

Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2024 - * 065

Amendment No. (req. for Amendments *)

Filing by The Nasdaq Stock Market LLC

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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

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 *).

A proposal to amend Equity 4 to establish halt cross price protections and make other related changes

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 * Olumuyiwa Last Name * Odeniyide

Title * Associate General Counsel

E-mail * Olumuyiwa.Odeniyide@nasdaq.com

Telephone * (202) 817-7995 Fax


Signature

Pursuant to the requirements of the Securities Exchange of 1934, The Nasdaq Stock Market LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 10/28/2024 (Title *)

By John Zecca EVP and Chief Legal Officer
(Name *)

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

 Date: 2024.10.28 14:14:34 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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SR-NASDAQ-2024-065 19b-4.docx

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 *

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SR-NASDAQ-2024-065 Exhibit 1.docx

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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SR-NASDAQ-2024-065 Exhibit 5.docx

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 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 Equity 4 to establish halt cross price protections and make other related changes.

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 (the “Board”). Exchange staff will advise the Board of any action 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:

Olumuyiwa Odeniyide
Associate General Counsel
Nasdaq, Inc.
202-817-7995

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The purpose of the proposed rule change is to amend the Exchange’s Rules to implement halt cross protections to prevent clearly erroneous executions after the reopening of trading and ensure that securities are priced within reasonable levels from their halted price. The Exchange proposes to introduce price protections to the halt cross process that are similar to the protections currently employed in other auctions the Exchange conducts. In addition, the Exchange proposes to establish a “Hybrid Closing Cross” and introduce related price protections, as described below. With the proposed changes, the Exchange’s processes would be more harmonized, which the Exchange believes would promote a more consistent experience for members and investors participating in the Exchange’s auctions.

To implement the proposed price protections, the Exchange proposes to modify Equity 4 by: (i) adding the proposed halt cross protections to Equity 4, Section 4120,³ replacing the prior procedures; (ii) adding information about dissemination of Auction Reference Prices and Auction Collars in Rule 4753(a)(3); and (iii) adding Rules for a modified closing cross in Rule 4754(b)(7).

In addition, the Exchange proposes to make a number of changes in Equity 4, including: (i) removing references to the Limit-Up-Limit-Down (“LULD”) Closing Cross in Rule 4702 and Rule 4755; (ii) clarifying how Auction Reference Prices and Auction Collars are disseminated in Rule 4753(a)(3); (iii) clarifying rule language about

³ All of the Rule 4000 series referenced in this filing are within Equity 4.

cancellation of IOC Orders for halted securities in Rule 4753(e); (iv) specifying that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Rule 4754(a)(6); (v) adding “NOII” as an alternative defined term for “Order Imbalance Indicator” in Rule 4754(a)(7); (vi) adding “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Rule 4754(a)(10); (vii) amending language related to handling of late Limit on Close (“LOC”) Orders⁴ in Rule 4754(b)(6); and (viii) modifying the priority for orders participating in the LULD Closing Cross in Rule 4754(b)(6).

Background

The Exchange currently offers price protection mechanisms in most of the auctions it conducts during the normal course of trading (including opening/closing auction, market-wide circuit breaker (“MWCB”) halts,⁵ and LULD pauses⁶). In February 2023, there was an instance where a stock was halted for pending news and reopened at a price that was significantly away from its current market value due to an erroneous market order. Given such event, the Exchange believes that additional price protections specific to the halt cross process are needed. Implementing these new protections would help to ensure that securities reopen within a reasonable price range after the Exchange halts a security.

⁴ A “Limit On Close Order” or “LOC Order” is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross or the LULD Closing Cross, and only if the price determined by the Nasdaq Closing Cross or the LULD Closing Cross is equal to or better than the price at which the LOC Order was entered. See Rule 4702(b)(12).

⁵ A market-wide circuit breaker is triggered if the price of the S&P 500 Index declines by a specified amount compared to the closing price for the immediately preceding trading day. See Rule 4121.

⁶ A LULD pause is a trading pause pursuant to the Plan to Address Extraordinary Market Volatility or “LULD Plan”. See <https://www.luldplan.com/>.

The Exchange proposes to implement a new price protection mechanism to the Nasdaq Halt Cross⁷ process. In 2017, the Exchange amended its auction process for reopening a Nasdaq listed security following a trading pause initiated pursuant to the LULD Plan.⁸ Specifically, the Exchange modified its Rules such that initial Auction Collars following a trading pause are calculated based on the Price Band that triggered the trading pause, and instituted the process for extending the auction and further widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect.⁹ In 2020, the Exchange amended its auction process for reopening a Nasdaq listed security following a MWCB halt to follow a process similar to the process applied for releasing a security following a trading pause under the LULD Plan.¹⁰ The Exchange believes that these changes have been effective in facilitating a fair and orderly market following trading pauses initiated pursuant to the LULD Plan and following MWCB halts, and proposes to implement similar functionality for certain trading halts.¹¹ The Exchange believes that the proposed changes would promote price

⁷ The “Nasdaq Halt Cross” is 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. See Rule 4753(a)(4). “Eligible Interest” shall mean any quotation or any order that has been entered into the system and designated with a time-in-force that would allow the order to be in force at the time of the Halt Cross. See Nasdaq Rule 4753(a)(5).

⁸ See Securities Exchange Act Release No. 79876 (January 25, 2017), 82 FR 8888 (January 31, 2017) (SR-NASDAQ-2016-131).

⁹ Id.

¹⁰ See Securities Exchange Act Release No. 88383 (March 13, 2020), 85 FR 15819 (March 19, 2020) (SR-NASDAQ-2020-012).

¹¹ See infra note 13. The Exchange also notes that both NYSE Arca, Inc. and Cboe BZX Exchange, Inc. implemented similar processes for resuming trading following non-LULD regulatory halts. See Securities Exchange Act Release Nos. 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (SR-NYSEArca-2016-130); and 84927 (December 21, 2018), 83 FR 67768 (December 31, 2018) (SRCboeBZX-2018-090).

formation and provide a more consistent reopening process for members and investors following such trading halts.

The new price protection mechanism would be similar to what is currently utilized for reopening stocks following a MWCB halt or LULD trading pause, where pre-determined price collars would be built into the halt cross process. As described in more detail below, the Exchange proposes to establish a threshold of 10% below and above a reference price, within which the price of the stock must fall to reopen. If the price falls outside of those collars after an initial 5-minute display-only period, the collars would be widened by the same threshold amount as the initial collars and a subsequent 5-minute display-only period would commence. If the price falls outside of those collars after the second 5-minute display-only period, the collars would be widened by 20% below and above the reference price and a third 5-minute period would commence. This process would continue (at 20%) until the price falls within the set thresholds, after which the auction would execute and the stock would reopen for trading.

Customers would benefit from having the new price collar protections in place as it would ensure that executions received during the halt cross process are filled at prices that reflect the true market for the security. Allowing additional time for improved price discovery could increase market participation, improving liquidity and helping reduce price volatility.¹²

¹² During 2023, there were 541 halts that would have been subject to the proposed rule if it was in effect at the time. Of those 540 halts, 296 of the securities would have fallen outside of a 10% collar after the first quoting period. Example A on page 8 illustrates the proposed price protections.

Proposed Changes to Rule 4120 (Limit Up-Limit Down Plan and Trading Halts)

As noted above, the Exchange proposes to introduce price protections to the halt cross process that are similar to the protections used today for reopening stocks following a LULD pause and MWCB halt and would ensure that the reopening price is reasonably related to current market conditions. The Exchange proposes to remove the current procedure for terminating certain trading halts provided in Rule 4120(c)(7) and replace with proposed rule language describing the new procedure in proposed Rule 4120(c)(7). The Exchange believes that the imposition of price collars and a mechanism similar to what it currently utilized for reopening a security following a LULD trading pause or a MWCB halt would provide the Exchange with a price protection mechanism that is lacking under the Exchange's current Rules. The current reopening process does not have a mechanism for calculating price collars and a process for widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect. The Exchange believes that its proposal would facilitate a fair and orderly market by reducing the potential for significant price disparity in post-auction trading.

Example A: The below is illustrative of the proposed price protections to the halt cross process:

- **1:30pm:** assume symbol ABC enters a regulatory halt; the last sale/reference price is \$100.00; and auction collars are calculated at \$90.00 / \$110.00;
- **1:35pm:** the calculated auction reference price is \$114.00; the display only period is extended to 1:40pm; and the new auction collars are \$80.00 / \$120.00;

- **1:40pm:** the calculated auction reference price is \$122.00; the display only period is extended to 1:45pm; and the new auction collars are \$60.00 / \$140.00;
- **1:45pm:** the calculated auction reference price is \$132.00; at 1:45:01pm, there is no longer an order imbalance so the halt cross commences and the security is released for trading.

The introductory language in proposed Rule 4120(c)(7) provides that, a trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14)¹³ shall be terminated when Nasdaq releases the security for trading. It would also provide that, for any such security listed on Nasdaq, prior to terminating the halt, there would be a 5-minute “Initial Display Only Period” during which market participants may enter quotations and orders in that security in Nasdaq systems. This is consistent with the process employed for reopening securities following LULD trading pauses.¹⁴ This is also consistent with the process employed for reopening securities following MWCB halts, except that in the case of a MWCB halt, the Initial Display Only Period is 15 minutes in

¹³ This covers trading halts related to dissemination of material news for Nasdaq-listed securities (see Rule 4120(a)(1)); halts of Nasdaq-listed American Depositary Receipts or other Nasdaq-listed securities where underlying securities are halted by foreign markets or regulators for regulatory reasons (see Rule 4120(a)(4)); halts related to Exchange requests from issuers relating to material news, the issuer’s ability to meet listing qualification requirements, or other information necessary to protect investors and the public interest (see Rule 4120(a)(5)); halts related to extraordinary market activity (see Rule 4120(a)(6)); halts in certain products where the Intraday Indicative Value or index value is not disseminated as required (see Rule 4120(a)(9)); halts in certain products where the net asset value is not being disseminated to all market participants at the same time (see Rule 4120(a)(10)); halts related to large price moves for Nasdaq-listed securities not covered by the LULD Plan (see Rule 4120(a)(11)), and halts related to reverse stock splits (see Rule 4120(a)(14)). In 2023, 98% of these aforementioned halts were news-related halts. The Exchange focuses on these specific trading halts because these halts currently not do have any price protection mechanism in place for the reopening of securities following a halt.

¹⁴ See Rule 4120(c)(10).

length (as opposed to 5) to coincide with the entire duration of the MWCB halt.¹⁵ In addition, such introductory language is consistent with current rule language, with minor revisions. The minor revisions include referencing a “halt” rather than both a “halt or pause” for clarification and adding a specific defined term of “Initial Display Only Period” for the 5-minute period referenced. The types of halts covered by Rule 4120(c)(7) (i.e., trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14)) remain unchanged.

Proposed Rule 4120(c)(7)(A) describes the Exchange’s proposed process for establishing the “Auction Reference Price”. The Auction Reference Price would mean: (a) the Nasdaq last sale price (either round or odd lot); and (b) if there is no Nasdaq last sale price, the prior trading day’s Nasdaq Official Closing Price (“NOCP”).¹⁶ The Exchange proposes to use the Nasdaq last sale price¹⁷ (or if none, the NOCP) as this price is reflective of the current market for the halted security. The Exchange proposes to use Nasdaq specific prices rather than market-wide prices, consistent with MWCB, because of the accessibility and controllability of the Exchange data. In rare instances where there is no Nasdaq last sale price or NOCP, Nasdaq’s MarketWatch Department (“MarketWatch”) would have discretion to set the Auction Reference Price.¹⁸ The

¹⁵ See Rule 4121(d).

