute interim reports to Shareholders should distribute such reports to both registered and beneficial Shareholders. Nasdaq Companies are also encouraged to consider additional technological methods to communicate such

information to Shareholders in a timely and less costly manner as such technology becomes available.

### **(3) Access to Quarterly Reports**

**(A)** Each Company that is not a limited partnership (limited partnerships are governed by paragraph (B) below) and is subject to Rule 13a-13 under the Act shall make available copies of quarterly reports including statements of operating results to Shareholders either prior to or as soon as practicable following the Company's filing of its Form 10-Q with the Commission. If the form of such quarterly report differs from the Form 10-Q, the Company shall file one copy of the report with Nasdaq in addition to filing its Form 10-Q pursuant to Rule 5250(c)(1). The statement of operations contained in quarterly reports shall disclose, at a minimum, any substantial items of an unusual or non-recurrent nature and net income before and after estimated federal income taxes or net income and the amount of estimated federal taxes.

**(B)** Each Company that is limited partnership and is subject to Rule 13a-13 under the Act shall make available copies of quarterly reports including statements of operating results to limited partners either prior to or as soon as practicable following the partnership's filing of its Form 10-Q with the Commission. Such reports shall be distributed to limited partners if required by statute or regulation in the state in which the limited partnership is formed or doing business or by the terms of the partnership's limited partnership agreement. If the form of such quarterly report differs from the Form 10-Q, the Company shall file one copy of the report with Nasdaq in addition to filing its Form 10-Q pursuant to Rule 5250(c)(1). The statement of operations contained in quarterly reports shall disclose, at a minimum, any substantial items of an unusual or non-recurrent nature and net income before and after estimated federal income taxes or net income and the amount of estimated federal taxes.

### **(4) Access to Interim Reports**

**(A)** Each Company that is not a limited partnership and is not subject to Rule 13a-13 under the Act and that is required to file with the Commission, or Other Regulatory Authority, interim reports relating primarily to operations and financial position, shall make available to Shareholders reports which reflect the information contained in those interim reports. Such reports shall be made available to Shareholders either before or as soon as practicable following filing with the appropriate regulatory authority. If the form of the interim report provided to Shareholders differs from that filed with the regulatory authority, the Company shall file one copy of the report to Shareholders with Nasdaq in addition to the report to the regulatory authority that is filed with Nasdaq pursuant to Rule 5250(c)(1).

**(B)** Each Company that is a limited partnership that is not subject to Rule 13a-13 under the Act and is required to file with the Commission, or Other Regulatory Authority, interim reports relating primarily to operations and financial position, shall make available to limited partners reports which reflect the information contained in those

interim reports. Such reports shall be distributed to limited partners if required by statute or regulation in the state in which the limited partnership is formed or doing business or by the terms of the partnership's limited partnership agreement. Such reports shall be distributed to limited partners either before or as soon as practicable following filing with the appropriate regulatory authority. If the form of the interim report provided to limited partners differs from that filed with the regulatory authority, the Company shall file one copy of the report to limited partners with Nasdaq in addition to the report to the regulatory authority that is filed with Nasdaq pursuant to Rule 5250(c)(1).

(5) A Foreign Private Issuer may follow its home country practice in lieu of the requirements of Rule 5250(d)(1), (2), (3) or (4) by utilizing the process described in Rule 5615(a)(3).

(6) The Company shall comply with any obligation of any person regarding filing or disclosure of information material to the Company or the security, whether such obligation arises under the securities laws of the United States or the Company's country of domicile, or other applicable federal or state statutes or rules.

#### **(e) Nasdaq Notification Requirements**

Various corporate events resulting in material changes will trigger the requirement for Companies to submit certain forms and applicable fees to Nasdaq as specified below.

All applicable forms can be found at  
[http://www.nasdaq.com/about/listing\\_information.stm#forms](http://www.nasdaq.com/about/listing_information.stm#forms).

#### **(1) Change in Number of Shares Outstanding**

The Company shall file, on a form designated by Nasdaq no later than 10 days after the occurrence, any aggregate increase or decrease of any class of securities listed on Nasdaq that exceeds 5% of the amount of securities of the class outstanding.

#### **(2) Listing of Additional Shares**

A Company shall be required to notify Nasdaq, except for a Company solely listing American Depositary Receipts, at least 15 calendar days prior to:

#### **(A)**

(i) establishing or materially amending a stock option plan, purchase plan or other equity compensation arrangement pursuant to which stock may be acquired by officers, directors, employees, or consultants without shareholder approval;

(ii) Nasdaq recognizes that when a Company makes an equity grant to induce an individual to accept employment, as permitted by the exception contained in Rule 5635(c)(4), it may not be practical to provide the advance notice otherwise required by

this Rule. Therefore, when a Company relies on that exception to make such an inducement grant without shareholder approval, it is sufficient to notify Nasdaq about the grant and the use of the exception no later than the earlier of: (x) five calendar days after entering into the agreement to issue the securities; or (y) the date of the public announcement of the award required by Rule 5635(c)(4); or

**(B)** issuing securities that may potentially result in a change of control of the Company; or

**(C)** issuing any common stock or security convertible into common stock in connection with the acquisition of the stock or assets of another company, if any officer or director or Substantial Shareholder of the Company has a 5% or greater interest (or if such persons collectively have a 10% or greater interest) in the Company to be acquired or in the consideration to be paid; or

**(D)** issuing any common stock, or any security convertible into common stock in a transaction that may result in the potential issuance of common stock (or securities convertible into common stock) greater than 10% of either the total shares outstanding or the voting power outstanding on a pre-transaction basis.

The notifications required by this paragraph must be made on the Notification Form: Listing of Additional Shares and Nasdaq encourages Companies to file this form as soon as practicable, even if all of the relevant terms are not yet known. Nasdaq reviews these forms to determine compliance with applicable Nasdaq rules, including the shareholder approval requirements. Therefore, if a Company fails to file timely the form required by this paragraph, Nasdaq may issue either a Public Reprimand Letter or a Delisting Determination (pursuant to the Rule 5800 Series).

