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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2017 - * 042
Amendment No. (req. for Amendments *)

Filing by NASDAQ Stock Market

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☑ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to amend Rule 4702 and Rule 4703 to specify the behavior of Midpoint Peg Post Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book when the market is crossed, or when there is no best bid and or offer.

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 * Andrew Last Name * Madar
Title * Senior Associate General Counsel
E-mail * Andrew.Madar@nasdaq.com
Telephone * (301) 978-8420 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.

Date 04/21/2017

By Edward S. Knight

(Name *)

(Title *)

Executive Vice President and General Counsel

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.

edward.knight@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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 * 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, 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 Add Remove View 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 Add Remove View 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 Add Remove View	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 Add Remove View	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 Add Remove View	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 the Proposed Rule Change

(a) The NASDAQ Stock Market LLC ("Nasdaq" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to specify the behavior of Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book when the market is crossed, or when there is no best bid and/or offer. Nasdaq also proposes to change certain references to cancelling or rejecting orders in Rule 4702 and Rule 4703.

The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).[3]

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

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 the Exchange pursuant to authority delegated by the Board of Directors of The NASDAQ Stock Market (the "Board") on August 15, 2016. Exchange staff will advise the Board of any action

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 17 CFR 240.19b-4(f)(6)(iii).

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

Questions and comments on the proposed rule change may be directed to:

Andrew Madar
Senior Associate General Counsel
Nasdaq, Inc.
301-978-8420

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

a. Purpose

Nasdaq proposes to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to specify the behavior of Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging that are cancelled or rejected when the market is crossed, or when there is no best bid and/or offer after initial entry and posting to the Nasdaq Book. Nasdaq also proposes to change certain references to cancelling or rejecting orders in Rule 4702 and Rule 4703.

Rule 4702(b)(5) describes the Midpoint Peg Post-Only Order. Among other things, the Rule states that the Midpoint Peg Post-Only Order is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the National Best Bid and Offer ("NBBO") and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. The Midpoint Peg Post-Only Order is available during Market Hours only.

Rule 4703(d) describes the Pegging Order Attribute, including Midpoint Pegging. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO. Midpoint Pegging means Pegging with reference to the midpoint between the Inside Bid and the Inside Offer (the "Midpoint").[4] An Order with Midpoint Pegging is not displayed.

Nasdaq recently proposed changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, which were approved by the SEC on November 10, 2016.[5] With this change, if the NBBO is crossed or if there is no NBBO, any existing Midpoint Peg Post-Only Order would be cancelled and any new Midpoint Peg Post-Only Order would be rejected. Similarly, if the Inside Bid and Inside Offer are crossed, any existing Order with Midpoint Pegging would be cancelled and any new Order with Midpoint Pegging would be rejected.[6]

Nasdaq now proposes to add language to Rule 4702(b)(5)(B) to specify the treatment of a Midpoint Peg Post-Only Order after initial entry and posting to the Nasdaq Book when the NBBO is subsequently crossed, or when there is subsequently no NBBO. Specifically, for Midpoint Peg Post-Only Orders entered through RASH, QIX or FIX, if the Order is on the Nasdaq Book and subsequently the NBBO is crossed, or if there is subsequently no NBBO, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid NBBO that is not crossed.

Similarly, Nasdaq proposes to add language to Rule 4703(d) to specify the treatment of Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book when the Inside Bid and Inside Offer are subsequently crossed, or if there is subsequently no Inside Bid and/or Inside Offer. Specifically, for Orders with Midpoint

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4 Thus, if the Inside Bid was $11 and the Inside Offer was $11.06, an Order with Midpoint Pegging would be priced at $11.03.

5 See Securities Exchange Act Release No. 79290 (November 10, 2016), 81 FR 81184 (November 17, 2016) (SR-NASDAQ-2016-111).

6 Id.

Pegging entered through RASH, QIX or FIX, if the Order is on the Nasdaq Book and subsequently the Inside Bid and Inside Offer become crossed, or if there is no Inside Bid and/or Inside Offer, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid Inside Bid and Inside Offer that is not crossed.