¹⁶ If there is no Nasdaq last sale price, the prior trading day’s NOCP is preferable for establishing the Auction Reference Price. The NOCP, as opposed to the last sale price on another exchange, serves as the next best reference price as it is derived from the primary market center for the Nasdaq-listed securities.

¹⁷ The Nasdaq last sale price reflects the last sale price of that trading session.

¹⁸ Although the proposal would allow for some discretion to MarketWatch, the Exchange notes that such discretion is limited to setting the Auction Reference Price in these rare instances, which does not determine the ultimate price at which the security will trade. In exercising such limited discretion in these rare instances, MarketWatch would source the best estimation for the Auction Reference Price from an external vendor.

Exchange proposes to set the Auction Reference Price in a manner similar to that which is utilized for MWCB halts, in which the Auction Reference Price is the Nasdaq last sale price or if none, the NOCP.¹⁹ However, the Exchange believes it is important to have a mechanism by which it may set a reference price in rare situations where there is no Nasdaq last sale price or NOCP. Similar to MWCB, the Exchange is not proposing to use the LULD Auction Reference Price, which is based on the Price Band that triggered the trading pause,²⁰ as the Exchange believes that a different reference is necessary for a reopening process that is unrelated to the LULD mechanism. LULD and halt crosses use distinctly different reference prices in the auction pricing methodology. The reference price in a LULD auction in all cases will be either the pre-calculated upper or lower LULD band value that was last disseminated. In contrast, the reference price of a regulatory halt will use the prevailing last price or designated price in the event there is no last price. The last prevailing price is more representative of the current value of a security, and as such, a better reference price to use for the halt reopening auction methodology.²¹

Proposed Rule 4120(c)(7)(A) also describes the Exchange's proposed process for determining the upper and lower "Auction Collar" prices. For securities with an Auction Reference Price of greater than \$1, the lower Auction Collar price (which is rounded to

¹⁹ See Rule 4121(d)(1)(A).

²⁰ See Rule 4120(c)(10)(A)(i).

²¹ Further, LULD bands are published only during regular trading hours 9:30am-4:00pm which prevents it from being considered as a reference price as halt auctions can occur at all eligible trading hours 4:00am -8:00pm.

the nearest minimum price increment²²) is derived by subtracting \$1 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. For securities with an Auction Reference Price of \$1 or less, the lower Auction Collar price (which is rounded to the nearest minimum price increment) is derived by subtracting \$0.50 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. For securities with an Auction Reference Price of greater than \$1, the upper Auction Collar price (which is rounded to the nearest minimum price increment) is derived by adding \$1 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price. For securities with an Auction Reference Price of \$1 or less, the upper Auction Collar price (which is rounded to the nearest minimum price increment) is derived by adding \$0.50 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price. The proposed process for calculating the upper and lower Auction Collars is similar to the process used to calculate MWCB Auction Collars, where initial thresholds are applied on both sides of the Auction Reference Price.²³ In contrast, the initial price collar thresholds used for the LULD mechanism are determined by the direction of the trading that invoked the trading pause and the price of the LULD Band in place at the time the trading pause was triggered.²⁴ In this case, because there would not be a security-specific pricing direction reason for the

²² The term “minimum price increment” means \$0.01 in the case of a System Security priced at \$1 or more per share, and \$0.0001 in the case of a System Security priced at less than \$1 per share. See Equity 1, Section 1(a)(13).

²³ See Rule 4121(d)(1)(B).

²⁴ See Rule 4120(c)(10)(A)(ii). In the LULD context, the initial price collar thresholds are asymmetrically updated because direction of the order imbalance (buyer/seller imbalances) are known at the time of the pause. In the halt cross context, the direction of the order imbalance (buyer/seller imbalances) is not known at the time of the halt. Accordingly, the initial price collar thresholds need to be applied symmetrically before arriving at the price at which the security will trade.

halt, the Exchange believes that it is appropriate to apply the initial thresholds on both sides of the Auction Reference Price, as is currently done in the case of a MWCB halt. While the specific price collar thresholds used for the LULD and MWCB mechanisms are 5% of the Auction Reference Price, the proposed rule change would provide price collar thresholds of 10% (and 20% in the event a security enters a third period, as described below) of the Auction Reference Price. These price collar thresholds are appropriate as they balance the need for price protections with the desire to promote efficient price discovery and minimize the length of the interruption from a trading halt. The Exchange believes it is appropriate to set the price collar thresholds at a higher percentage as compared to the price collar thresholds used for the LULD and MWCB mechanisms because halts under the proposal are more likely to have a significant price impact, warranting wider collars to allow for price discovery to happen quicker.²⁵ While the LULD and MWCB mechanisms provide a price collar threshold of \$0.15 for securities with an Auction Reference Price of \$3 or less,²⁶ the Exchange proposes to include minimum threshold amounts for calculating the price collars (i.e., \$0.50 for securities with an Auction Reference Price of \$1 or less and \$1 for securities with an Auction Reference Price of greater than \$1) to ensure that the Auction Collars for lower-priced securities are wide enough to allow for reopening and effective price discovery. This approach is reasonable because lower priced stocks can have significant price

²⁵ For example, a news driven halt related to a drug announcement may warrant a significant price movement in a short period of time and a wider collar would allow the stock to reopen in a reasonable period.

²⁶ See Rule 4120(c)(10)(A)(ii); Rule 4121(d)(1)(B).

movement which warrants a greater minimum threshold in order to allow for efficient price discovery and a more timely reopening.

Proposed Rule 4120(c)(7)(B) describes what would happen at the end of the Initial Display Only Period, the circumstances when the Exchange would extend the Display Only Period, and how the Exchange would adjust the Auction Collars for an extension. At the conclusion of the Initial Display Only Period, the security would be released for trading unless, at the end of an Initial Display Only Period, Nasdaq detects an order imbalance²⁷ in the security. In that case, Nasdaq would extend the Display Only Period for an additional 5-minute period (“Extended Display Only Period”), and the Auction Collar prices would be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 10% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference price of \$1 or less. The new upper Auction Collar price is derived by adding \$1 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less. The proposed process for initiating extensions is similar to the process currently used for extending trading pauses or halts under LULD²⁸ and

²⁷ The definition of an order imbalance is described below and included in proposed Rule 4120(c)(7)(E).

²⁸ See Rule 4120(c)(10)(B).

MWCB,²⁹ with a couple differences. First, the proposed minimum thresholds and percentages used to calculate the Auction Collars during the Extended Display Only Period are consistent with that of the Initial Display Only Period and continue to differ from the LULD and MWCB mechanisms in that regard, as discussed above. Second, the proposed process for calculating the upper and lower Auction Collars during the Extended Display Only Period is similar to the process used to calculate Auction Collars during the Initial Display Only Period, where thresholds are applied on both sides of the Auction Reference Price. In contrast, the price collar thresholds used for the LULD and MWCB mechanisms are applied only in the direction that caused extension of the Display Only Period.³⁰ In this case, the Exchange believes that it is appropriate to continue to apply the thresholds on both sides of the Auction Reference Price to accommodate price swings in either direction and to increase the likelihood of resolving order imbalances.

Proposed Rule 4120(c)(7)(C) explains what would happen at the end of the Extended Display Only Period. At the conclusion of the Extended Display Only Period, the security would be released for trading unless, at the end of the Extended Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq would further extend the Display Only Period for an additional 5-minute period (“Third Period”), and the Auction Collar prices would be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities

²⁹ See Rule 4121(d)(2).

³⁰ See Rule 4120(c)(10)(B); Rule 4121(d)(2).

with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction_Collar price for securities with an Auction Reference price of \$1 or less. The new upper Auction Collar price is derived by adding \$1 or 20% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less. Nasdaq would release the security for trading at the first point³¹ there is no order imbalance.³² The Exchange believes it is appropriate to widen the collars by 20% instead of 10% to the extent a security has not reopened after the Extended Display Only Period because the order imbalance may be indicative that a significant price movement in the security is warranted based on the news announcement (or otherwise). If the security has not been released for trading by the conclusion of the Third Period, Nasdaq will continue to adjust the Auction Collar prices every five minutes in the manner described in this Rule 4120(c)(7)(C) until the security is released for trading. Other than the change in the percentage by which the Exchange will widen the

³¹ The “first point” there is no order imbalance would occur after the next NOII message dissemination.

³² Unlike the Initial Display Only Period and the Extended Display Only Period, the security could be released for trading prior to the end of the Third Period. For example, assume ABC security enters a regulatory halt at 1:30 pm. The last sale / reference price is \$100. The auction collars are \$90 and \$110. At 1:35 pm, the calculated price at which the security would be released for trading is \$122. The display only period is extended until 1:40. The new auction collars are \$80 and \$120. At 1:40 pm, the calculated price at which the security would be release for trading is still \$122. The Third Period commences at 1:40 pm. The new auction collars are \$60 and \$140. At 1:40:01 pm, the system detects that there is no longer an Order Imbalance so the Halt Cross commences and the security is released for trading.

collars, the process in proposed Rule 4120(c)(7)(C) is consistent with that of the LULD and MWCB mechanisms.³³

Proposed Rule 4120(c)(7)(D) explains that, notwithstanding Rule 4120(c)(7)(A) – (C), a trading halt that exists at or after 3:50 p.m.³⁴ in a stock shall reopen via a Hybrid Closing Cross pursuant to Rule 4754(b)(7). As described in more detail below, the Hybrid Closing Cross would provide an alternative process for executing closing trades on the Exchange. Proposed Rule 4120(c)(7)(D) is consistent with the LULD mechanism, where a stock reopens via a LULD Closing Cross where a trading pause exists at or after 3:50 p.m.³⁵

Proposed Rule 4120(c)(7)(E) explains when an order imbalance exists. Specifically, it provides that, for purposes of Rule 4120(c)(7), upon completion of the cross calculation an order imbalance shall be established as follows: the calculated price at which the security would be released for trading is above (below) the upper (lower) Auction Collar price; or (ii) all market orders would not be executed in the cross. This is the same manner in which an order imbalance is established under the current reopening process for trading pauses and MWCB halts.³⁶

Proposed Rule 4120(c)(7)(F) provides that, if the Exchange is unable to reopen trading due to a systems or technology issue, it shall notify the securities information

³³ See Rule 4120(c)(10)(C); Rule 4121(d)(3).

³⁴ All times referenced in this filing are Eastern Time.

³⁵ See Rule 4120(c)(10)(D).

³⁶ See Rule 4120(c)(10)(E); Rule 4121(d)(4).

processor immediately. This is consistent with the Exchange's notification process for LULD.³⁷

In sum, the proposed changes to Rule 4120(c)(7) would establish a price protection mechanism for the halt cross process for securities halted under the provisions noted above.³⁸ The proposed price protection mechanism is similar to what is currently utilized for reopening stocks following a LULD trading pause or MWCB halt. Price collars would be built into the halt cross process and if the price falls outside of those collars after an initial 5-minute display only period, the collars would be widened by the same threshold amount as the initial collars and a subsequent 5-minute display only period would commence. If the price falls outside of those collars after the second 5-minute display only period, the collars would be widened by a wider amount and a subsequent, third period would commence. This process would continue until the price falls within the set thresholds, after which the auction would execute and the stock would reopen for trading. Customers would benefit from having the new price collar protections in place as it would ensure that executions received during the halt cross process are filled at prices that reflect the true market for the security. Allowing additional time for improved price discovery could increase market participation, improving liquidity and helping reduce price volatility.

Proposed Changes to Rule 4702 (Order Types)

The Exchange proposes to amend Rule 4702 by deleting references to the LULD Closing Cross from Rule 4702(b)(12) (Limit on Close (LOC) Orders) and Rule

³⁷ See Rule 4120(a)(12)(G).