### **(3) Record Keeping Change**

**(A)** The Company shall file on a form designated by Nasdaq notification of any corporate name change, or other change requiring payment of a record-keeping fee, no later than 10 days after the change. The Company shall also pay the appropriate Record-Keeping Fee as referenced in the Rule 5900 Series.

**(B)** The Company shall also notify Nasdaq promptly in writing, absent any fees, of any change in the general character or nature of its business and any change in the address of its principal executive offices.

### **(4) Substitution Listing**

The Company shall notify Nasdaq of a Substitution Listing Event (other than a re-incorporation or a change to a Company's place of organization) no later than 15 calendar days prior to the implementation of such event by filing the appropriate form as designated by Nasdaq. For a re-incorporation or change to a Company's place of organization, a Company shall notify Nasdaq as soon as practicable after such event has

been implemented by filing the appropriate form as designated by Nasdaq. The Company shall also pay the appropriate Substitution Listing Fee as referenced in the Rule 5900 Series. The Substitution Listing Fee shall not apply to securities that are listed on a national securities exchange other than Nasdaq and not designated by Nasdaq as Nasdaq national market system securities.

**(5) Transfer Agent, Registrar, ADR Bank Changes**

The issuer of any class of securities listed on Nasdaq, except for American Depositary Receipts, shall notify Nasdaq promptly in writing of any change in the Company's transfer agent or registrar.

**(6) Dividend Action or Stock Distribution**

In the case of any dividend action or action relating to a stock distribution of a listed stock the Company shall, no later than 10 calendar days prior to the record date of such action:

(i) notify Nasdaq by filing the appropriate form as designated by Nasdaq; and

(ii) provide public notice using a Regulation FD compliant method.

Notice to Nasdaq should be given as soon as possible after declaration and, in any event, no later than simultaneously with the public notice.

**(f) Obligation to Pay Fees**

The Company is required to pay all applicable fees as described in the Rule 5900 Series.

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**IM-5250-1. Disclosure of Material Information**

Rule 5250(b)(1) requires that, except in unusual circumstances, Nasdaq Companies disclose promptly to the public through any Regulation FD compliant method (or combination of methods) of disclosure any material information that would reasonably be expected to affect the value of their securities or influence investors' decisions. Nasdaq Companies must notify Nasdaq at least ten minutes prior to the release to the public of material information that involves any of the events set forth below when the public release of the information is made [during Nasdaq market hours] between [( ) 7:00 a.m. to 8:00 p.m. ET)]. If the public release of the material information is made outside of [Nasdaq market hours] 7:00 a.m. to 8:00 p.m., Nasdaq Companies must notify MarketWatch of the material information prior to 6:50 a.m. ET. Under unusual circumstances Companies may not be required to make public disclosure of material events; for example, where it is possible to maintain confidentiality of those events and immediate public disclosure would prejudice the ability of the Company to pursue its

legitimate corporate objectives. However, Nasdaq Companies remain obligated to disclose this information to Nasdaq upon request pursuant to Rule 5250(a).

Whenever unusual market activity takes place in a Nasdaq Company's securities, the Company normally should determine whether there is material information or news which should be disclosed. If rumors or unusual market activity indicate that information on impending developments has become known to the investing public, or if information from a source other than the Company becomes known to the investing public, a clear public announcement may be required as to the state of negotiations or development of Company plans. Such an announcement may be required, even though the Company may not have previously been advised of such information or the matter has not yet been presented to the Company's Board of Directors for consideration. In certain circumstances, it may also be appropriate to publicly deny false or inaccurate rumors, which are likely to have, or have had, an effect on the trading in its securities or would likely have an influence on investment decisions.

### **Notification to Nasdaq MarketWatch Department**

Nasdaq Companies must notify Nasdaq's MarketWatch Department prior to the distribution of certain material news at least ten minutes prior to public announcement of the news when the public release of the information is made [during Nasdaq market hours] from [(7:00 a.m. to 8:00 pm. ET)]. If the public release of the material information is made outside of [Nasdaq market hours] 7:00 a.m. to 8:00 p.m., Nasdaq Companies must notify MarketWatch of the material information prior to 6:50 a.m. ET. Except in emergency situations, this notification must be made through Nasdaq's electronic disclosure submission system available at [www.nasdaq.net](http://www.nasdaq.net). In emergency situations, Companies may instead provide notification by telephone or facsimile. Examples of an emergency situation include: lack of computer or internet access; technical problems on either the Company or Nasdaq system or an incompatibility between those systems; and a material development such that no draft disclosure document exists, but immediate notification to MarketWatch is important based on the material event.

If a Nasdaq Company repeatedly fails to either notify Nasdaq at least ten minutes prior to the distribution of material news [during market hours] from 7 a.m. to 8 p.m. or prior to 6:50 a.m. ET for material news distributed outside of market hours, or repeatedly fails to use the electronic disclosure submission system when Nasdaq finds no emergency situation existed, Nasdaq may issue a Public Reprimand Letter (as defined in Rule 5805(j)) or, in extreme cases, a Staff Delisting Determination (as defined in Rule 5805(h)). In determining whether to issue a Public Reprimand Letter, Nasdaq will consider whether the Company has demonstrated a pattern of failures, whether the Company has been contacted concerning previous violations, and whether the Company has taken steps to assure that future violations will not occur.

### **Trading Halts**

A trading halt benefits current and potential Shareholders by halting all trading in any

Nasdaq securities until there has been an opportunity for the information to be disseminated to the public. This decreases the possibility of some investors acting on information known only to them. A trading halt provides the public with an opportunity to evaluate the information and consider it in making investment decisions. It also alerts the marketplace to the fact that news has been released.