As stated in the filing proposing the new functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, Nasdaq believes that the midpoint of a crossed market, or where there is no NBBO, is not a clear and accurate indication of a valid price, and may produce sub-optimal execution prices for members and investors.[7] Prior to this change, Midpoint Peg Post-Only Orders entered through RASH, QIX or FIX would have been nevertheless repriced to the midpoint of the NBBO if the NBBO subsequently became crossed, or would have been cancelled if there was subsequently no NBBO. Nasdaq is proposing to re-enter such Orders at the new midpoint once there is a NBBO that is not crossed because the new NBBO is indicative of a valid price.

Similarly, prior to this change, Orders with Midpoint Pegging entered through RASH, QIX or FIX would have been nevertheless repriced to the midpoint of the Inside Bid and Inside Offer if the Inside Bid and Inside Offer subsequently became crossed, or would have been cancelled if there was subsequently no Inside Bid and/or Inside Offer. As with the change to Midpoint Peg Post-Only Orders, Nasdaq is therefore proposing to re-enter such Orders at the new midpoint once there is an Inside Bid and Inside Offer that is not crossed because the new Inside Bid and Inside Offer is indicative of a valid price. Nasdaq is proposing to re-enter Orders submitted through RASH, QIX or FIX because

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[7] See Securities Exchange Act Release No. 78908 (September 22, 2016), 81 FR 66702 (September 28, 2016) (SR-NASDAQ-2016-111).

Nasdaq typically assumes a more active role in managing the order flow submitted by users of these protocols, and this functionality reflects the order flow management practices of these participants.

While Nasdaq is only proposing to adopt this re-entry functionality for Orders that are entered through RASH, QIX or FIX, Nasdaq believes that it is appropriate to also modify the treatment of Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging entered through OUCH or FLITE where the NBBO subsequently becomes crossed, or there is subsequently no NBBO or Inside Bid and/or Offer. Accordingly, Nasdaq is also proposing to amend Rule 4702(b)(5)(B) to state that if, after a Midpoint Peg Post-Only Order entered through OUCH or FLITE is posted to the Nasdaq Book, the NBBO changes so that the NBBO is crossed, or there is no NBBO, the Midpoint Peg Post-Only Order will be cancelled back to the Participant. Similarly, Nasdaq will amend Rule 4703(d) to state that if, after an Order with Midpoint Pegging is entered through OUCH or FLITE, the Inside Bid and Inside Offer changes so that the Midpoint is lower than (higher than) the price of an Order to buy (sell), the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Pegged Order will be cancelled back to the Participant.[8]

Finally, Nasdaq is proposing to change certain instances in Rule 4702 and Rule 4703 that describe the cancellation or rejection of an Order. For example, Rule 4702(b)(5)(A) currently states that, if the NBBO is locked when a Midpoint Peg Post-Only Order is entered, the Midpoint Peg Post-Only Order will be priced at the locking

8 Nasdaq is proposing to change the reference in this sentence from NBBO to Inside Bid and Inside Offer to make this sentence more consistent with the rest of Rule 4703, which uses the concept of the Inside Bid and Insider Offer rather than the NBBO.

price, and if the NBBO is crossed or if there is no NBBO, the Order will be cancelled or rejected. Rule 4702(b)(5)(A) also provides that 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. Similarly, Rule 4703(d) states that, in the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer are locked, the Order will be priced at the locking price, and if the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will be cancelled or rejected.

Nasdaq proposes to change references to cancelling or rejecting an order to "not accepting" an Order. Depending on the context, the reference to rejecting an order may have one of two meanings.[9] Nasdaq believes that changing references from rejecting or cancelling an Order to not accepting an Order is appropriate because the proposed language resolves the ambiguity that may arise when referring to an Order rejection, and is sufficiently broad to encompass the contexts in which the concept of Order rejection or cancellation may be used.

This proposed change supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, and the resulting modifications to Nasdaq systems.[10]

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9 Specifically, an Order may be referred to as "rejected" if it is not initially accepted by the customer-facing Nasdaq interface. Alternatively, after an Order has been initially accepted by the customer-facing interface, and is being transmitted from one Nasdaq interface to another, it may be "rejected" if the Order is not accepted by another part of the Nasdaq system for various reasons.

10 See Securities Exchange Act Release No. 79290 (November 10, 2016), 81 FR 81184 (November 17, 2016) (SR-NASDAQ-2016-111).