³⁸ Supra note 13.

4702(b)(17) (Extended Trading Close (ETC) Orders). The Exchange believes that the LULD Closing Cross³⁹ as well as the proposed Hybrid Closing Cross⁴⁰ should be included in the definition of the Nasdaq Closing Cross because the LULD Closing Cross and the Hybrid Closing Cross are alternative processes for executing closing trades on the Exchange and therefore do not need to be specifically referenced in the Rules where the Nasdaq Closing Cross is already referenced, thereby simplifying the rule language. For clarification, the Exchange also proposes to specify that the Nasdaq Closing Cross includes the LULD Closing Cross and Hybrid Closing Cross in the definition of the Nasdaq Closing Cross in Rule 4754(a)(6), as described below.

Proposed Changes to Rule 4753 (Nasdaq Halt Cross)

First, the Exchange proposes to clarify that Auction Reference Prices and Auction Collars are not included in the Order Imbalance Indicator, but instead are disseminated in a separate message. For purposes of LULD and MWCB, the Rules incorrectly state that the Auction Reference Prices and Auction Collars are included in the Order Imbalance Indicator and the Exchange proposes to correct such inaccuracies by modifying Section (F) and (G) in Rule 4753(a)(3) accordingly.

The Exchange also proposes to add section (H) in Rule 4753(a)(3). This section (H) would provide that, for purposes of a trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14), the Exchange will disseminate a separate message with

³⁹ The LULD Closing Cross is the Exchange's auction process for executing closing trades in Nasdaq-listed securities when a trading pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m. See Rule 4754(b)(6).

⁴⁰ As described below, the Exchange proposes to establish the Hybrid Closing Cross in Rule 4754(b)(7). The Hybrid Closing Cross would be the Exchange's auction process for executing closing trades in Nasdaq-listed securities when a trading halt pursuant to Rules 4120(a)(1), (4), (5), (6), (9), (10), (11), or (14) exists at or after 3:50 p.m. and before 4:00 p.m.

Auction Reference Prices and Auction Collars, as defined in Rule 4120(c)(7)(A).⁴¹ This is consistent with dissemination of Auction Reference Prices and Auction Collars for purposes of LULD pauses and MWCB halts.

Rule 4753(e) currently states that any IOC Order for a halted security that is entered prior to the Nasdaq Closing Cross and for which the halt remains in effect at the commencement of the Nasdaq Closing Cross, shall be cancelled immediately after the Nasdaq Closing Cross. With the introduction of the Hybrid Closing Cross, as described further below, if the quoting period has commenced at any time prior to 4 pm, IOC orders for halted securities would execute in the Hybrid Closing Cross. Similarly, IOC orders could also execute in the LULD Closing Cross. Therefore, the Exchange proposes to clarify, in Rule 4753(e), that any IOC Order for a halted security that is entered prior to the Nasdaq Closing Cross and for which the halt remains in effect at the commencement of the Nasdaq Closing Cross, *shall either execute in the Nasdaq Closing Cross or be cancelled immediately after the Nasdaq Closing Cross.*

Proposed Changes to Rule 4754 (Nasdaq Closing Cross)

First, the Exchange proposes to amend the definition of “Nasdaq Closing Cross” in Rule 4754(a)(6). As noted above, the Exchange believes that the LULD Closing Cross and Hybrid Closing Cross should be included in the definition of Nasdaq Closing Cross because they are types of closing crosses. The Exchange therefore proposes to clarify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid

⁴¹ Dissemination will take place on Nasdaq’s proprietary feed, Nasdaq TotalView-ITCH. As is the case with MWCB halts and to be consistent with current Exchange processes, the Exchange will not send auction information to the SIP, including price collars and the number of extensions. While auction information for LULD pauses is disseminated to the SIP per plan requirements, the Exchange does not disseminate auction information to the SIP for other halts.

Closing Cross in Rule 4754(a)(6). Such change would allow the Exchange to simplify its rule language and prevent the Exchange from needing to list the LULD Closing Cross and Hybrid Closing Cross where the Nasdaq Closing Cross is referenced in the Rules.

Second, the Exchange proposes to add “NOII” as an alternative defined term for “Order Imbalance Indicator” in Rule 4754(a)(7). NOII is currently referenced in the Rules and the Exchange proposes to add references to NOII in the proposed rule change; however, NOII is not currently defined in the Rules. The Exchange is not proposing to make any substantive changes to the meaning of NOII or Order Imbalance Indicator. Rather, the Exchange wishes to provide clarity regarding the definition of NOII.

Third, the Exchange proposes to add “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Rule 4754(a)(10). EOII is currently referenced in the Rules and the Exchange proposes to add references to EOII in the proposed rule change; however, EOII is not currently defined in the Rules. The Exchange is not proposing to make any substantive changes to the meaning of EOII or Early Order Imbalance Indicator. Rather, the Exchange wishes to provide clarity regarding the definition of EOII.

Fourth, the Exchange proposes to make two changes to Rule 4754(b)(6), which relates to the LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause. In part, Rule 4754(b)(6)(F)(ii) sets forth Rules as to how the Exchange would handle LOC Orders entered between 3:55 p.m. and immediately prior to 3:58 p.m. The Exchange wishes to make a clarifying change to specify that the relevant timeframe is after the NOII immediately following 3:55 p.m. and immediately prior to 3:58 p.m. In other words, instead of stating “between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET,”

the Exchange proposes to state, “after the NOII immediately following 3:55 p.m. ET and immediately prior to 3:58 p.m. ET” to ensure the Rule is precise. In addition, the Exchange wishes to modify in Rule 4754(b)(6)(G) that orders participating in the LULD Closing Cross shall be executed in price/display/time priority rather than just price/time priority as the current rule language states. This modification would be consistent with how the Exchange generally assigns priority with the execution of Displayed Orders and interest before Non-Displayed Orders. Specifically, Rule 4754(b)(3)(B) prescribes that, in the Closing Cross, the Exchange prioritizes as a group the execution of Displayed Orders and interest, with price as the primary priority, and then within each price level, with time as the secondary priority.⁴² Accordingly, the Exchange proposes to update the rule to reflect this current behavior, whereby displayed orders are executed ahead of hidden orders. Such change would provide more specificity in the Rule for accuracy.

Lastly, in proposed Rule 4754(b)(7), the Exchange proposes to adopt a modified closing cross (defined as the “Hybrid Closing Cross”) that the Exchange would conduct for Nasdaq-listed securities when a trading halt pursuant to Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14) exists at or after 3:50 p.m. and before 4:00 p.m.⁴³ Today, the Exchange has not needed to handle a halt reopening auction at or after 3:50pm and before 4:00 p.m. due to the current policy of MarketWatch not scheduling any reopening of a security past 3:30pm. The Exchange in practice does not want to negatively impact the price discovery process because of the possibility of a conflict between a halt cross

⁴² See Rule 4754(b)(3)(B); see also Securities Exchange Act Release No. 34-97973 (July 25, 2023), 88 FR 49522 (July 31, 2023) (Notice of Filing and Immediate Effectiveness of File No. SR-NASDAQ-2023-024 to Amend Equity 4, Rules 4752, 4753, and 4754).

⁴³ In contrast, today, such halts would typically not be scheduled to resume trading during such period, avoiding interference with the closing cross.

reopening and the official closing cross in the closing minutes of the trading day. Under the Exchange's halt cross protection proposal, however, and its advent of collars and extensions, it is possible for a stock to be scheduled for reopening well ahead of the 4:00p.m. close and have its quoting period extended multiple times past 3:50p.m. due to its reference price falling outside of the established collars. As such, our proposed Hybrid Closing Cross process eliminates the possibility of a conflicting cross and allows the Exchange to ensure that it can establish an efficient price discovery process for the closing price upon the market close at 4pm. The Hybrid Closing Cross provides an alternative process for executing closing trades on Nasdaq for when certain trading halts⁴⁴ exist at or after 3:50 p.m. and before 4:00 p.m. (if the Display Only Period has begun for a halted security). The Exchange believes that the price protections for the LULD Closing Cross have been effective at facilitating price discovery and ensuring that the closing price of a security is reasonably based on current market conditions in the security, and therefore proposes to adopt similar price protections for its Hybrid Closing Cross.

Under the proposal, a halted security would only be eligible to resume trading via the Hybrid Closing Cross after the Display Only Period begins.⁴⁵ The Exchange proposes to define "Auction Reference Price", "Eligible Interest", and "Imbalance" in Rule 4754(b)(7)(A) for purposes of Rule 4754(b)(7). "Auction Reference Price" would have the same meaning as defined in Rule 4120(c)(7)(A), discussed above. "Eligible

⁴⁴ See *supra* note 13.

⁴⁵ A halted stock that has not entered the Display Only Period at or after 3:50 and before 4:00 p.m. would not participate in the Hybrid Closing Cross and would remain halted.

Interest” would have the same meaning as “Close Eligible Interest” in Rule 4754(a),⁴⁶ with the addition of any new orders with an eligible underlying Order Type and Attribute, entered during the trading halt. “Imbalance” would mean the number of shares of buy or sell Market on Close (“MOC”),⁴⁷ LOC Orders, or Eligible Interest that cannot be matched with other MOC, LOC, or Imbalance Only (“IO”) Order shares or Eligible Interest at a particular price at any given time. These proposed definitions are consistent with the definitions of Eligible Interest and Imbalance used for purposes of the LULD Closing Cross.⁴⁸

In proposed Rule 4754(b)(7)(B), the Exchange proposes to specify the timing of the Hybrid Closing Cross and After Hours Trading, as well as what happens if there is insufficient trading in the System to execute a Hybrid Closing Cross. For trading halts existing at or after 3:50 and before 4:00 p.m., the Hybrid Closing Cross would occur at 4:00 p.m. After Hours Trading would commence after the Hybrid Closing Cross executes. If there is insufficient trading interest in the Nasdaq system to execute a Hybrid Closing Cross, Nasdaq would not conduct a cross in that security and would instead use the last sale on Nasdaq as the NOCP in that security for that trading day. After Hours

⁴⁶ “Close Eligible Interest” means 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. The System will delay processing any full cancellation request for Close Eligible Interest made during the Nasdaq Closing Cross until such time as the Nasdaq Closing Cross concludes, except for securities in a halt or pause. During a halt or pause, the System will process any full or partial cancellation request for Close Eligible Interest made for such halted or paused security during the Nasdaq Closing Cross. See Rule 4754(a)(1).

⁴⁷ A “Market On Close Order” or “MOC Order” is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. See Rule 4702(b)(11).

⁴⁸ See Rule 4754(b)(6)(A).

Trading would commence after Nasdaq publishes the NOCP. Such procedures are consistent with that of the LULD Closing Cross.⁴⁹

Proposed Rule 4754(b)(7)(C) provides information about dissemination of the EOII⁵⁰ and NOII⁵¹ and about the price at which the Hybrid Closing Cross would execute. Specifically, Nasdaq proposes to continue disseminating the EOII and the NOII pursuant to Rule 4754(b)(1) until After Hours Trading begins. The Near Clearing Price⁵² and Reference Prices contained in the EOII and the NOII, as applicable, would represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, bounded by the Threshold Prices (defined below), and the Far Clearing Price⁵³ would represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, if it were not bounded by the Threshold Prices (defined below). Such procedures are similar to that of the LULD Closing Cross.⁵⁴

Proposed Rule 4754(b)(7)(D) would specify that the Hybrid Closing Cross would occur at the price within the threshold prices established pursuant to Rule 4754(b)(7)(E) (“Threshold Prices”) that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO⁵⁵ Orders in the Nasdaq Market Center to be executed. If more than one price exists, the Hybrid Closing Cross would occur at the price within the Threshold

⁴⁹ See Rule 4754(b)(6)(B).