Nasdaq's MarketWatch Department monitors real time trading in all Nasdaq securities during the trading day for price and volume activity. In the event of certain price and volume movements, the MarketWatch Department may contact a Company and its Market Makers in order to ascertain the cause of the unusual market activity. The MarketWatch Department treats the information provided by the Company and other sources in a highly confidential manner, and uses it to assess market activity and assist in maintaining fair and orderly markets. A Nasdaq listing includes an obligation to disclose to the MarketWatch Department information that the Company is not otherwise disclosing to the investing public or the financial community. On, occasion, changes in market activity prior to the Company's release of material information may indicate that the information has become known to the investing public. Changes in market activity also may occur when there is a release of material information by a source other than the Company, such as when a Nasdaq Company is subject to an unsolicited take-over bid by another company. Depending on the nature of the event and the Company's views regarding the business advisability of disclosing the information, the MarketWatch Department may work with the Company to accomplish a timely release of the information. Furthermore, depending on the materiality of the information and the anticipated affect of the information on the price of the Company's securities, the MarketWatch Department may advise the Company that a temporary trading halt is appropriate to allow for full dissemination of the information and to maintain an orderly market. The institution of a temporary trading halt pending the release of information is not a reflection on the value of the securities halted. Such trading halts are instituted, among other reasons, to insure that material information is fairly and adequately disseminated to the investing public and the marketplace, and to provide investors with the opportunity to evaluate the information in making investment decisions. A trading halt normally lasts one half hour but may last longer if a determination is made that news has not been adequately disseminated or that the original or an additional basis under Rule 4120 exists for continuing the trading halt.

The MarketWatch Department is required to keep non-public information, confidential and to use such information only for regulatory purposes.

Companies are required to notify the MarketWatch Department of the release of material information included in the following list of events at least ten minutes prior to the release of such information to the public when the public release of the information is made [during Nasdaq market hours] from [(7:00 a.m. to 8:00 pm. ET)]. If the public release of the material information is made outside of [Nasdaq market hours] 7:00 a.m. to 8:00 p.m., Nasdaq Companies must notify MarketWatch of the material information prior to 6:50 a.m. ET. It should also be noted that every development that might be reported to Nasdaq in these areas would not necessarily be deemed to warrant a trading halt. In addition to the following list of events, Nasdaq encourages Companies to avail

themselves of the opportunity for advance notification to the MarketWatch Department in situations where they believe, based upon their knowledge of the significance of the information, that a temporary trading halt may be necessary or appropriate.

- (a) Financial-related disclosures, including quarterly or yearly earnings, earnings restatements, pre-announcements or "guidance."
- (b) Corporate reorganizations and acquisitions, including mergers, tender offers, asset transactions and bankruptcies or receiverships.
- (c) New products or discoveries, or developments regarding customers or suppliers (e.g., significant developments in clinical or customer trials, and receipt or cancellation of a material contract or order).
- (d) Senior management changes of a material nature or a change in control.
- (e) Resignation or termination of independent auditors, or withdrawal of a previously issued audit report.
- (f) Events regarding the Company's securities — e.g., defaults on senior securities, calls of securities for redemption, repurchase plans, stock splits or changes in dividends, changes to the rights of security holders, or public or private sales of additional securities.
- (g) Significant legal or regulatory developments. Regulation FD
- (h) Any event requiring the filing of a Form 8-K.

#### **Use of Regulation FD Compliant Methods in the Disclosure of Material Information**

Regardless of the method of disclosure that a Company chooses to use, Companies are required to notify the MarketWatch Department of the release of material information that involves any of the events set forth above at least ten minutes prior to its release to the public when the public release of the information is made [during Nasdaq market hours] from [(7:00 a.m. to 8:00 p.m. ET)]. If the public release of the material information is made outside of [Nasdaq market hours] 7:00 a.m. to 8:00 p.m., Nasdaq Companies must notify MarketWatch of the material information prior to 6:50 a.m. ET. When a Company chooses to utilize a Regulation FD compliant method for disclosure other than a press release or Form 8-K, the Company will be required to provide prior notice to the MarketWatch Department of: 1) the press release announcing the logistics of the future disclosure event; and 2) a descriptive summary of the material information to be announced during the disclosure event if the press release does not contain such a summary.

Depending on the materiality of the information and the anticipated effect of the information on the price of the Company's securities, the MarketWatch Department may advise the Company that a temporary trading halt is appropriate to allow for full dissemination of the information and to maintain an orderly market. The MarketWatch Department will assess with Companies using methods of disclosure other than a press

release or Form 8-K the timing within the disclosure event when the Company will cover the material information so that the halt can be commenced accordingly. Companies will be responsible for promptly alerting the MarketWatch Department of any significant changes to the previously outlined disclosure timeline. Companies are reminded that the posting of information on the company's website may not by itself be considered a sufficient method of public disclosure under Regulation FD and SEC guidance and releases thereunder, and as a result, under Nasdaq rules.

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### **5705. Exchange Traded Funds: Portfolio Depository Receipts and Index Fund Shares**

#### **(a) Portfolio Depository Receipts**

**(1) Definitions.** The following terms shall, unless the context otherwise requires, have the meanings herein specified:

**(A) Portfolio Depository Receipt.** The term "Portfolio Depository Receipt" means a security:

**(i)** that is based on a unit investment trust ("Trust") which holds the securities which comprise an index or portfolio underlying a series of Portfolio Depository Receipts;

**(ii)** that is issued by the Trust in a specified aggregate minimum number in return for a "Portfolio Deposit" consisting of specified numbers of shares of stock and/or a cash amount, a specified portfolio of fixed income securities and/or a cash amount and/or a combination of the above;

**(iii)** that, when aggregated in the same specified minimum number, may be redeemed from the Trust which will pay to the redeeming holder the stock and/or cash, fixed income securities and/or cash and/or a combination thereof then comprising the "Portfolio Deposit"; and

**(iv)** that pays holders a periodic cash payment corresponding to the regular cash dividends or distributions declared with respect to the component securities of the securities index or portfolio of securities underlying the Portfolio Depository Receipts, less certain expenses and other charges as set forth in the Trust prospectus.