Nasdaq initially proposed to implement the new functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging on November 21, 2016. See Equity Trader Alert #2016-291. However, following testing, Nasdaq has decided to delay the implementation of this new functionality to provide additional time

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[11] in general, and furthers the objectives of Section 6(b)(5) of the Act,[12] in particular, in that it is designed to promote just and equitable principles of trade, 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 change is consistent with the Act because it supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging and the resulting modifications to Nasdaq systems, and reflects the Exchange's belief that the midpoint of a crossed market, or where there is no NBBO or Inside Bid and/or Inside Offer, is not a clear and accurate indication of a valid price, and may produce sub-optimal execution prices for members and investors. The proposal adopts a functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book where the NBBO or Inside Bid and Inside Offer subsequently becomes crossed, or where there is subsequently no NBBO or Inside Bid and/or Inside Offer, that reflects the order flow management practices of the participants that use those protocols, e.g., re-submitting such Orders that are entered

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for systems testing. The new functionality shall be implemented no later than May 31, 2017. See Securities Exchange Act Release No. 80045 (February 15, 2017), 82 FR 11389 (February 22, 2017) (SR-NASDAQ-2017-013) (extending the implementation date to no later than March 31, 2017); Securities Exchange Act Release No. 80391 (April 6, 2017), 82 FR 17714 (April 12, 2017) (SR-NASDAQ-2017-034) (extending the implementation date to no later than May 31, 2017).

[11] 15 U.S.C. 78f(b).

[12] 15 U.S.C. 78f(b)(5).

through RASH, QIX or FIX, and cancelling such Orders that are submitted through OUCH or FLITE.

The proposal to replace certain references to rejecting or cancelling an order to "not accepting" an order is consistent with the Act because the proposed language encompasses the contexts in which the concept of order rejection or cancellation may be used and resolves any ambiguity that may arise when referring to an order rejection.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging and the resulting modifications to Nasdaq systems by adopting a functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book where the NBBO subsequently becomes crossed, or where there is subsequently no NBBO or Inside Bid and/or Inside Offer, that reflects the order flow management practices of the participants that use those protocols. Moreover, the use of Exchange Order types and attributes is voluntary, and no member is required to use any specific Order type or attribute or even to use any Exchange Order type or attribute or any Exchange functionality at all. If an Exchange member believes for any reason that the proposed rule change will be detrimental, that perceived detriment can be avoided by choosing not to enter or interact with the Order type modified by this proposed rule change. Finally, the proposal will apply equally to all Orders that meet its criteria.

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

No written comments were either solicited or 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)(iii)[13] of the Act and Rule 19b-4(f)(6) thereunder[14] 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.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest, and does not impose any significant burden on competition. The proposal, which supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging and the resulting modifications to Nasdaq systems, reflects the Exchange's belief that the midpoint of a crossed market, or where there is no NBBO or Inside Bid and/or Inside Offer, is not a clear and accurate indication of a valid price, and may produce sub-optimal execution prices for members and investors, and adopts a functionality that reflects the order flow management practices of the participants that use the order entry protocols to which this

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13 15 U.S.C. 78s(b)(3)(A)(iii).

14 17 CFR 240.19b-4(f)(6).

functionality will apply. The proposal adopts a standard for the re-submission or cancellation of Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book where the NBBO or Inside Bid and Inside Offer subsequently becomes crossed, or there is subsequently no NBBO or Inside Bid and/or Inside Offer, whose use is completely voluntary.

For these reasons, the Exchange does not believe that the proposed change is of sufficient magnitude that it will significantly affect the protection of investors or the public interest or impose any significant burden on competition.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii).

As noted above, the proposal supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging and the resulting modifications to Nasdaq systems, and reflects the Exchange's belief that the midpoint of a crossed market, or where there is no NBBO or Inside Bid and/or Inside Offer, is not a clear and accurate indication of a valid price, and may produce sub-optimal execution prices for members and investors.[15] Nasdaq has submitted a proposed rule change to the SEC stating that it intends to implement the new functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging no later than May 31, 2017.[16] Given that this filing supplements the proposal relating to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, and given that Nasdaq intends to implement the changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging shortly, Nasdaq requests that the Commission waive the 30-day operative delay so that this proposal will be operative on the same date as the changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, and its attendant benefits to investors, are implemented.

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

Not applicable.

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

Not applicable.