⁵⁰ See Rule 4754(a)(10).

⁵¹ See Rule 4754(a)(7).

⁵² See Rule 4754(a)(7)(E)(ii).

⁵³ See Rule 4754(a)(7)(E)(i).

⁵⁴ See Rule 4754(b)(6)(C).

⁵⁵ An “Imbalance Only Order” or “IO Order” is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. See Rule 4702(b)(13).

Prices that minimizes any Imbalance. If more than one price still exists, the Hybrid Closing Cross would occur at the entered price⁵⁶ within the Threshold Prices at which shares will remain unexecuted in the cross. If there is no price within the Threshold Prices that satisfies the above conditions, then the Hybrid Closing Cross would occur at:

(a) if an Imbalance exists, a price equal to the upper (lower) Threshold Price for a buy (sell) Imbalance; or (b) if no Imbalance exists, a price equal to the Auction Reference Price. The proposed tiebreakers in Rule 4754(b)(7)(D) are consistent with the tiebreakers used for determining the LULD Closing Cross price with one exception.⁵⁷ Specifically, if there is no price within the Threshold Prices that satisfies the conditions mentioned above and no Imbalance exists, the Hybrid Closing Cross would occur at a price equal to the Auction Reference Price⁵⁸ whereas the LULD Closing Cross occurs at a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause.⁵⁹ Such difference reflects the need for a price that is unrelated to the LULD mechanism in the case of the Hybrid Closing Cross given there would not be a security-specific pricing direction reason for the halt (or LULD Bands).

The Exchange proposes to introduce price protections to the Hybrid Closing Cross that are similar to the protections used today for the LULD Closing Cross and will ensure that the Hybrid Closing Cross price is reasonably related to current market conditions. Proposed Rule 4754(b)(7)(E) would describe the Threshold Prices within which the Hybrid Closing Cross price must fall. The upper (lower) Threshold Price

⁵⁶ The “entered price” refers to the price of the cross eligible order interest at which shares would remain unexecuted in the Hybrid Closing Cross.

⁵⁷ See Rule 4754(b)(6)(D).

⁵⁸ See Rule 4754(b)(7)(A)(i).

⁵⁹ See Rule 4754(b)(6)(D)(iv)(b).

would be established by adding (subtracting) \$1 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to 4120(c)(7)(A)(ii) for securities with an Auction Reference Price of greater than \$1. The upper (lower) Threshold Price would be established by adding (subtracting) \$0.50 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to 4120(c)(7)(A)(ii) for securities with an Auction Reference price of \$1 or less. Nasdaq management would set and modify the thresholds from time to time upon prior notice to market participants. This is similar to the discretion provided to Nasdaq management in connection with the opening cross, closing cross, and LULD Closing Cross, where Nasdaq management has discretion to set and modify thresholds used in determining the Benchmark Prices.⁶⁰ Although the proposed price protections are similar in nature to those used for the LULD Closing Cross, the process for calculating the Benchmark Prices for the LULD Closing Cross is distinct because it involves widening the Auction Collar (or Band) on only one side,⁶¹ while the proposed process would widen the Auction Reference Price on both sides for the Hybrid Closing Cross. In this case, because there would not be a security-specific pricing direction reason for the halt, the Exchange believes that it is appropriate to apply the thresholds on both sides of the Auction Reference Price.

Proposed Rule 4754(b)(7)(F) sets forth the orders that would be eligible to participate in the Hybrid Closing Cross, including all orders entered into the system and

⁶⁰ See Rule 4752(d)(2)(E)(Opening Cross); Rule 4754(b)(2)(E)(Closing Cross); Rule 4754(b)(6)(E)(LULD Closing Cross).

⁶¹ Rule 4754(b)(6)(E)(LULD Closing Cross).

placed on the continuous book prior to the trading halt. Such orders may be modified or cancelled up until the time of the Hybrid Closing Cross. During the halt and prior to 4:00 pm, new orders may be entered, modified, and cancelled and may participate in the Hybrid Closing Cross. MOC, LOC and IO Orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13).⁶² If the security entered a trading halt prior and up to 3:50 p.m., the System would not accept late LOC Orders.⁶³ For purposes of Hybrid Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the initial Auction Reference Price. Such rules are consistent with the LULD mechanism,⁶⁴ except that the proposed rules do not include certain inapplicable language from the LULD Closing Cross processes.⁶⁵

Proposed Rule 4754(b)(7)(G) provides that orders participating in the Hybrid Closing Cross would be executed in price/display/time priority order and for purposes of determining priority, eligible IO orders would be priced to the closing price and executed in time priority with other orders at that price. This clarification would be consistent with how the Exchange generally assigns priority with the execution of Displayed Orders and interest before Non-Displayed Orders. In addition, Proposed Rule 4754(b)(7)(G)

⁶² Though other order types are also applicable, the Exchange calls out MOC, LOC and IO Orders to make it clear that, for these order types, there may be exceptions to the general rule that “During the halt and prior to 4:00 pm, new orders may be entered, modified, and cancelled and may participate in the Hybrid Closing Cross.” As such, the Exchange proposes to make it clear that Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13) prevail.

⁶³ The System would not accept late LOC orders in this scenario because if a security entered a trading halt prior and up to 3:50 p.m. ET, there would be no relevant reference prices, upon which such orders depend.

⁶⁴ See Rule 4754(b)(6)(F).

⁶⁵ Trading halts subject to the Hybrid Closing Cross would not be entered between 3:50 and 4 pm and therefore certain procedures included in the LULD Closing Cross Rules are inapplicable to the Hybrid Closing Cross. See, e.g., Rule 4754(b)(6)(F)(ii)(b) – (c).

provides that any order not executed in the Hybrid Closing Cross would be processed according to the entering firm's instructions. This is consistent with how orders execute in the LULD Closing Cross.⁶⁶

Finally, the Exchange would renumber current Rule 4754(b)(7) as Rule 4754(b)(8) and update a related reference in such Rule.

Proposed Changes to Rule 4755 (Extended Trading Close)

Similar to the revisions made to Rule 4702 (Order Types), the Exchange proposes to delete references to the LULD Closing Cross from Rule 4755 because the Exchange proposes to include the LULD Closing Cross and the Hybrid Closing Cross in the definition of the Nasdaq Closing Cross, thereby making the specific references to the LULD Closing Cross in Rule 4755 unnecessary.

Implementation

The Exchange will issue an Equities Trader Alert not less than 7 days prior to implementing the proposed changes.

On February 22, 2022, the Exchange submitted a proposal to amend its Rules related to halts (“Halts Proposal”) for the purpose of implementing UTP Plan amendments and establishing common criteria and procedures for halting and resuming trading in equity securities in the event of regulatory or operational issues.⁶⁷ The Halts Proposal was approved on June 8, 2022.⁶⁸ The Exchange intends to implement the Halts Proposal in conjunction with other SROs. Because the Exchange continues to await an

⁶⁶ See Rule 4754(b)(6)(G).

⁶⁷ See Securities Exchange Act Release No. 94370 (March 7, 2022), 87 FR 14071 (March 11, 2022). Nasdaq filed an amendment to the proposal on April 29, 2022. See Securities Exchange Act Release No. 94838 (May 3, 2022), 87 FR 27683 (May 9, 2022).

⁶⁸ See Securities Exchange Act Release No. 95069 (June 8, 2022), 87 FR 36018 (June 14, 2022).

industry-wide implementation and wishes to implement the proposed enhancements to its halt cross process in the meantime, the Exchange intends to file a proposed rule change in the future in order to incorporate the changes herein with those changes in the Halts Proposal. As such, the proposed rule changes described herein reflect changes to the Exchange's currently operative rule language.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁶⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷⁰ 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 Exchange believes that the proposed rule change is consistent with the Act because it would amend the halt auction process following certain trading halts⁷¹ to be more closely aligned with the process currently implemented for halt auctions following a trading pause under the LULD Plan and the process for halt auctions following a MWCB halt. The current reopening process following a trading pause and following a MWCB halt have been generally successful in facilitating a fair and orderly process for reopening securities. The Exchange has therefore decided to propose a similar process for halt auctions following other types of halts, as specified above. The Exchange believes that its proposal would benefit investors by facilitating price discovery and promoting more consistency in how the Exchange conducts the reopening process following trading halts

⁶⁹ 15 U.S.C. 78f(b).

⁷⁰ 15 U.S.C. 78f(b)(5).

⁷¹ See supra note 13.

and pauses. While auctions cannot prevent price volatility, auctions should facilitate ongoing trading and afford market participants with ample time to participate in the auction price discovery process. Accordingly, this proposal balances transparency and timeliness to ensure efficient price discovery. Furthermore, because there are no price protection mechanisms specific to the halt cross process today, the Exchange believes that there is little risk⁷² in adopting the proposal.

While the proposed reopening process would largely follow the reopening process in place today for trading pauses under the LULD Plan and/or MWCB halts, there would be several differences. These differences are primarily designed to ensure that suitable Auction Collars are utilized for the reopening process. The Exchange proposes to use the Nasdaq last sale price (or if none, the NOCP) as the Auction Reference Price, similar to the Auction Reference Price under a MWCB halt.⁷³ However, the Exchange also proposes to provide MarketWatch authority to set an Auction Reference Price in rare situations where there is no Nasdaq last sale price or NOCP.⁷⁴ In addition, the Exchange believes that it is appropriate to calculate both upper and lower Auction Collars that are a specified percentage or dollar amount from the reference price because the halts covered in the proposal do not involve security specific buy or sell pressure. With extensions, the Exchange also believes that it is appropriate to widen the collars on both sides to accommodate price swings in either direction and to increase the likelihood of resolving order imbalances. The proposal would utilize price collar thresholds of 10% (and 20% after the first two display only periods) of the Auction Reference Price, as compared to

⁷² There is a risk of a delayed reopening if the price of the halted security is fluctuating.

⁷³ Supra note 16.

⁷⁴ Supra note 18.

price collar thresholds of 5% of the Auction Reference Price used for the LULD and MWCB mechanisms, to ensure that the parameters are appropriately set to ensure securities are priced within a reasonable range of their halted price but are also not so restrictive as to prevent effective price discovery. These price collar thresholds are appropriate as they balance the need for price protections with the desire to promote efficient price discovery and minimize the length of the interruption from a trading halt. Finally, the Exchange proposes to include minimum threshold amounts for calculating the price collars (i.e., \$0.50 for securities with an Auction Reference Price of \$1 or less and \$1 for securities with an Auction Reference Price of greater than \$1) to ensure that the Auction Collars for lower-priced securities are wide enough to allow for reopening and effective price discovery. This approach is reasonable because lower priced stocks can have significant price movement which warrants a greater minimum threshold in order to allow for efficient price discovery and a more timely reopening.

Otherwise, the proposed reopening process is consistent with the current LULD and/or MWCB reopening process. Similar to the current LULD and MWCB reopening process, the Exchange also believes that the proposed process is consistent with the protection of investors and the public interest because they are designed to facilitate price discovery by ensuring that all market order interest could be satisfied in the auction process. Furthermore, the Exchange believes that the standardized procedures to extend halt auctions an additional five minutes are appropriate because this would provide additional time to attract offsetting liquidity. If at the end of such extension, market orders still cannot be satisfied within the applicable collars, or if the reopening price would be outside of the applicable collars, the Exchange would extend the halt auction

process an additional five minutes. The Exchange believes that extending the auction in these circumstances would protect investors and the public interest by reducing the potential for significant price disparity in post-auction trading.