**(B) Reporting Authority.** The term "Reporting Authority" in respect to a particular series of Portfolio Depository Receipts means Nasdaq, a wholly-owned subsidiary of Nasdaq, an institution (including the Trustee for a series of Portfolio Depository Receipts), or a reporting service designated by Nasdaq or its subsidiary as the official source for calculating and reporting information relating to such series, including, but not limited to, any current index or portfolio value; the current value of the portfolio of securities required to be deposited to the Trust in connection with issuance of Portfolio Depository Receipts; the amount of any dividend equivalent payment or cash distribution to holders of Portfolio Depository Receipts, net asset value, and other information relating to the

creation, redemption or trading of Portfolio Depository Receipts.

Nothing in this paragraph shall imply that an institution or reporting service that is the source for calculating and reporting information relating to Portfolio Depository Receipts must be designated by Nasdaq; the term "Reporting Authority" shall not refer to an institution or reporting service not so designated.

**(C) U.S. Component Stock.** The term "U.S. Component Stock" shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Act, or an American Depository Receipt, the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Act.

**(D) Non-U.S. Component Stock.** The term "Non-U.S. Component Stock" shall mean an equity security that (a) is not registered under Sections 12(b) or 12(g) of the Act, (b) is issued by an entity that is not organized, domiciled or incorporated in the United States, and (c) is issued by an entity that is an operating company (including Real Estate Investment Trusts (REITs) and income trusts, but excluding investment trusts, unit trusts, mutual funds, and derivatives).

**(2) No Change.**

**(3) Equity.** Nasdaq may approve a series of Portfolio Depository Receipts for listing and trading pursuant to Rule 19b-4(e) under the Act, provided each of the following criteria is satisfied:

**(A) Eligibility Criteria for Index Components.**

**(i) U.S. Index or Portfolio.** Upon the initial listing of a series of Portfolio Depository Receipts pursuant to Rule 19b-4(e) under the Act, the component stocks of an index or portfolio of U.S. Component Stocks underlying such series of Portfolio Depository Receipts shall meet the following criteria:

**a.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least \$75 million;

**b.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares;

**c.** The most heavily weighted component stock shall not exceed 30% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 65% of the weight of the index or portfolio;

**d.** The index or portfolio shall include a minimum of 13 component stocks; and

**e.** All securities in the index or portfolio shall be U.S. Component Stocks listed on Nasdaq (including The Nasdaq Capital Market) or another national securities exchange and shall be NMS Stocks as defined in Rule 600 of Regulation NMS under the Act.

**(ii)** International or global index or portfolio. Upon the initial listing of a series of Portfolio Depository Receipts pursuant to Rule 19b-4(e) under the Act, the components of an index or portfolio underlying a series of Portfolio Depository Receipts that consist of either only Non-U.S. Component Stocks or both U.S. Component Stocks and Non-U.S. Component Stocks shall meet the following criteria:

- a.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least \$100 million;
- b.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares;
- c.** The most heavily weighted component stock shall not exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 60% of the weight of the index or portfolio;
- d.** The index or portfolio shall include a minimum of 20 component stocks; and
- e.** Each U.S. Component Stock shall be listed on a national securities exchange and shall be an NMS Stock as defined in Rule 600 of Regulation NMS under the Act, and each Non-U.S. Component Stock shall be listed and traded on an exchange that has last-sale reporting.

**(iii)** Index or portfolio approved in connection with derivative securities. Upon the initial listing of a series of Portfolio Depository Receipts pursuant to Rule 19b-4(e) under the Act, the index or portfolio underlying a series of Portfolio Depository Receipts shall have been reviewed and approved for trading of options, Portfolio Depository Receipts, Index Fund Shares, index-linked exchangeable notes, or index-linked securities by the Commission under Section 19(b)(2) of the Act and rules thereunder, and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements with respect to Non-U.S. Component Stocks and the requirements regarding dissemination of information, continue to be satisfied. Each component stock of the index or portfolio shall be either

- a.** a U.S. Component Stock that is listed on a national securities exchange and is an NMS Stock as defined in Rule 600 of Regulation NMS under the Act; or
- b.** a Non-U.S. Component Stock that is listed and traded on an exchange that has last-sale reporting.

**(B)** Index Methodology and Calculation.

**(i)** If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer or fund advisor;

**(ii)** The current index value for Portfolio Depository Receipts listed pursuant to:

**a.** Rule 5705(a)(3)(A)(i) will be widely disseminated by one or more major market data vendors at least every 15 seconds during Nasdaq's regular market session.

**b.** Rule 5705(a)(3)(A)(ii) will be widely disseminated by one or more major market data vendors at least every 60 seconds during Nasdaq's regular market session; or

**c.** Rule 5705(a)(3)(A)(iii) will be widely disseminated by one or more major market data vendors at least every 15 seconds with respect to indexes containing only U.S. Component Stocks and at least every 60 seconds with respect to indexes containing Non-U.S. Component Stocks, during Nasdaq's regular market session.

If the index value does not change during some or all of the period when trading is occurring on Nasdaq (for example, for indexes of Non-U.S. Component Stocks because of time zone differences or holidays in the countries where such indexes' component stocks trade), then the last official calculated index value must remain available throughout Nasdaq's trading hours; and

**(iii)** Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index or portfolio composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

**(C)** Disseminated Information. The Reporting Authority will disseminate for each series of Portfolio Depository Receipts an estimate, updated at least every 15 seconds, of the value of a share of each series (the "Intraday Indicative Value") during Nasdaq's regular market session. The Intraday Indicative Value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. The Intraday Indicative Value will be updated at least every 15 seconds during Nasdaq's regular market session to reflect changes in the exchange rate between the U.S. dollar and the currency in which any component stock is denominated. If the Intraday Indicative Value does not change during some or all of the period when trading is occurring on Nasdaq, then the last official calculated Intraday Indicative Value must remain available throughout Nasdaq's trading hours.

**(D)** Initial Shares Outstanding. A minimum of 100,000 shares of a series of Portfolio Depository Receipts is required to be outstanding at start-up of trading.