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15 See Securities Exchange Act Release No. 78908 (September 22, 2016), 81 FR 66702 (September 28, 2016) (SR-NASDAQ-2016-111); see also Securities Exchange Act Release No. 79290 (November 10, 2016), 81 FR 81184 (November 17, 2016) (order approving SR-NASDAQ-2016-111).

16 See supra note 9.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2017-042)

April __, 2017

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on April 21, 2017, The NASDAQ Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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 Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to specify the behavior of Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book when the market is crossed, or when there is no best bid and/or offer. Nasdaq also proposes to change certain references to cancelling or rejecting orders in Rule 4702 and Rule 4703.

The text of the proposed rule change is available on the Exchange's Website at http://nasdaq.cchwallstreet.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 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

Nasdaq proposes to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to specify the behavior of Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging that are cancelled or rejected when the market is crossed, or when there is no best bid and/or offer after initial entry and posting to the Nasdaq Book. Nasdaq also proposes to change certain references to cancelling or rejecting orders in Rule 4702 and Rule 4703.

Rule 4702(b)(5) describes the Midpoint Peg Post-Only Order. Among other things, the Rule states that the Midpoint Peg Post-Only Order is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the National Best Bid and Offer ("NBBO") and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. The Midpoint Peg Post-Only Order is available during Market Hours only.

Rule 4703(d) describes the Pegging Order Attribute, including Midpoint Pegging. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO. Midpoint Pegging means Pegging with reference to the midpoint between the Inside Bid and the Inside Offer (the “Midpoint”).[3] An Order with Midpoint Pegging is not displayed.

Nasdaq recently proposed changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, which were approved by the SEC on November 10, 2016.[4] With this change, if the NBBO is crossed or if there is no NBBO, any existing Midpoint Peg Post-Only Order would be cancelled and any new Midpoint Peg Post-Only Order would be rejected. Similarly, if the Inside Bid and Inside Offer are crossed, any existing Order with Midpoint Pegging would be cancelled and any new Order with Midpoint Pegging would be rejected.[5]

Nasdaq now proposes to add language to Rule 4702(b)(5)(B) to specify the treatment of a Midpoint Peg Post-Only Order after initial entry and posting to the Nasdaq Book when the NBBO is subsequently crossed, or when there is subsequently no NBBO. Specifically, for Midpoint Peg Post-Only Orders entered through RASH, QIX or FIX, if the Order is on the Nasdaq Book and subsequently the NBBO is crossed, or if there is subsequently no NBBO, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid NBBO that is not crossed.

Similarly, Nasdaq proposes to add language to Rule 4703(d) to specify the treatment of Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book when the Inside Bid and Inside Offer are subsequently crossed, or if there is subsequently no Inside Bid and/or Inside Offer. Specifically, for Orders with Midpoint

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3 Thus, if the Inside Bid was $11 and the Inside Offer was $11.06, an Order with Midpoint Pegging would be priced at $11.03.

4 See Securities Exchange Act Release No. 79290 (November 10, 2016), 81 FR 81184 (November 17, 2016) (SR-NASDAQ-2016-111).

5 Id.

Pegging entered through RASH, QIX or FIX, if the Order is on the Nasdaq Book and subsequently the Inside Bid and Inside Offer become crossed, or if there is no Inside Bid and/or Inside Offer, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid Inside Bid and Inside Offer that is not crossed.

As stated in the filing proposing the new functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, Nasdaq believes that the midpoint of a crossed market, or where there is no NBBO, is not a clear and accurate indication of a valid price, and may produce sub-optimal execution prices for members and investors.[6] Prior to this change, Midpoint Peg Post-Only Orders entered through RASH, QIX or FIX would have been nevertheless repriced to the midpoint of the NBBO if the NBBO subsequently became crossed, or would have been cancelled if there was subsequently no NBBO. Nasdaq is proposing to re-enter such Orders at the new midpoint once there is a NBBO that is not crossed because the new NBBO is indicative of a valid price.

Similarly, prior to this change, Orders with Midpoint Pegging entered through RASH, QIX or FIX would have been nevertheless repriced to the midpoint of the Inside Bid and Inside Offer if the Inside Bid and Inside Offer subsequently became crossed, or would have been cancelled if there was subsequently no Inside Bid and/or Inside Offer. As with the change to Midpoint Peg Post-Only Orders, Nasdaq is therefore proposing to re-enter such Orders at the new midpoint once there is an Inside Bid and Inside Offer that is not crossed because the new Inside Bid and Inside Offer is indicative of a valid price. Nasdaq is proposing to re-enter Orders submitted through RASH, QIX or FIX because

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6 See Securities Exchange Act Release No. 78908 (September 22, 2016), 81 FR 66702 (September 28, 2016) (SR-NASDAQ-2016-111).