The Exchange also believes that its proposal to establish a Hybrid Closing Cross and implement price protections for the Hybrid Closing Cross that are similar to the protections used today for the LULD Closing Cross would promote just and equitable principles of trade. For purposes of the LULD Closing Cross, the Exchange currently calculates and applies a price threshold to a benchmark value that, when applied to an individual security, determines the price threshold range within which the security must execute in the LULD Closing Cross. The Exchange believes that this mechanism has been effective in facilitating a fair and orderly price discovery process at the close and ensuring that the cross price derived does not exceed a price reasonably tied to the prevailing market at the time. The Exchange has therefore determined to adopt a Hybrid Closing Cross and apply similar protections to such Hybrid Closing Cross. The Exchange believes that its proposal would facilitate a fair and orderly close. Additionally, the Exchange believes that the proposed rule change would benefit investors by harmonizing the Exchange's LULD and Hybrid Closing Cross processes, thereby promoting a more consistent experience for members and investors and reducing any potential confusion regarding Nasdaq's closing processes.

While the proposed price protections for the Hybrid Closing Cross will largely follow the current implementation of the protections in place today for the LULD Closing Cross, there are certain differences. The differences are designed to account for inherent differences between LULD pauses and other trading halts and ensure that the proposed

price protections are reasonably based on market conditions. One of the proposed tiebreakers in Rule 4754(b)(7)(D) references the Auction Reference Price whereas the LULD Closing Cross rule instead refers to a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause. Such difference reflects the need for a price that is unrelated to the LULD mechanism in the case of the Hybrid Closing Cross given there would not be a security-specific pricing direction reason for the halt (or LULD Bands). Similarly, the process for calculating the Benchmark Prices for the LULD Closing Cross is distinct because it involves widening the Auction Collar (or Band) on only one side, while the proposed process would widen the Auction Reference Price on both sides for the Hybrid Closing Cross. In this case, because there would not be a security-specific pricing direction reason for the halt, the Exchange believes that it is appropriate to apply the thresholds on both sides of the Auction Reference Price. Finally, certain language from the LULD Closing Cross is omitted where it is inapplicable to the Hybrid Closing Cross.⁷⁵

Finally, the Exchange also believes it is appropriate to make clarifying changes in Equity 4 to remove references to the LULD Closing Cross in Rule 4702 and Rule 4755, clarify how Auction Reference Prices and Auction Collars are disseminated in Rule 4753(a)(3), add an exception regarding cancellation of IOC Orders for halted securities in Rule 4753(e), specify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Rule 4754(a)(6), add “NOII” as an alternative defined term for “Order Imbalance Indicator” in Rule 4754(a)(7), add “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Rule 4754(a)(10),

⁷⁵ See supra note 65.

amend language related to handling of late LOC Orders in Rule 4754(b)(6), and modify the priority for orders participating in the LULD Closing Cross in Rule 4754(b)(6). The proposed changes would increase clarity and transparency in the Rules, consistent with the public interest and the protection of investors.

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 Exchange believes that the proposed rule change is not designed to address any competitive issues, but rather, is designed to provide a measured and transparent process for reopening Nasdaq listed securities after certain trading halts. The proposed rule change is similar to the current reopening process following a trading pause initiated under the LULD Plan, the process following a MWCB halt, and processes implemented on other exchanges for non-LULD regulatory halts. In addition, the proposed rule change is also designed to establish a Hybrid Closing Cross that aligns with the Exchange's LULD Closing Cross to provide for a transparent auction process for executing member interest at the close and promote a more consistent experience for members and investors.

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

The Exchange does not consent to an extension of the time period for Commission action.

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

Not applicable.

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.

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-2024-065)

October __, 2024

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Amend Equity 4 to Establish Halt Cross Price Protections and Make Other Related Changes.

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 October 28, 2024, 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 Equity 4 to establish halt cross price protections and make other related changes.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

The purpose of the proposed rule change is to amend the Exchange’s Rules to implement halt cross protections to prevent clearly erroneous executions after the reopening of trading and ensure that securities are priced within reasonable levels from their halted price. The Exchange proposes to introduce price protections to the halt cross process that are similar to the protections currently employed in other auctions the Exchange conducts. In addition, the Exchange proposes to establish a “Hybrid Closing Cross” and introduce related price protections, as described below. With the proposed changes, the Exchange’s processes would be more harmonized, which the Exchange believes would promote a more consistent experience for members and investors participating in the Exchange’s auctions.

To implement the proposed price protections, the Exchange proposes to modify Equity 4 by: (i) adding the proposed halt cross protections to Equity 4, Section 4120,³ replacing the prior procedures; (ii) adding information about dissemination of Auction

³ All of the Rule 4000 series referenced in this filing are within Equity 4.

Reference Prices and Auction Collars in Rule 4753(a)(3); and (iii) adding Rules for a modified closing cross in Rule 4754(b)(7).

In addition, the Exchange proposes to make a number of changes in Equity 4, including: (i) removing references to the Limit-Up-Limit-Down (“LULD”) Closing Cross in Rule 4702 and Rule 4755; (ii) clarifying how Auction Reference Prices and Auction Collars are disseminated in Rule 4753(a)(3); (iii) clarifying rule language about cancellation of IOC Orders for halted securities in Rule 4753(e); (iv) specifying that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Rule 4754(a)(6); (v) adding “NOII” as an alternative defined term for “Order Imbalance Indicator” in Rule 4754(a)(7); (vi) adding “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Rule 4754(a)(10); (vii) amending language related to handling of late Limit on Close (“LOC”) Orders⁴ in Rule 4754(b)(6); and (viii) modifying the priority for orders participating in the LULD Closing Cross in Rule 4754(b)(6).

Background

The Exchange currently offers price protection mechanisms in most of the auctions it conducts during the normal course of trading (including opening/closing auction, market-wide circuit breaker (“MWCB”) halts,⁵ and LULD pauses⁶). In February

⁴ A “Limit On Close Order” or “LOC Order” is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross or the LULD Closing Cross, and only if the price determined by the Nasdaq Closing Cross or the LULD Closing Cross is equal to or better than the price at which the LOC Order was entered. See Rule 4702(b)(12).

⁵ A market-wide circuit breaker is triggered if the price of the S&P 500 Index declines by a specified amount compared to the closing price for the immediately preceding trading day. See Rule 4121.

⁶ A LULD pause is a trading pause pursuant to the Plan to Address Extraordinary Market Volatility or “LULD Plan”. See <https://www.luldplan.com/>.

2023, there was an instance where a stock was halted for pending news and reopened at a price that was significantly away from its current market value due to an erroneous market order. Given such event, the Exchange believes that additional price protections specific to the halt cross process are needed. Implementing these new protections would help to ensure that securities reopen within a reasonable price range after the Exchange halts a security.

The Exchange proposes to implement a new price protection mechanism to the Nasdaq Halt Cross⁷ process. In 2017, the Exchange amended its auction process for reopening a Nasdaq listed security following a trading pause initiated pursuant to the LULD Plan.⁸ Specifically, the Exchange modified its Rules such that initial Auction Collars following a trading pause are calculated based on the Price Band that triggered the trading pause, and instituted the process for extending the auction and further widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect.⁹ In 2020, the Exchange amended its auction process for reopening a Nasdaq listed security following a MWCB halt to follow a process similar to the process applied for releasing a security following a trading pause under the LULD Plan.¹⁰ The Exchange believes that these changes have been effective in facilitating a fair and

⁷ The “Nasdaq Halt Cross” is 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. See Rule 4753(a)(4). “Eligible Interest” shall mean any quotation or any order that has been entered into the system and designated with a time-in-force that would allow the order to be in force at the time of the Halt Cross. See Nasdaq Rule 4753(a)(5).

⁸ See Securities Exchange Act Release No. 79876 (January 25, 2017), 82 FR 8888 (January 31, 2017) (SR-NASDAQ-2016-131).

⁹ Id.

¹⁰ See Securities Exchange Act Release No. 88383 (March 13, 2020), 85 FR 15819 (March 19, 2020) (SR-NASDAQ-2020-012).

orderly market following trading pauses initiated pursuant to the LULD Plan and following MWCB halts, and proposes to implement similar functionality for certain trading halts.¹¹ The Exchange believes that the proposed changes would promote price formation and provide a more consistent reopening process for members and investors following such trading halts.

The new price protection mechanism would be similar to what is currently utilized for reopening stocks following a MWCB halt or LULD trading pause, where pre-determined price collars would be built into the halt cross process. As described in more detail below, the Exchange proposes to establish a threshold of 10% below and above a reference price, within which the price of the stock must fall to reopen. If the price falls outside of those collars after an initial 5-minute display-only period, the collars would be widened by the same threshold amount as the initial collars and a subsequent 5-minute display-only period would commence. If the price falls outside of those collars after the second 5-minute display-only period, the collars would be widened by 20% below and above the reference price and a third 5-minute period would commence. This process would continue (at 20%) until the price falls within the set thresholds, after which the auction would execute and the stock would reopen for trading.

Customers would benefit from having the new price collar protections in place as it would ensure that executions received during the halt cross process are filled at prices that reflect the true market for the security. Allowing additional time for improved price

¹¹ See *infra* note 13. The Exchange also notes that both NYSE Arca, Inc. and Cboe BZX Exchange, Inc. implemented similar processes for resuming trading following non-LULD regulatory halts. See Securities Exchange Act Release Nos. 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (SR-NYSEArca-2016-130); and 84927 (December 21, 2018), 83 FR 67768 (December 31, 2018) (SRCboeBZX-2018-090).

discovery could increase market participation, improving liquidity and helping reduce price volatility.¹²

Proposed Changes to Rule 4120 (Limit Up-Limit Down Plan and Trading Halts)

As noted above, the Exchange proposes to introduce price protections to the halt cross process that are similar to the protections used today for reopening stocks following a LULD pause and MWCB halt and would ensure that the reopening price is reasonably related to current market conditions. The Exchange proposes to remove the current procedure for terminating certain trading halts provided in Rule 4120(c)(7) and replace with proposed rule language describing the new procedure in proposed Rule 4120(c)(7). The Exchange believes that the imposition of price collars and a mechanism similar to what it currently utilized for reopening a security following a LULD trading pause or a MWCB halt would provide the Exchange with a price protection mechanism that is lacking under the Exchange's current Rules. The current reopening process does not have a mechanism for calculating price collars and a process for widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect. The Exchange believes that its proposal would facilitate a fair and orderly market by reducing the potential for significant price disparity in post-auction trading.

Example A: The below is illustrative of the proposed price protections to the halt cross process:

¹² During 2023, there were 541 halts that would have been subject to the proposed rule if it was in effect at the time. Of those 540 halts, 296 of the securities would have fallen outside of a 10% collar after the first quoting period. Example A on page 8 illustrates the proposed price protections.

- **1:30pm:** assume symbol ABC enters a regulatory halt; the last sale/reference price is \$100.00; and auction collars are calculated at \$90.00 / \$110.00;
- **1:35pm:** the calculated auction reference price is \$114.00; the display only period is extended to 1:40pm; and the new auction collars are \$80.00 / \$120.00;
- **1:40pm:** the calculated auction reference price is \$122.00; the display only period is extended to 1:45pm; and the new auction collars are \$60.00 / \$140.00;
- **1:45pm:** the calculated auction reference price is \$132.00; at 1:45:01pm, there is no longer an order imbalance so the halt cross commences and the security is released for trading.