**(E)** Surveillance Procedures. FINRA will implement written surveillance procedures for Portfolio Depository Receipts.

**(F)** Creation and redemption. For Portfolio Depository Receipts listed pursuant to Rule 5705(a)(3)(A)(ii) or (iii) above, the statutory prospectus or the application for exemption from provisions of the Investment Company Act of 1940 for the series of Portfolio Depository Receipts must state that the Trust must comply with the federal securities

laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933.

**(4) Fixed Income.** Fixed Income Securities are debt securities that are notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or subdivision thereof. Nasdaq may approve a series of Portfolio Depositary Receipts based on Fixed Income Securities for listing and trading pursuant to Rule 19b-4(e) under the Act provided such portfolio or index: (i) has been reviewed and approved for the trading of options, Portfolio Depositary Receipts, Index Fund Shares, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b)(2) of the Act and the rules thereunder and the conditions set forth in the Commission's approval order continue to be satisfied; or (ii) the following criteria are satisfied:

**(A) Eligibility Criteria for Index Components.** Upon the initial listing of a series of Portfolio Depositary Receipts pursuant to Rule 19b-4(e) under the Act, each component of an index or portfolio that underlies a series of Portfolio Depositary Receipts shall meet the following criteria:

**(i)** The index or portfolio must consist of Fixed Income Securities;

**(ii)** Components that in aggregate account for at least 75% of the weight of the index or portfolio must have a minimum original principal amount outstanding of \$100 million or more;

**(iii)** A component may be a convertible security, however, once the convertible security component converts to an underlying equity security, the component is removed from the index or portfolio;

**(iv)** No component fixed-income security (excluding Treasury Securities) will represent more than 30% of the weight of the index or portfolio, and the five highest weighted component fixed-income securities do not in the aggregate account for more than 65% of the weight of the index or portfolio;

**(v)** An underlying index or portfolio (excluding exempted securities) must include securities from a minimum of 13 non-affiliated issuers; and

**(vi)** Component securities that in aggregate account for at least 90% of the weight of the index or portfolio must be either: (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Act; (b) from issuers that have a worldwide market value of its outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds, debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; (d) exempted securities as defined in section 3(a)(12) of the Act; or (e) from issuers that are a

government of a foreign country or a political subdivision of a foreign country.

**(B) Index Methodology and Calculation.**

**(i)** If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index;

**(ii)** The current index value will be widely disseminated by one or more major market data vendors at least once per day; and

**(iii)** Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

**(5)** Nasdaq may approve a series of Portfolio Depository Receipts based on a combination of indexes or an index or portfolio of component securities representing the U.S. equity market, the international equity market, and the fixed income market for listing and trading pursuant to Rule 19b-4(e) under the Act provided: (i) each index has been reviewed and approved for the trading of options, Portfolio Depository Receipts, Index Fund Shares, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission's approval order continue to be satisfied; or (ii) each index or portfolio of equity and fixed income component securities separately meets either the criteria set forth in Rule 5705(a)(3) or (4) above.

**(A) Index Methodology and Calculation.**

**(i)** If an index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index;

**(ii)** The current composite index value will be widely disseminated by one or more major market data vendors at least once every 15 seconds during the regular market session, provided however, that (a) with respect to the Non-U.S. Component Stocks of the combination index, the impact on the index is only required to be updated at least every 60 seconds during the regular market session, and (b) with respect to the fixed income components of the combination index the impact on the index is only required to be updated at least once each day; and

**(iii)** Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

(6) The following provisions shall apply to all series of Portfolio Depository Receipts listed pursuant Rules 5705(a)(4) and (5) above:

(A) Disseminated Information. The Reporting Authority will disseminate for each series of Portfolio Depository Receipts an estimate, updated at least every 15 seconds, of the value of a share of each series (the "Intraday Indicative Value"). The Intraday Indicative Value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. The Intraday Indicative Value may be calculated by Nasdaq or by an independent third party throughout the day using prices obtained from independent market data providers or other independent pricing sources such as a broker-dealer or price evaluation services.

(B) Initial Shares Outstanding. A minimum of 100,000 shares of a series of Portfolio Depository Receipts is required to be outstanding at start-up of trading.

(C) Surveillance Procedures. FINRA will implement written surveillance procedures for Portfolio Depository Receipts.

(7) Regular market session trading will occur between 9:30 a.m. and either 4:00 p.m. or 4:15 p.m. for each series of Portfolio Depository Receipts, as specified by Nasdaq. In addition, Nasdaq may designate each series of Portfolio Depository Receipts for trading during a pre-market session beginning at [7:00] 4:00 a.m. and/or a post-market session ending at 8:00 p.m.

(8) Nasdaq may list and trade Portfolio Depository Receipts based on one or more indexes or portfolios. The Portfolio Depository Receipts based on each particular index or portfolio, or combination thereof, shall be designated as a separate series and shall be identified by a unique symbol. The components of an index or portfolio on which Portfolio Depository Receipts are based shall be selected by Nasdaq or its agent, a wholly-owned subsidiary of Nasdaq, or by such other person as shall have a proprietary interest in and authorized use of such index or portfolio, and may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

(9) A Trust upon which a series of Portfolio Depository Receipts is based will be listed and traded on Nasdaq subject to application of the following criteria:

(A) Initial Listing —

(i) for each Trust, Nasdaq will establish a minimum number of Portfolio Depository Receipts required to be outstanding at the time of commencement of trading on Nasdaq.

(ii) Nasdaq will obtain a representation from the issuer of each series of Portfolio Depository Receipts that the net asset value per share for the series will be calculated daily and will be made available to all market participants at the same time.