Nasdaq typically assumes a more active role in managing the order flow submitted by users of these protocols, and this functionality reflects the order flow management practices of these participants.

While Nasdaq is only proposing to adopt this re-entry functionality for Orders that are entered through RASH, QIX or FIX, Nasdaq believes that it is appropriate to also modify the treatment of Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging entered through OUCH or FLITE where the NBBO subsequently becomes crossed, or there is subsequently no NBBO or Inside Bid and/or Offer. Accordingly, Nasdaq is also proposing to amend Rule 4702(b)(5)(B) to state that if, after a Midpoint Peg Post-Only Order entered through OUCH or FLITE is posted to the Nasdaq Book, the NBBO changes so that the NBBO is crossed, or there is no NBBO, the Midpoint Peg Post-Only Order will be cancelled back to the Participant. Similarly, Nasdaq will amend Rule 4703(d) to state that if, after an Order with Midpoint Pegging is entered through OUCH or FLITE, the Inside Bid and Inside Offer changes so that the Midpoint is lower than (higher than) the price of an Order to buy (sell), the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Pegged Order will be cancelled back to the Participant.[7]

Finally, Nasdaq is proposing to change certain instances in Rule 4702 and Rule 4703 that describe the cancellation or rejection of an Order. For example, Rule 4702(b)(5)(A) currently states that, if the NBBO is locked when a Midpoint Peg Post-Only Order is entered, the Midpoint Peg Post-Only Order will be priced at the locking

[7] Nasdaq is proposing to change the reference in this sentence from NBBO to Inside Bid and Inside Offer to make this sentence more consistent with the rest of Rule 4703, which uses the concept of the Inside Bid and Insider Offer rather than the NBBO.

price, and if the NBBO is crossed or if there is no NBBO, the Order will be cancelled or rejected. Rule 4702(b)(5)(A) also provides that 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. Similarly, Rule 4703(d) states that, in the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer are locked, the Order will be priced at the locking price, and if the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will be cancelled or rejected.

Nasdaq proposes to change references to cancelling or rejecting an order to "not accepting" an Order. Depending on the context, the reference to rejecting an order may have one of two meanings.[8] Nasdaq believes that changing references from rejecting or cancelling an Order to not accepting an Order is appropriate because the proposed language resolves the ambiguity that may arise when referring to an Order rejection, and is sufficiently broad to encompass the contexts in which the concept of Order rejection or cancellation may be used.

This proposed change supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging, and the resulting modifications to Nasdaq systems.[9]

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8 Specifically, an Order may be referred to as "rejected" if it is not initially accepted by the customer-facing Nasdaq interface. Alternatively, after an Order has been initially accepted by the customer-facing interface, and is being transmitted from one Nasdaq interface to another, it may be "rejected" if the Order is not accepted by another part of the Nasdaq system for various reasons.

9 See Securities Exchange Act Release No. 79290 (November 10, 2016), 81 FR 81184 (November 17, 2016) (SR-NASDAQ-2016-111).

Nasdaq initially proposed to implement the new functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging on November 21, 2016. See Equity Trader Alert #2016-291. However, following testing, Nasdaq has decided to delay the implementation of this new functionality to provide additional time

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[10] in general, and furthers the objectives of Section 6(b)(5) of the Act,[11] in particular, in that it is designed to promote just and equitable principles of trade, 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 change is consistent with the Act because it supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging and the resulting modifications to Nasdaq systems, and reflects the Exchange's belief that the midpoint of a crossed market, or where there is no NBBO or Inside Bid and/or Inside Offer, is not a clear and accurate indication of a valid price, and may produce sub-optimal execution prices for members and investors. The proposal adopts a functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book where the NBBO or Inside Bid and Inside Offer subsequently becomes crossed, or where there is subsequently no NBBO or Inside Bid and/or Inside Offer, that reflects the order flow management practices of the participants that use those protocols, e.g., re-submitting such Orders that are entered

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for systems testing. The new functionality shall be implemented no later than May 31, 2017. See Securities Exchange Act Release No. 80045 (February 15, 2017), 82 FR 11389 (February 22, 2017) (SR-NASDAQ-2017-013) (extending the implementation date to no later than March 31, 2017); Securities Exchange Act Release No. 80391 (April 6, 2017), 82 FR 17714 (April 12, 2017) (SR-NASDAQ-2017-034) (extending the implementation date to no later than May 31, 2017).