The introductory language in proposed Rule 4120(c)(7) provides that, a trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14)¹³ shall be terminated when Nasdaq releases the security for trading. It would also provide that, for any such security listed on Nasdaq, prior to terminating the halt, there would be a 5-

¹³ This covers trading halts related to dissemination of material news for Nasdaq-listed securities (see Rule 4120(a)(1)); halts of Nasdaq-listed American Depositary Receipts or other Nasdaq-listed securities where underlying securities are halted by foreign markets or regulators for regulatory reasons (see Rule 4120(a)(4)); halts related to Exchange requests from issuers relating to material news, the issuer's ability to meet listing qualification requirements, or other information necessary to protect investors and the public interest (see Rule 4120(a)(5)); halts related to extraordinary market activity (see Rule 4120(a)(6)); halts in certain products where the Intraday Indicative Value or index value is not disseminated as required (see Rule 4120(a)(9)); halts in certain products where the net asset value is not being disseminated to all market participants at the same time (see Rule 4120(a)(10)); halts related to large price moves for Nasdaq-listed securities not covered by the LULD Plan (see Rule 4120(a)(11)), and halts related to reverse stock splits (see Rule 4120(a)(14)). In 2023, 98% of these aforementioned halts were news-related halts. The Exchange focuses on these specific trading halts because these halts currently not do have any price protection mechanism in place for the reopening of securities following a halt.

minute “Initial Display Only Period” during which market participants may enter quotations and orders in that security in Nasdaq systems. This is consistent with the process employed for reopening securities following LULD trading pauses.¹⁴ This is also consistent with the process employed for reopening securities following MWCB halts, except that in the case of a MWCB halt, the Initial Display Only Period is 15 minutes in length (as opposed to 5) to coincide with the entire duration of the MWCB halt.¹⁵ In addition, such introductory language is consistent with current rule language, with minor revisions. The minor revisions include referencing a “halt” rather than both a “halt or pause” for clarification and adding a specific defined term of “Initial Display Only Period” for the 5-minute period referenced. The types of halts covered by Rule 4120(c)(7) (i.e., trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14)) remain unchanged.

Proposed Rule 4120(c)(7)(A) describes the Exchange’s proposed process for establishing the “Auction Reference Price”. The Auction Reference Price would mean: (a) the Nasdaq last sale price (either round or odd lot); and (b) if there is no Nasdaq last sale price, the prior trading day’s Nasdaq Official Closing Price (“NOCP”).¹⁶ The Exchange proposes to use the Nasdaq last sale price¹⁷ (or if none, the NOCP) as this price is reflective of the current market for the halted security. The Exchange proposes to use Nasdaq specific prices rather than market-wide prices, consistent with MWCB,

¹⁴ See Rule 4120(c)(10).

¹⁵ See Rule 4121(d).

¹⁶ If there is no Nasdaq last sale price, the prior trading day’s NOCP is preferable for establishing the Auction Reference Price. The NOCP, as opposed to the last sale price on another exchange, serves as the next best reference price as it is derived from the primary market center for the Nasdaq-listed securities.

¹⁷ The Nasdaq last sale price reflects the last sale price of that trading session.

because of the accessibility and controllability of the Exchange data. In rare instances where there is no Nasdaq last sale price or NOCP, Nasdaq's MarketWatch Department ("MarketWatch") would have discretion to set the Auction Reference Price.¹⁸ The Exchange proposes to set the Auction Reference Price in a manner similar to that which is utilized for MWCB halts, in which the Auction Reference Price is the Nasdaq last sale price or if none, the NOCP.¹⁹ However, the Exchange believes it is important to have a mechanism by which it may set a reference price in rare situations where there is no Nasdaq last sale price or NOCP. Similar to MWCB, the Exchange is not proposing to use the LULD Auction Reference Price, which is based on the Price Band that triggered the trading pause,²⁰ as the Exchange believes that a different reference is necessary for a reopening process that is unrelated to the LULD mechanism. LULD and halt crosses use distinctly different reference prices in the auction pricing methodology. The reference price in a LULD auction in all cases will be either the pre-calculated upper or lower LULD band value that was last disseminated. In contrast, the reference price of a regulatory halt will use the prevailing last price or designated price in the event there is no last price. The last prevailing price is more representative of the current value of a

¹⁸ Although the proposal would allow for some discretion to MarketWatch, the Exchange notes that such discretion is limited to setting the Auction Reference Price in these rare instances, which does not determine the ultimate price at which the security will trade. In exercising such limited discretion in these rare instances, MarketWatch would source the best estimation for the Auction Reference Price from an external vendor.

¹⁹ See Rule 4121(d)(1)(A).

²⁰ See Rule 4120(c)(10)(A)(i).

security, and as such, a better reference price to use for the halt reopening auction methodology.²¹

Proposed Rule 4120(c)(7)(A) also describes the Exchange’s proposed process for determining the upper and lower “Auction Collar” prices. For securities with an Auction Reference Price of greater than \$1, the lower Auction Collar price (which is rounded to the nearest minimum price increment²²) is derived by subtracting \$1 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. For securities with an Auction Reference Price of \$1 or less, the lower Auction Collar price (which is rounded to the nearest minimum price increment) is derived by subtracting \$0.50 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. For securities with an Auction Reference Price of greater than \$1, the upper Auction Collar price (which is rounded to the nearest minimum price increment) is derived by adding \$1 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price. For securities with an Auction Reference Price of \$1 or less, the upper Auction Collar price (which is rounded to the nearest minimum price increment) is derived by adding \$0.50 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price. The proposed process for calculating the upper and lower Auction Collars is similar to the process used to calculate MWCB Auction Collars, where initial thresholds are applied on both sides of the Auction

²¹ Further, LULD bands are published only during regular trading hours 9:30am-4:00pm which prevents it from being considered as a reference price as halt auctions can occur at all eligible trading hours 4:00am -8:00pm.

²² The term “minimum price increment” means \$0.01 in the case of a System Security priced at \$1 or more per share, and \$0.0001 in the case of a System Security priced at less than \$1 per share. See Equity 1, Section 1(a)(13).

Reference Price.²³ In contrast, the initial price collar thresholds used for the LULD mechanism are determined by the direction of the trading that invoked the trading pause and the price of the LULD Band in place at the time the trading pause was triggered.²⁴ In this case, because there would not be a security-specific pricing direction reason for the halt, the Exchange believes that it is appropriate to apply the initial thresholds on both sides of the Auction Reference Price, as is currently done in the case of a MWCB halt. While the specific price collar thresholds used for the LULD and MWCB mechanisms are 5% of the Auction Reference Price, the proposed rule change would provide price collar thresholds of 10% (and 20% in the event a security enters a third period, as described below) of the Auction Reference Price. These price collar thresholds are appropriate as they balance the need for price protections with the desire to promote efficient price discovery and minimize the length of the interruption from a trading halt. The Exchange believes it is appropriate to set the price collar thresholds at a higher percentage as compared to the price collar thresholds used for the LULD and MWCB mechanisms because halts under the proposal are more likely to have a significant price impact, warranting wider collars to allow for price discovery to happen quicker.²⁵ While the LULD and MWCB mechanisms provide a price collar threshold of \$0.15 for

²³ See Rule 4121(d)(1)(B).

²⁴ See Rule 4120(c)(10)(A)(ii). In the LULD context, the initial price collar thresholds are asymmetrically updated because direction of the order imbalance (buyer/seller imbalances) are known at the time of the pause. In the halt cross context, the direction of the order imbalance (buyer/seller imbalances) is not known at the time of the halt. Accordingly, the initial price collar thresholds need to be applied symmetrically before arriving at the price at which the security will trade.

²⁵ For example, a news driven halt related to a drug announcement may warrant a significant price movement in a short period of time and a wider collar would allow the stock to reopen in a reasonable period.

securities with an Auction Reference Price of \$3 or less,²⁶ the Exchange proposes to include minimum threshold amounts for calculating the price collars (i.e., \$0.50 for securities with an Auction Reference Price of \$1 or less and \$1 for securities with an Auction Reference Price of greater than \$1) to ensure that the Auction Collars for lower-priced securities are wide enough to allow for reopening and effective price discovery. This approach is reasonable because lower priced stocks can have significant price movement which warrants a greater minimum threshold in order to allow for efficient price discovery and a more timely reopening.

Proposed Rule 4120(c)(7)(B) describes what would happen at the end of the Initial Display Only Period, the circumstances when the Exchange would extend the Display Only Period, and how the Exchange would adjust the Auction Collars for an extension. At the conclusion of the Initial Display Only Period, the security would be released for trading unless, at the end of an Initial Display Only Period, Nasdaq detects an order imbalance²⁷ in the security. In that case, Nasdaq would extend the Display Only Period for an additional 5-minute period (“Extended Display Only Period”), and the Auction Collar prices would be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 10% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference price of \$1 or less. The new upper Auction Collar price is derived by

²⁶ See Rule 4120(c)(10)(A)(ii); Rule 4121(d)(1)(B).

²⁷ The definition of an order imbalance is described below and included in proposed Rule 4120(c)(7)(E).

adding \$1 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less. The proposed process for initiating extensions is similar to the process currently used for extending trading pauses or halts under LULD²⁸ and MWCB,²⁹ with a couple differences. First, the proposed minimum thresholds and percentages used to calculate the Auction Collars during the Extended Display Only Period are consistent with that of the Initial Display Only Period and continue to differ from the LULD and MWCB mechanisms in that regard, as discussed above. Second, the proposed process for calculating the upper and lower Auction Collars during the Extended Display Only Period is similar to the process used to calculate Auction Collars during the Initial Display Only Period, where thresholds are applied on both sides of the Auction Reference Price. In contrast, the price collar thresholds used for the LULD and MWCB mechanisms are applied only in the direction that caused extension of the Display Only Period.³⁰ In this case, the Exchange believes that it is appropriate to continue to apply the thresholds on both sides of the Auction Reference Price to accommodate price swings in either direction and to increase the likelihood of resolving order imbalances.

Proposed Rule 4120(c)(7)(C) explains what would happen at the end of the Extended Display Only Period. At the conclusion of the Extended Display Only Period,

²⁸ See Rule 4120(c)(10)(B).

²⁹ See Rule 4121(d)(2).

³⁰ See Rule 4120(c)(10)(B); Rule 4121(d)(2).

the security would be released for trading unless, at the end of the Extended Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq would further extend the Display Only Period for an additional 5-minute period (“Third Period”), and the Auction Collar prices would be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction_Collar price for securities with an Auction Reference price of \$1 or less. The new upper Auction Collar price is derived by adding \$1 or 20% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less. Nasdaq would release the security for trading at the first point³¹ there is no order imbalance.³² The Exchange believes it is appropriate to widen the collars by 20% instead of 10% to the extent a security has not reopened after the Extended Display Only Period because the order imbalance may be indicative that a

³¹ The “first point” there is no order imbalance would occur after the next NOII message dissemination.