(B) Continued Listing —

(i) Nasdaq will consider the suspension of trading in or removal from listing of a Trust upon which a series of Portfolio Depository Receipts is based under any of the following circumstances:

a. if, following the initial twelve month period after the formation of a Trust and commencement of trading on Nasdaq, the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Portfolio Depository Receipts for 30 or more consecutive trading days;

b. if the value of the index or portfolio of securities on which the Trust is based is no longer calculated or available or the index or portfolio on which the Trust is based is replaced with a new index or portfolio, unless the new index or portfolio meets the requirements of this Rule 5705(a) for listing either pursuant to Rule 19b-4(e) under the Act (including the filing of a Form 19b-4(e) with the Commission) or by Commission approval of a filing pursuant to Section 19(b)(2) of the Act; or

c. if such other event shall occur or condition exists which in the opinion of Nasdaq, makes further dealings on Nasdaq inadvisable.

Upon termination of a Trust, Nasdaq requires that Portfolio Depository Receipts issued in connection with such Trust be removed from listing. A Trust may terminate in accordance with the provisions of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(C) Term — the stated term of the Trust shall be as stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(D) Voting — voting rights shall be as set forth in the Trust prospectus. The Trustee of a Trust may have the right to vote all of the voting securities of such Trust.

(10) Neither Nasdaq, the Reporting Authority nor any agent of Nasdaq shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current index or portfolio value, the current value of the portfolio of securities required to be deposited to the Trust; the amount of any dividend equivalent payment or cash distribution to holders of Portfolio Depository Receipts; net asset value; or other information relating to the creation, redemption or trading of Portfolio Depository Receipts, resulting from any negligent act or omission by Nasdaq, the Reporting Authority, or any agent of Nasdaq or any act, condition or cause beyond the reasonable control of Nasdaq, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities.

(b) Index Fund Shares

(1) Definitions. The following terms shall, unless the context otherwise requires, have the

meanings herein specified:

**(A)** Index Fund Share. The term "Index Fund Share" means a security:

**(i)** that is issued by an open-end management investment company based on a portfolio of stocks or fixed income securities or a combination thereof, that seeks to provide investment results that correspond generally to the price and yield performance or total return performance of a specified foreign or domestic stock index, fixed income securities index or combination thereof;

**(ii)** that is issued by such an open-end management investment company in a specified aggregate minimum number in return for a deposit of specified numbers of shares of stock and/or a cash amount, a specified portfolio of fixed income securities and/or a cash amount and/or a combination of the above, with a value equal to the next determined net asset value; and

**(iii)** that, when aggregated in the same specified minimum number, may be redeemed at a holder's request by such open-end investment company which will pay to the redeeming holder the stock and/or cash, fixed income securities and/or cash and/or a combination thereof, with a value equal to the next determined net asset value.

**(B)**

**(i)** The term "Index Fund Share" includes a security issued by an open-end management investment company that seeks to provide investment results that either exceed the performance of a specified domestic equity, international or global equity, or fixed income index or a combination thereof by a specified multiple or that correspond to the inverse (opposite) of the performance of a specified domestic equity, international or global equity, or fixed income index or a combination thereof by a specified multiple. Such a security is issued in a specified aggregate number in return for a deposit of a specified number of shares of stock, a specified portfolio of fixed income securities or a combination of the above and/or cash as defined in subparagraph (1)(B)(ii) of this rule with a value equal to the next determined net asset value. When aggregated in the same specified minimum number, Index Fund Shares may be redeemed at a holder's request by such open-end investment company which will pay to the redeeming holder the stock, fixed income securities or a combination thereof and/or cash with a value equal to the next determined net asset value.

**(ii)** In order to achieve the investment result that it seeks to provide, such an investment company may hold a combination of financial instruments, including, but not limited to, stock index futures contracts; options on futures contracts; options on securities and indices; equity caps, collars and floors; swap agreements; forward contracts; repurchase agreements and reverse repurchase agreements (the "Financial Instruments"), but only to the extent and in the amounts or percentages as set forth in the registration statement for such Index Fund Shares.

**(iii)** Any open-end management investment company which issues Index Fund Shares referenced in this subparagraph (1)(B) that seeks to provide investment results, before

fees and expenses, in an amount that exceeds -300% of the percentage performance on a given day of a particular domestic equity, international or global equity or fixed income securities index or a combination thereof shall not be approved by the Exchange for listing and trading pursuant to Rule 19b-4(e) under the Act.

**(iv)** For the initial and continued listing of a series of Index Fund Shares referenced in the provisions of this subparagraph (1)(B) of this rule, the following requirements must be adhered to:

Daily public website disclosure of portfolio holdings that will form the basis for the calculation of the net asset value by the issuer of such series, including, as applicable, the following instruments:

- a.** The identity and number of shares held of each specific equity security;
- b.** The identity and amount held for each specific fixed income security;
- c.** The specific types of Financial Instruments and characteristics of such Financial Instruments; and
- d.** Cash equivalents and the amount of cash held in the portfolio.

If the Exchange becomes aware that the net asset value related to an Index Fund Shares included in the provisions of this subparagraph (1)(B)(ii) of this rule, is not being disseminated to all market participants at the same time or the daily public website disclosure of portfolio holdings does not occur, the Exchange shall halt trading in such series of Index Fund Share, as appropriate. The Exchange may resume trading in such Index Fund Shares only when the net asset value is disseminated to all market participants at the same time or the daily public website disclosure of portfolio holdings occurs, as appropriate.

**(C) Reporting Authority.** The term "Reporting Authority" in respect of a particular series of Index Fund Shares means Nasdaq, a wholly-owned subsidiary of Nasdaq, or an institution or reporting service designated by Nasdaq or its subsidiary as the official source for calculating and reporting information relating to such series, including, but not limited to, any current index or portfolio value; the current value of the portfolio of any securities required to be deposited in connection with issuance of Index Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Index Fund Shares, net asset value, and other information relating to the issuance, redemption or trading of Index Fund Shares.

Nothing in this paragraph shall imply that an institution or reporting service that is the source for calculating and reporting information relating to Index Fund Shares must be designated by Nasdaq; the term "Reporting Authority" shall not refer to an institution or reporting service not so designated.

**(D) U.S. Component Stock.** The term "U.S. Component Stock" shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Act, or an American

Depository Receipt, the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Act.