10 15 U.S.C. 78f(b).

11 15 U.S.C. 78f(b)(5).

through RASH, QIX or FIX, and cancelling such Orders that are submitted through OUCH or FLITE.

The proposal to replace certain references to rejecting or cancelling an order to "not accepting" an order is consistent with the Act because the proposed language encompasses the contexts in which the concept of order rejection or cancellation may be used and resolves any ambiguity that may arise when referring to an order rejection.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change supplements the recently-approved changes to Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging and the resulting modifications to Nasdaq systems by adopting a functionality for Midpoint Peg Post-Only Orders and Orders with Midpoint Pegging after initial entry and posting to the Nasdaq Book where the NBBO subsequently becomes crossed, or where there is subsequently no NBBO or Inside Bid and/or Inside Offer, that reflects the order flow management practices of the participants that use those protocols. Moreover, the use of Exchange Order types and attributes is voluntary, and no member is required to use any specific Order type or attribute or even to use any Exchange Order type or attribute or any Exchange functionality at all. If an Exchange member believes for any reason that the proposed rule change will be detrimental, that perceived detriment can be avoided by choosing not to enter or interact with the Order type modified by this proposed rule change. Finally, the proposal will apply equally to all Orders that meet its criteria.

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

No written comments were either solicited or 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)(iii) of the Act[12] and subparagraph (f)(6) of Rule 19b-4 thereunder.[13]

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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.

IV. Solicitation of Comments

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

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12 15 U.S.C. 78s(b)(3)(A)(iii).

13 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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. Please include File Number SR-NASDAQ-2017-042 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2017-042. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office 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-2017-042 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.[14]

Robert W. Errett
Deputy Secretary

[14] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

NASDAQ Stock Market Rules

* * * * *

4702. Order Types.

(a) No Change.

(b)(1) – (b)(4) No Change.

(5)(A) A "Midpoint Peg Post-Only Order" is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. The Midpoint Peg Post-Only Order is available during Market Hours only.

A Midpoint Peg Post-Only Order must be assigned a limit price. When a Midpoint Peg Post-Only Order is entered, it will be priced at the midpoint between the NBBO, unless such midpoint is higher than (lower than) the limit price of an Order to buy (sell), in which case the Order will be priced at its limit price. If the NBBO is locked, the Midpoint Peg Post-Only Order will be priced at the locking price, if the NBBO is crossed or if there is no NBBO, the Order will <u>not</u> be <u>accepted</u>[cancelled or rejected]. The Midpoint Peg Post-Only Order will post to the Nasdaq Book unless it is a buy (sell) Order that is priced higher than (lower than) a sell (buy) Order on the Nasdaq Book, in which case it will execute at the price of the Order on the Nasdaq Book; provided, however, that if the Order has a Time-in-Force of IOC, the Order will be cancelled after determining whether it can be executed. For example, if the Best Bid was $11 and the Best Offer was $11.06, the price of the Midpoint Peg Post-Only Order would be $11.03. If there was a Non-Displayed Order (or another Order with a Non-Display Order Attribute) on the Nasdaq Book to sell at $11.02, the incoming Midpoint Peg Post-Only Order would execute against it at $11.02. However, if there was a Non-Displayed Order (or another Order with a Non-Display Order Attribute) to sell at $11.03, the Midpoint Peg Post-Only Order would post at $11.03. While a Midpoint Peg Post-Only Order that posts to the Nasdaq Book is locking a preexisting Order, the Midpoint Peg Post-Only Order will execute against an incoming Order only if the price of the incoming sell (buy) Order is lower (higher) than the price of the preexisting Order. Thus, in the previous example, if the incoming Midpoint Peg Post-Only Order locked the preexisting Non-Displayed Order at $11.03, the Midpoint Peg Post-Only Order could execute only against an incoming Order to sell priced at less than $11.03.