³² Unlike the Initial Display Only Period and the Extended Display Only Period, the security could be released for trading prior to the end of the Third Period. For example, assume ABC security enters a regulatory halt at 1:30 pm. The last sale / reference price is \$100. The auction collars are \$90 and \$110. At 1:35 pm, the calculated price at which the security would be released for trading is \$122. The display only period is extended until 1:40. The new auction collars are \$80 and \$120. At 1:40 pm, the calculated price at which the security would be release for trading is still \$122. The Third Period commences at 1:40 pm. The new auction collars are \$60 and \$140. At 1:40:01 pm, the system detects that there is no longer an Order Imbalance so the Halt Cross commences and the security is released for trading.

significant price movement in the security is warranted based on the news announcement (or otherwise). If the security has not been released for trading by the conclusion of the Third Period, Nasdaq will continue to adjust the Auction Collar prices every five minutes in the manner described in this Rule 4120(c)(7)(C) until the security is released for trading. Other than the change in the percentage by which the Exchange will widen the collars, the process in proposed Rule 4120(c)(7)(C) is consistent with that of the LULD and MWCB mechanisms.³³

Proposed Rule 4120(c)(7)(D) explains that, notwithstanding Rule 4120(c)(7)(A) – (C), a trading halt that exists at or after 3:50 p.m.³⁴ in a stock shall reopen via a Hybrid Closing Cross pursuant to Rule 4754(b)(7). As described in more detail below, the Hybrid Closing Cross would provide an alternative process for executing closing trades on the Exchange. Proposed Rule 4120(c)(7)(D) is consistent with the LULD mechanism, where a stock reopens via a LULD Closing Cross where a trading pause exists at or after 3:50 p.m.³⁵

Proposed Rule 4120(c)(7)(E) explains when an order imbalance exists. Specifically, it provides that, for purposes of Rule 4120(c)(7), upon completion of the cross calculation an order imbalance shall be established as follows: the calculated price at which the security would be released for trading is above (below) the upper (lower) Auction Collar price; or (ii) all market orders would not be executed in the cross. This is

³³ See Rule 4120(c)(10)(C); Rule 4121(d)(3).

³⁴ All times referenced in this filing are Eastern Time.

³⁵ See Rule 4120(c)(10)(D).

the same manner in which an order imbalance is established under the current reopening process for trading pauses and MWCB halts.³⁶

Proposed Rule 4120(c)(7)(F) provides that, if the Exchange is unable to reopen trading due to a systems or technology issue, it shall notify the securities information processor immediately. This is consistent with the Exchange's notification process for LULD.³⁷

In sum, the proposed changes to Rule 4120(c)(7) would establish a price protection mechanism for the halt cross process for securities halted under the provisions noted above.³⁸ The proposed price protection mechanism is similar to what is currently utilized for reopening stocks following a LULD trading pause or MWCB halt. Price collars would be built into the halt cross process and if the price falls outside of those collars after an initial 5-minute display only period, the collars would be widened by the same threshold amount as the initial collars and a subsequent 5-minute display only period would commence. If the price falls outside of those collars after the second 5-minute display only period, the collars would be widened by a wider amount and a subsequent, third period would commence. This process would continue until the price falls within the set thresholds, after which the auction would execute and the stock would reopen for trading. Customers would benefit from having the new price collar protections in place as it would ensure that executions received during the halt cross process are filled at prices that reflect the true market for the security. Allowing

³⁶ See Rule 4120(c)(10)(E); Rule 4121(d)(4).

³⁷ See Rule 4120(a)(12)(G).

³⁸ Supra note 13.

additional time for improved price discovery could increase market participation, improving liquidity and helping reduce price volatility.

Proposed Changes to Rule 4702 (Order Types)

The Exchange proposes to amend Rule 4702 by deleting references to the LULD Closing Cross from Rule 4702(b)(12) (Limit on Close (LOC) Orders) and Rule 4702(b)(17) (Extended Trading Close (ETC) Orders). The Exchange believes that the LULD Closing Cross³⁹ as well as the proposed Hybrid Closing Cross⁴⁰ should be included in the definition of the Nasdaq Closing Cross because the LULD Closing Cross and the Hybrid Closing Cross are alternative processes for executing closing trades on the Exchange and therefore do not need to be specifically referenced in the Rules where the Nasdaq Closing Cross is already referenced, thereby simplifying the rule language. For clarification, the Exchange also proposes to specify that the Nasdaq Closing Cross includes the LULD Closing Cross and Hybrid Closing Cross in the definition of the Nasdaq Closing Cross in Rule 4754(a)(6), as described below.

Proposed Changes to Rule 4753 (Nasdaq Halt Cross)

First, the Exchange proposes to clarify that Auction Reference Prices and Auction Collars are not included in the Order Imbalance Indicator, but instead are disseminated in a separate message. For purposes of LULD and MWCB, the Rules incorrectly state that the Auction Reference Prices and Auction Collars are included in the Order Imbalance

³⁹ The LULD Closing Cross is the Exchange's auction process for executing closing trades in Nasdaq-listed securities when a trading pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m. See Rule 4754(b)(6).

⁴⁰ As described below, the Exchange proposes to establish the Hybrid Closing Cross in Rule 4754(b)(7). The Hybrid Closing Cross would be the Exchange's auction process for executing closing trades in Nasdaq-listed securities when a trading halt pursuant to Rules 4120(a)(1), (4), (5), (6), (9), (10), (11), or (14) exists at or after 3:50 p.m. and before 4:00 p.m.

Indicator and the Exchange proposes to correct such inaccuracies by modifying Section (F) and (G) in Rule 4753(a)(3) accordingly.

The Exchange also proposes to add section (H) in Rule 4753(a)(3). This section (H) would provide that, for purposes of a trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14), the Exchange will disseminate a separate message with Auction Reference Prices and Auction Collars, as defined in Rule 4120(c)(7)(A).⁴¹ This is consistent with dissemination of Auction Reference Prices and Auction Collars for purposes of LULD pauses and MWCB halts.

Rule 4753(e) currently states that any IOC Order for a halted security that is entered prior to the Nasdaq Closing Cross and for which the halt remains in effect at the commencement of the Nasdaq Closing Cross, shall be cancelled immediately after the Nasdaq Closing Cross. With the introduction of the Hybrid Closing Cross, as described further below, if the quoting period has commenced at any time prior to 4 pm, IOC orders for halted securities would execute in the Hybrid Closing Cross. Similarly, IOC orders could also execute in the LULD Closing Cross. Therefore, the Exchange proposes to clarify, in Rule 4753(e), that any IOC Order for a halted security that is entered prior to the Nasdaq Closing Cross and for which the halt remains in effect at the commencement of the Nasdaq Closing Cross, *shall either execute in the Nasdaq Closing Cross or be cancelled immediately after the Nasdaq Closing Cross.*

Proposed Changes to Rule 4754 (Nasdaq Closing Cross)

⁴¹ Dissemination will take place on Nasdaq's proprietary feed, Nasdaq TotalView-ITCH. As is the case with MWCB halts and to be consistent with current Exchange processes, the Exchange will not send auction information to the SIP, including price collars and the number of extensions. While auction information for LULD pauses is disseminated to the SIP per plan requirements, the Exchange does not disseminate auction information to the SIP for other halts.

First, the Exchange proposes to amend the definition of “Nasdaq Closing Cross” in Rule 4754(a)(6). As noted above, the Exchange believes that the LULD Closing Cross and Hybrid Closing Cross should be included in the definition of Nasdaq Closing Cross because they are types of closing crosses. The Exchange therefore proposes to clarify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Rule 4754(a)(6). Such change would allow the Exchange to simplify its rule language and prevent the Exchange from needing to list the LULD Closing Cross and Hybrid Closing Cross where the Nasdaq Closing Cross is referenced in the Rules.

Second, the Exchange proposes to add “NOII” as an alternative defined term for “Order Imbalance Indicator” in Rule 4754(a)(7). NOII is currently referenced in the Rules and the Exchange proposes to add references to NOII in the proposed rule change; however, NOII is not currently defined in the Rules. The Exchange is not proposing to make any substantive changes to the meaning of NOII or Order Imbalance Indicator. Rather, the Exchange wishes to provide clarity regarding the definition of NOII.

Third, the Exchange proposes to add “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Rule 4754(a)(10). EOII is currently referenced in the Rules and the Exchange proposes to add references to EOII in the proposed rule change; however, EOII is not currently defined in the Rules. The Exchange is not proposing to make any substantive changes to the meaning of EOII or Early Order Imbalance Indicator. Rather, the Exchange wishes to provide clarity regarding the definition of EOII.

Fourth, the Exchange proposes to make two changes to Rule 4754(b)(6), which relates to the LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause. In

part, Rule 4754(b)(6)(F)(ii) sets forth Rules as to how the Exchange would handle LOC Orders entered between 3:55 p.m. and immediately prior to 3:58 p.m. The Exchange wishes to make a clarifying change to specify that the relevant timeframe is after the NOII immediately following 3:55 p.m. and immediately prior to 3:58 p.m. In other words, instead of stating “between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET,” the Exchange proposes to state, “after the NOII immediately following 3:55 p.m. ET and immediately prior to 3:58 p.m. ET” to ensure the Rule is precise. In addition, the Exchange wishes to modify in Rule 4754(b)(6)(G) that orders participating in the LULD Closing Cross shall be executed in price/display/time priority rather than just price/time priority as the current rule language states. This modification would be consistent with how the Exchange generally assigns priority with the execution of Displayed Orders and interest before Non-Displayed Orders. Specifically, Rule 4754(b)(3)(B) prescribes that, in the Closing Cross, the Exchange prioritizes as a group the execution of Displayed Orders and interest, with price as the primary priority, and then within each price level, with time as the secondary priority.⁴² Accordingly, the Exchange proposes to update the rule to reflect this current behavior, whereby displayed orders are executed ahead of hidden orders. Such change would provide more specificity in the Rule for accuracy.

Lastly, in proposed Rule 4754(b)(7), the Exchange proposes to adopt a modified closing cross (defined as the “Hybrid Closing Cross”) that the Exchange would conduct for Nasdaq-listed securities when a trading halt pursuant to Rule 4120(a)(1), (4), (5), (6),

⁴² See Rule 4754(b)(3)(B); see also Securities Exchange Act Release No. 34-97973 (July 25, 2023), 88 FR 49522 (July 31, 2023) (Notice of Filing and Immediate Effectiveness of File No. SR-NASDAQ-2023-024 to Amend Equity 4, Rules 4752, 4753, and 4754).

(9), (10), (11) or (14) exists at or after 3:50 p.m. and before 4:00 p.m.⁴³ Today, the Exchange has not needed to handle a halt reopening auction at or after 3:50pm and before 4:00 p.m. due to the current policy of MarketWatch not scheduling any reopening of a security past 3:30pm. The Exchange in practice does not want to negatively impact the price discovery process because of the possibility of a conflict between a halt cross reopening and the official closing cross in the closing minutes of the trading day. Under the Exchange's halt cross protection proposal, however, and its advent of collars and extensions, it is possible for a stock to be scheduled for reopening well ahead of the 4:00p.m. close and have its quoting period extended multiple times past 3:50p.m. due to its reference price falling outside of the established collars. As such, our proposed Hybrid Closing Cross process eliminates the possibility of a conflicting cross and allows the Exchange to ensure that it can establish an efficient price discovery process for the closing price upon the market close at 4pm. The Hybrid Closing Cross provides an alternative process for executing closing trades on Nasdaq for when certain trading halts⁴⁴ exist at or after 3:50 p.m. and before 4:00 p.m. (if the Display Only Period has begun for a halted security). The Exchange believes that the price protections for the LULD Closing Cross have been effective at facilitating price discovery and ensuring that the closing price of a security is reasonably based on current market conditions in the security, and therefore proposes to adopt similar price protections for its Hybrid Closing Cross.

⁴³ In contrast, today, such halts would typically not be scheduled to resume trading during such period, avoiding interference with the closing cross.

⁴⁴ See supra note 13.