**(E) Non-U.S. Component Stock.** The term "Non-U.S. Component Stock" shall mean an equity security that (a) is not registered under Sections 12(b) or 12(g) of the Act, (b) is issued by an entity that is not organized, domiciled or incorporated in the United States, and (c) is issued by an entity that is an operating company (including Real Estate Investment Trusts (REITs) and income trusts, but excluding investment trusts, unit trusts, mutual funds, and derivatives).

**(2) No change.**

**(3) Equity.** Nasdaq may approve a series of Index Fund Shares for listing and trading pursuant to Rule 19b-4(e) under the Act provided each of the following criteria is satisfied:

**(A) Eligibility Criteria for Index Components.**

**(i) U.S. Index or Portfolio.** Upon the initial listing of a series of Index Fund Shares pursuant to 19b-4(e) under the Act, the component stocks of an index or portfolio of U.S. Component Stocks underlying a series of Index Fund Shares shall meet the following criteria:

**a.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least \$75 million;

**b.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares;

**c.** The most heavily weighted component stock shall not exceed 30% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 65% of the weight of the index or portfolio;

**d.** The index or portfolio shall include a minimum of 13 component stocks; and

**e.** All securities in the index or portfolio shall be U.S. Component Stocks listed on Nasdaq (including The Nasdaq Capital Market) or another national securities exchange and shall be NMS Stocks as defined in Rule 600 of Regulation NMS under the Act.

**(ii) International or global index or portfolio.** Upon the initial listing of a series of Index Fund Shares pursuant to Rule 19b-4(e) under the Act, the components of an index or portfolio underlying a series of Index Fund Shares that consist of either only Non-U.S. Component Stocks or both U.S. Component Stocks and Non-U.S. Component Stocks shall meet the following criteria:

**a.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least \$100 million;

- b.** Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares;
- c.** The most heavily weighted component stock shall not exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 60% of the weight of the index or portfolio;
- d.** The index or portfolio shall include a minimum of 20 component stocks; and
- e.** Each U.S. Component Stock shall be listed on a national securities exchange and shall be an NMS Stock as defined in Rule 600 of Regulation NMS under the Act, and each Non-U.S. Component Stock shall be listed and traded on an exchange that has last-sale reporting.

**(iii)** Index or portfolio approved in connection with derivative securities. Upon the initial listing of a series of Index Fund Shares pursuant to Rule 19b-4(e) under the Act, the index or portfolio underlying a series of Index Fund Shares shall have been reviewed and approved for trading of options, Portfolio Depository Receipts, Index Fund Shares, index-linked exchangeable notes, or index-linked securities by the Commission under Section 19(b)(2) of the Act and rules thereunder, and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements with respect to Non-U.S. Component Stocks and the requirements regarding dissemination of information, continue to be satisfied. Each component stock of the index or portfolio shall be either

- a.** a U.S. Component Stock that is listed on a national securities exchange and is an NMS Stock as defined in Rule 600 of Regulation NMS under the Act, or
- b.** a Non-U.S. Component Stock that is listed and traded on an exchange that has last-sale reporting.

**(B) Index Methodology and Calculation**

**(i)** If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer or fund advisor;

**(ii)** The current index value for Index Fund Shares listed pursuant to:

- a.** Rule 5705(b)(3)(A)(i) will be widely disseminated by one or more major market data vendors at least every 15 seconds during Nasdaq's regular market session;
- b.** Rule 5705(b)(3)(A)(ii) will be widely disseminated by one or more major market data vendors at least every 60 seconds during Nasdaq's regular market session; or
- c.** Rule 5705(b)(3)(A)(iii) will be widely disseminated by one or more major market data

vendors at least every 15 seconds with respect to indexes containing only U.S. Component Stocks and at least every 60 seconds with respect to indexes containing Non-U.S. Component Stocks, during Nasdaq's regular market session

If the index value does not change during some or all of the period when trading is occurring on Nasdaq (for example, for indexes of Non-U.S. Component Stocks because of time zone differences or holidays in the countries where such indexes' component stocks trade), then the last official calculated index value must remain available throughout Nasdaq's trading hours; and

**(iii)** Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index or portfolio composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

**(C)** Disseminated Information. The Reporting Authority will disseminate for each series of Index Fund Shares an estimate, updated at least every 15 seconds, of the value of a share of each series (the "Intraday Indicative Value") during Nasdaq's regular market session. The Intraday Indicative Value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. The Intraday Indicative Value will be updated at least every 15 seconds during Nasdaq's regular market session; to reflect changes in the exchange rate between the U.S. dollar and the currency in which any component stock is denominated. If the Intraday Indicative Value does not change during some or all of the period when trading is occurring on Nasdaq, then the last official calculated Intraday Indicative Value must remain available throughout Nasdaq's trading hours.

**(D)** Initial Shares Outstanding. A minimum of 100,000 shares of a series of Index Fund Shares is required to be outstanding at start-up of trading.

**(E)** Surveillance Procedures. FINRA will implement written surveillance procedures for Index Fund Shares.

**(F)** Creation and redemption. For Index Fund Shares listed pursuant to Rule 5705(b)(3)(A)(ii) or (iii) above, the statutory prospectus or the application for exemption from provisions of the Investment Company Act of 1940 for the series of Index Fund Shares must state that the series of Index Fund Shares must comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933.