For purposes of any cross in which a Midpoint Peg Post-Only Order participates, a Midpoint Peg Post-Only Order to buy (sell) that is locking a preexisting 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. Thus, a Midpoint Peg Post-Only Order to buy that locked a preexisting Non-Displayed Order to sell at $11.03 would be deemed to have a price of $11.02. It should be noted, however, that Midpoint Peg Post-Only Orders may not be entered prior to the Nasdaq Opening Cross, and the System attempts to cancel Midpoint Peg Post-Only Orders prior to the commencement of the Nasdaq Closing Cross.

A Midpoint Peg Post-Only Order that would be assigned a price of $1 or less per share will not be accepted[be rejected or cancelled, as applicable].

(B) If a Midpoint Peg Post-Only Order is entered through RASH, QIX, or FIX, the Midpoint Peg Post-Only Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

• The price of the Midpoint Peg Post-Only Order will be updated repeatedly to equal the midpoint between the NBBO; provided, however, that the Order will not be priced higher (lower) than the limit price of an Order to buy (sell). In the event that the midpoint between the NBBO becomes higher than (lower than) the limit price of an Order to buy (sell), the price of the Order will stop updating and the Order will post (with a Non-Display Attribute) at its limit price, but will resume updating if the midpoint becomes lower than (higher than) the limit price of an Order to buy (sell). Similarly, if a Midpoint Peg Post-Only Order is on the Nasdaq Book and subsequently the NBBO is crossed, or if there is no NBBO, the Order will be[cancelled] removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid NBBO that is not crossed. The Midpoint Peg Post-Only Order receives a new timestamp each time its price is changed.

If a Midpoint Peg Post-Only Order is entered through OUCH or FLITE, the Midpoint Peg Post-Only Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

• The price at which the Midpoint Peg Post-Only Order is ranked on the Nasdaq Book is the midpoint between the NBBO, unless the Order has a limit price that is lower than the midpoint between the NBBO for an Order to buy (higher than the midpoint between the NBBO for an Order to sell), in which case the Order will be ranked on the Nasdaq Book at its limit price. The price of the Order will not thereafter be adjusted based on changes to the NBBO. If, after being posted to the Nasdaq Book, the NBBO changes so that midpoint between the NBBO is lower than (higher than) the price of a Midpoint Peg Post-Only Order to buy (sell), or the NBBO is crossed, or there is no NBBO, the Midpoint Peg Post-Only Order will be cancelled back to the Participant. For example, if the Best Bid is $11 and the Best Offer is $11.06, a Midpoint Peg Post-Only Order to buy would post at $11.03. If, thereafter, the Best Offer is reduced to $11.05, the Midpoint Peg Post-Only Order will be cancelled back to the Participant.

(C) The following Order Attributes may be assigned to a Midpoint Peg Post-Only Order:

• Price of more than $1 per share.

• Size.

• Time-in-Force; provided, however, that a Midpoint Peg Post-Only Order with a Time-in-Force of IOC may not be entered through RASH, QIX or FIX, and provided further that regardless of the Time-in-Force entered, a Midpoint Post-Only Order may not be active outside of Market Hours. A Midpoint Peg Post-Only Order entered prior to the beginning of Market Hours will be rejected. A Midpoint Peg Post-Only Order remaining on the Nasdaq Book at 4:00 p.m. ET will be cancelled by the System; provided, however, that if the Nasdaq Closing Cross for the security that is the subject of the Order occurs prior to the cancellation message being fully processed, a Midpoint Peg Post-Only Order may participate in the Nasdaq Closing Cross.

• Pegging to the midpoint is required for Midpoint Peg Post-Only Orders entered through RASH, QIX or FIX. As discussed above, the price of a Midpoint Peg Post-Only Order entered through OUCH or FLITE will be pegged to the midpoint upon entry and not adjusted thereafter.

• Minimum Quantity.

• Non-Display. All Midpoint Peg Post-Only Orders are Non-Displayed.

• Trade Now (available through OUCH, RASH, FLITE and FIX).

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4703. Order Attributes

As described in Rule 4702, the following Order Attributes may be assigned to those Order Types for which they are available.

(a) – (c) No Change.

(d) Pegging. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO; provided, however, that if Nasdaq is the sole market center at the Best Bid or Best Offer (as applicable), then the price of any Displayed Order with Primary Pegging (as defined below) will be set with reference to the highest bid or lowest offer disseminated by a market center other than Nasdaq. An Order with a Pegging Order Attribute may be referred to as a “Pegged Order.” For purposes of this rule, the price to which an Order is pegged will be referred to as the Inside Quotation, the Inside Bid, or the Inside Offer, as appropriate. There are three varieties of Pegging:

- Primary Pegging means Pegging with reference to the Inside Quotation on the same side of the market. For example, if the Inside Bid was $11, an Order to buy with Primary Pegging would be priced at $11.

- Market Pegging means Pegging with reference to the Inside Quotation on the opposite side of the market. For example, if the Inside Offer was $11.06, an Order to buy with Market Pegging would be priced at $11.06.

- Midpoint Pegging means Pegging with reference to the midpoint between the Inside Bid and the Inside Offer (the "Midpoint"). Thus, if the Inside Bid was $11 and the Inside Offer was $11.06, an Order with Midpoint Pegging would be priced at $11.03. An Order with Midpoint Pegging is not displayed. An Order with Midpoint Pegging may be executed in sub-pennies if necessary to obtain a midpoint price.

Pegging is available only during Market Hours. An Order with Pegging may specify a limit price beyond which the Order may not be executed; provided, however, that if an Order has been assigned a Pegging Order Attribute and a Discretion Order Attribute, the Order may execute at any price within the discretionary price range, even if beyond the limit price specified with respect to the Pegging Order Attribute. If an Order with Pegging is priced at its limit price, the price of the Order may nevertheless be changed to a less aggressive price based on changes to the Inside Quotation. In addition, an Order with Primary Pegging or Market Pegging may specify an Offset Amount, such that the price of the Order will vary from the Inside Quotation by the selected Offset Amount. The Offset Amount may be either aggressive or passive. Thus, for example, if a Participant entered an Order to buy with Primary Pegging and a passive Offset Amount of $0.05 and the Inside Bid was $11, the Order would be priced at $10.95. If the Participant selected an aggressive Offset Amount of $0.02, however, the Order would be priced at $11.02. An Order with Primary Pegging and an Offset Amount will not be Displayed, unless the Order is Attributable. An Order with Midpoint Pegging will not be Displayed. An Order with Market Pegging and no Offset behaves as a “market order” with respect to any liquidity on the Nasdaq Book at the Inside Quotation on the opposite side of the market because it is immediately executable at that price. If, at the time of entry, there is no price to which a Pegged Order can be pegged, the Order will be rejected; provided, however, that a Displayed Order that has Market Pegging, or an Order with a Non-Display Attribute that has Primary Pegging or Market Pegging, will be accepted at its limit price. In the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer are locked, the Order will be priced at the locking price, if the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will <u>not</u> be <u>accepted</u>[cancelled or rejected]. However, even if the Inside Bid and Inside Offer are locked, an Order with Midpoint Pegging that locked an Order on the Nasdaq Book would execute (provided, however, that a Midpoint Peg Post-Only Order would execute or post as described in Rule 4702(b)(5)(A)).

Primary Pegging and Market Pegging are available through RASH, QIX, and FIX only. An Order entered through OUCH or FLITE with Midpoint Pegging will have its price set upon initial entry to the Midpoint, unless the Order has a limit price that is lower than the Midpoint for an Order to buy (higher than the Midpoint for an Order to sell), in which case the Order will be ranked on the Nasdaq Book at its limit price. Thereafter, if the [NBBO]Inside Bid and Inside Offer changes so that: the Midpoint is lower than (higher than) the price of an Order to buy (sell), the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Pegged Order will be cancelled back to the Participant.

An Order entered through RASH, QIX or FIX with Pegging will have its price set upon initial entry and will thereafter have its price reset in accordance with changes to the relevant Inside Quotation. An Order with Pegging receives a new timestamp whenever its price is updated and therefore will be evaluated with respect to possible execution (and routing, if it has been assigned a Routing Order Attribute) in the same manner as a newly entered Order. If the price to which an Order is pegged is not available, the Order will be rejected. For an Order with Midpoint Pegging, if the Inside Bid and Inside Offer become crossed or if there is no Inside Bid and/or Inside Offer, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid Inside Bid and Inside Offer that is not crossed.

Primary Pegging Orders and Market Pegging Orders are subject to a collar. Any portion of a Primary Pegging Order or Market Pegging Order that would execute, either on the Exchange or when routed to another market center, at a price of 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.

(e) – (m) No Change.

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