**(4)** Fixed Income. Fixed Income Securities are debt securities that are notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity

securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or subdivision thereof. Nasdaq may approve a series of Index Fund Shares based on Fixed Income Securities for listing and trading pursuant to Rule 19b-4(e) under the Act provided such portfolio or index: (i) has been reviewed and approved for the trading of options, Portfolio Depository Receipts, Index Fund Shares, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b)(2) of the Act and the rules thereunder and the conditions set forth in the Commission's approval order continue to be satisfied; or (ii) the following criteria are satisfied:

**(A) Eligibility Criteria for Index Components.** Upon the initial listing of Index Fund Shares pursuant to Rule 19b-4(e) under the Act, each component of an index or portfolio that underlies a series of Index Fund Shares shall meet the following criteria:

- (i)** The index or portfolio must consist of Fixed Income Securities;
- (ii)** Components that in aggregate account for at least 75% of the weight of the index or portfolio must have a minimum original principal amount outstanding of \$100 million or more;
- (iii)** A component may be a convertible security, however, once the convertible security component converts to an underlying equity security, the component is removed from the index or portfolio;
- (iv)** No component fixed-income security (excluding Treasury Securities) will represent more than 30% of the weight of the index or portfolio, and the five highest weighted component fixed-income securities do not in the aggregate account for more than 65% of the weight of the index or portfolio;
- (v)** An underlying index or portfolio (excluding exempted securities) must include securities from a minimum of 13 non-affiliated issuers; and
- (vi)** Component securities that in aggregate account for at least 90% of the weight of the index or portfolio must be either: (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Act; (b) from issuers that have a worldwide market value of its outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds, debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; (d) exempted securities as defined in section 3(a)(12) of the Act; or (e) from issuers that are a government of a foreign country or a political subdivision of a foreign country.

**(B) Index Methodology and Calculation.**

- (i)** If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index;
- (ii)** The current index value will be widely disseminated by one or more major market

data vendors at least once per day; and

**(iii)** Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

**(5)** Nasdaq may approve a series of Index Fund Shares based on a combination of indexes or an index or portfolio of component securities representing the U.S. equity market, the international equity market, and the fixed income market for listing and trading pursuant to Rule 19b-4(e) under the Act provided: (i) such portfolio or combination of indexes has been reviewed and approved for the trading of options, Portfolio Depository Receipts, Index Fund Shares, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission's approval order continue to be satisfied; or (ii) each index or portfolio of equity and fixed income component securities separately meets either the criteria set forth in Rule 5705(b)(3) or (4) above.

**(A)** Index Methodology and Calculation.

**(i)** If an index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index;

**(ii)** The current composite index value will be widely disseminated by one or more major market data vendors at least once every 15 seconds during regular market session, provided however, that (a) with respect to the Non-U.S. Component Stocks of the combination index, the impact on the index is only required to be updated at least every 60 seconds during the regular market session, and (b) with respect to the fixed income components of the combination index the impact on the index is only required to be updated at least once each day; and

**(iii)** Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

**(6)** The following provisions shall apply to all series of Index Fund Shares listed pursuant Rules 5705(b)(4) and (5) above:

**(A)** Disseminated Information. The Reporting Authority will disseminate for each series of Index Fund Shares an estimate, updated at least every 15 seconds, of the value of a share of each series (the "Intraday Indicative Value"). The Intraday Indicative Value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. The Intraday Indicative Value may be calculated by Nasdaq or by an

independent third party throughout the day using prices obtained from independent market data providers or other independent pricing sources such as a broker-dealer or price evaluation services.

**(B) Initial Shares Outstanding.** A minimum of 100,000 shares of a series of Index Fund Shares is required to be outstanding at start-up of trading.

**(C) Surveillance Procedures.** FINRA will implement written surveillance procedures for Index Fund Shares.

(7) Regular market session trading will occur between 9:30 a.m. and either 4:00 p.m. or 4:15 p.m. for each series of Index Fund Shares, as specified by Nasdaq. In addition, Nasdaq may designate each series of Index Fund Shares for trading during a pre-market session beginning at [7:00] 4:00 a.m. and/or a post-market session ending at 8:00 p.m.

**(8)** Nasdaq may list and trade Index Fund Shares based on one or more foreign or domestic indexes or portfolios. Each issue of Index Fund Shares based on each particular index or portfolio, or combination thereof, shall be designated as a separate series and shall be identified by a unique symbol. The components that are included in an index or portfolio on which a series of Index Fund Shares are based shall be selected by such person, which may be Nasdaq or an agent or wholly-owned subsidiary thereof, as shall have authorized use of such index or portfolio. Such index or portfolio may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

**(9)** Each series of Index Fund Shares will be listed and traded on Nasdaq subject to application of the following criteria:

**(A) Initial Listing —**

**(i)** for each series, Nasdaq will establish a minimum number of Index Fund Shares required to be outstanding at the time of commencement of trading on Nasdaq.

**(ii)** Nasdaq will obtain a representation from the issuer of each series of Index Fund Shares that the net asset value per share for the series will be calculated daily and will be made available to all market participants at the same time.

**(B) Continued Listing —**

**(i)** Nasdaq will consider the suspension of trading in or removal from listing of a series of Index Fund Shares under any of the following circumstances:

**a.** if, following the initial twelve month period after commencement of trading on Nasdaq of a series of Index Fund Shares, there are fewer than 50 beneficial holders of the series of Index Fund Shares for 30 or more consecutive trading days;

**b.** if the value of the index or portfolio of securities on which the series of Index Fund Shares is based is no longer calculated or available or the index or portfolio on which the

series of Index Fund Shares is based is replaced with a new index or portfolio, unless the new index or portfolio meets the requirements of this Rule 5705(b) for listing either pursuant to Rule 19b-4(e) under the Act (including the filing of a Form 19b-4(e) with the Commission) or by Commission approval of a filing pursuant to Section 19(b)(2) of the Act; or

c. if such other event shall occur or condition exists which in the opinion of Nasdaq, makes further dealings on Nasdaq inadvisable.

Upon termination of an open-end management investment company, Nasdaq requires that Index Fund Shares issued in connection with such entity be removed from listing.

**(C) Voting** — voting rights shall be as set forth in the applicable open-end management investment company prospectus.

**(10)** Neither Nasdaq, the Reporting Authority, nor any agent of Nasdaq shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current index or portfolio value, the current value of the portfolio of securities required to be deposited to the open-end management investment company in connection with issuance of Index Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Index Fund Shares; net asset value; or other information relating to the purchase, redemption or trading of Index Fund Shares, resulting from any negligent act or omission by Nasdaq, the Reporting Authority or any agent of Nasdaq, or any act, condition or cause beyond the reasonable control of Nasdaq, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities.

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