Under the proposal, a halted security would only be eligible to resume trading via the Hybrid Closing Cross after the Display Only Period begins.⁴⁵ The Exchange proposes to define “Auction Reference Price”, “Eligible Interest”, and “Imbalance” in Rule 4754(b)(7)(A) for purposes of Rule 4754(b)(7). “Auction Reference Price” would have the same meaning as defined in Rule 4120(c)(7)(A), discussed above. “Eligible Interest” would have the same meaning as “Close Eligible Interest” in Rule 4754(a),⁴⁶ with the addition of any new orders with an eligible underlying Order Type and Attribute, entered during the trading halt. “Imbalance” would mean the number of shares of buy or sell Market on Close (“MOC”),⁴⁷ LOC Orders, or Eligible Interest that cannot be matched with other MOC, LOC, or Imbalance Only (“IO”) Order shares or Eligible Interest at a particular price at any given time. These proposed definitions are consistent with the definitions of Eligible Interest and Imbalance used for purposes of the LULD Closing Cross.⁴⁸

In proposed Rule 4754(b)(7)(B), the Exchange proposes to specify the timing of the Hybrid Closing Cross and After Hours Trading, as well as what happens if there is insufficient trading in the System to execute a Hybrid Closing Cross. For trading halts existing at or after 3:50 and before 4:00 p.m., the Hybrid Closing Cross would occur at

⁴⁵ A halted stock that has not entered the Display Only Period at or after 3:50 and before 4:00 p.m. would not participate in the Hybrid Closing Cross and would remain halted.

⁴⁶ “Close Eligible Interest” means 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. The System will delay processing any full cancellation request for Close Eligible Interest made during the Nasdaq Closing Cross until such time as the Nasdaq Closing Cross concludes, except for securities in a halt or pause. During a halt or pause, the System will process any full or partial cancellation request for Close Eligible Interest made for such halted or paused security during the Nasdaq Closing Cross. See Rule 4754(a)(1).

⁴⁷ A “Market On Close Order” or “MOC Order” is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. See Rule 4702(b)(11).

⁴⁸ See Rule 4754(b)(6)(A).

4:00 p.m. After Hours Trading would commence after the Hybrid Closing Cross executes. If there is insufficient trading interest in the Nasdaq system to execute a Hybrid Closing Cross, Nasdaq would not conduct a cross in that security and would instead use the last sale on Nasdaq as the NOCP in that security for that trading day. After Hours Trading would commence after Nasdaq publishes the NOCP. Such procedures are consistent with that of the LULD Closing Cross.⁴⁹

Proposed Rule 4754(b)(7)(C) provides information about dissemination of the EOII⁵⁰ and NOII⁵¹ and about the price at which the Hybrid Closing Cross would execute. Specifically, Nasdaq proposes to continue disseminating the EOII and the NOII pursuant to Rule 4754(b)(1) until After Hours Trading begins. The Near Clearing Price⁵² and Reference Prices contained in the EOII and the NOII, as applicable, would represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, bounded by the Threshold Prices (defined below), and the Far Clearing Price⁵³ would represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, if it were not bounded by the Threshold Prices (defined below). Such procedures are similar to that of the LULD Closing Cross.⁵⁴

Proposed Rule 4754(b)(7)(D) would specify that the Hybrid Closing Cross would occur at the price within the threshold prices established pursuant to Rule 4754(b)(7)(E) (“Threshold Prices”) that maximizes the number of shares of Eligible Interest, MOC,

⁴⁹ See Rule 4754(b)(6)(B).

⁵⁰ See Rule 4754(a)(10).

⁵¹ See Rule 4754(a)(7).

⁵² See Rule 4754(a)(7)(E)(ii).

⁵³ See Rule 4754(a)(7)(E)(i).

⁵⁴ See Rule 4754(b)(6)(C).

LOC, and IO⁵⁵ Orders in the Nasdaq Market Center to be executed. If more than one price exists, the Hybrid Closing Cross would occur at the price within the Threshold Prices that minimizes any Imbalance. If more than one price still exists, the Hybrid Closing Cross would occur at the entered price⁵⁶ within the Threshold Prices at which shares will remain unexecuted in the cross. If there is no price within the Threshold Prices that satisfies the above conditions, then the Hybrid Closing Cross would occur at: (a) if an Imbalance exists, a price equal to the upper (lower) Threshold Price for a buy (sell) Imbalance; or (b) if no Imbalance exists, a price equal to the Auction Reference Price. The proposed tiebreakers in Rule 4754(b)(7)(D) are consistent with the tiebreakers used for determining the LULD Closing Cross price with one exception.⁵⁷ Specifically, if there is no price within the Threshold Prices that satisfies the conditions mentioned above and no Imbalance exists, the Hybrid Closing Cross would occur at a price equal to the Auction Reference Price⁵⁸ whereas the LULD Closing Cross occurs at a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause.⁵⁹ Such difference reflects the need for a price that is unrelated to the LULD mechanism in the case of the Hybrid Closing Cross given there would not be a security-specific pricing direction reason for the halt (or LULD Bands).

⁵⁵ An “Imbalance Only Order” or “IO Order” is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. See Rule 4702(b)(13).

⁵⁶ The “entered price” refers to the price of the cross eligible order interest at which shares would remain unexecuted in the Hybrid Closing Cross.

⁵⁷ See Rule 4754(b)(6)(D).

⁵⁸ See Rule 4754(b)(7)(A)(i).

⁵⁹ See Rule 4754(b)(6)(D)(iv)(b).

The Exchange proposes to introduce price protections to the Hybrid Closing Cross that are similar to the protections used today for the LULD Closing Cross and will ensure that the Hybrid Closing Cross price is reasonably related to current market conditions. Proposed Rule 4754(b)(7)(E) would describe the Threshold Prices within which the Hybrid Closing Cross price must fall. The upper (lower) Threshold Price would be established by adding (subtracting) \$1 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to 4120(c)(7)(A)(ii) for securities with an Auction Reference Price of greater than \$1. The upper (lower) Threshold Price would be established by adding (subtracting) \$0.50 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to 4120(c)(7)(A)(ii) for securities with an Auction Reference price of \$1 or less. Nasdaq management would set and modify the thresholds from time to time upon prior notice to market participants. This is similar to the discretion provided to Nasdaq management in connection with the opening cross, closing cross, and LULD Closing Cross, where Nasdaq management has discretion to set and modify thresholds used in determining the Benchmark Prices.⁶⁰ Although the proposed price protections are similar in nature to those used for the LULD Closing Cross, the process for calculating the Benchmark Prices for the LULD Closing Cross is distinct because it involves widening the Auction Collar (or Band) on only one side,⁶¹ while the proposed process would widen the Auction Reference Price on both sides for

⁶⁰ See Rule 4752(d)(2)(E)(Opening Cross); Rule 4754(b)(2)(E)(Closing Cross); Rule 4754(b)(6)(E)(LULD Closing Cross).

⁶¹ Rule 4754(b)(6)(E)(LULD Closing Cross).

the Hybrid Closing Cross. In this case, because there would not be a security-specific pricing direction reason for the halt, the Exchange believes that it is appropriate to apply the thresholds on both sides of the Auction Reference Price.

Proposed Rule 4754(b)(7)(F) sets forth the orders that would be eligible to participate in the Hybrid Closing Cross, including all orders entered into the system and placed on the continuous book prior to the trading halt. Such orders may be modified or cancelled up until the time of the Hybrid Closing Cross. During the halt and prior to 4:00 pm, new orders may be entered, modified, and cancelled and may participate in the Hybrid Closing Cross. MOC, LOC and IO Orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13).⁶² If the security entered a trading halt prior and up to 3:50 p.m., the System would not accept late LOC Orders.⁶³ For purposes of Hybrid Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the initial Auction Reference Price. Such rules are consistent with the LULD mechanism,⁶⁴ except that the proposed rules do not include certain inapplicable language from the LULD Closing Cross processes.⁶⁵

⁶² Though other order types are also applicable, the Exchange calls out MOC, LOC and IO Orders to make it clear that, for these order types, there may be exceptions to the general rule that “During the halt and prior to 4:00 pm, new orders may be entered, modified, and cancelled and may participate in the Hybrid Closing Cross.” As such, the Exchange proposes to make it clear that Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13) prevail.

⁶³ The System would not accept late LOC orders in this scenario because if a security entered a trading halt prior and up to 3:50 p.m. ET, there would be no relevant reference prices, upon which such orders depend.

⁶⁴ See Rule 4754(b)(6)(F).

⁶⁵ Trading halts subject to the Hybrid Closing Cross would not be entered between 3:50 and 4 pm and therefore certain procedures included in the LULD Closing Cross Rules are inapplicable to the Hybrid Closing Cross. See, e.g., Rule 4754(b)(6)(F)(ii)(b) – (c).

Proposed Rule 4754(b)(7)(G) provides that orders participating in the Hybrid Closing Cross would be executed in price/display/time priority order and for purposes of determining priority, eligible IO orders would be priced to the closing price and executed in time priority with other orders at that price. This clarification would be consistent with how the Exchange generally assigns priority with the execution of Displayed Orders and interest before Non-Displayed Orders. In addition, Proposed Rule 4754(b)(7)(G) provides that any order not executed in the Hybrid Closing Cross would be processed according to the entering firm's instructions. This is consistent with how orders execute in the LULD Closing Cross.⁶⁶

Finally, the Exchange would renumber current Rule 4754(b)(7) as Rule 4754(b)(8) and update a related reference in such Rule.

Proposed Changes to Rule 4755 (Extended Trading Close)

Similar to the revisions made to Rule 4702 (Order Types), the Exchange proposes to delete references to the LULD Closing Cross from Rule 4755 because the Exchange proposes to include the LULD Closing Cross and the Hybrid Closing Cross in the definition of the Nasdaq Closing Cross, thereby making the specific references to the LULD Closing Cross in Rule 4755 unnecessary.

Implementation

The Exchange will issue an Equities Trader Alert not less than 7 days prior to implementing the proposed changes.

On February 22, 2022, the Exchange submitted a proposal to amend its Rules related to halts (“Halts Proposal”) for the purpose of implementing UTP Plan

⁶⁶ See Rule 4754(b)(6)(G).

amendments and establishing common criteria and procedures for halting and resuming trading in equity securities in the event of regulatory or operational issues.⁶⁷ The Halts Proposal was approved on June 8, 2022.⁶⁸ The Exchange intends to implement the Halts Proposal in conjunction with other SROs. Because the Exchange continues to await an industry-wide implementation and wishes to implement the proposed enhancements to its halt cross process in the meantime, the Exchange intends to file a proposed rule change in the future in order to incorporate the changes herein with those changes in the Halts Proposal. As such, the proposed rule changes described herein reflect changes to the Exchange's currently operative rule language.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁶⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷⁰ 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 Exchange believes that the proposed rule change is consistent with the Act because it would amend the halt auction process following certain trading halts⁷¹ to be more closely aligned with the process currently implemented for halt auctions following a trading pause under the LULD Plan and the process for halt auctions following a MWCB

⁶⁷ See Securities Exchange Act Release No. 94370 (March 7, 2022), 87 FR 14071 (March 11, 2022). Nasdaq filed an amendment to the proposal on April 29, 2022. See Securities Exchange Act Release No. 94838 (May 3, 2022), 87 FR 27683 (May 9, 2022).

⁶⁸ See Securities Exchange Act Release No. 95069 (June 8, 2022), 87 FR 36018 (June 14, 2022).

⁶⁹ 15 U.S.C. 78f(b).

⁷⁰ 15 U.S.C. 78f(b)(5).

⁷¹ See supra note 13.

halt. The current reopening process following a trading pause and following a MWCB halt have been generally successful in facilitating a fair and orderly process for reopening securities. The Exchange has therefore decided to propose a similar process for halt auctions following other types of halts, as specified above. The Exchange believes that its proposal would benefit investors by facilitating price discovery and promoting more consistency in how the Exchange conducts the reopening process following trading halts and pauses. While auctions cannot prevent price volatility, auctions should facilitate ongoing trading and afford market participants with ample time to participate in the auction price discovery process. Accordingly, this proposal balances transparency and timeliness to ensure efficient price discovery. Furthermore, because there are no price protection mechanisms specific to the halt cross process today, the Exchange believes that there is little risk⁷² in adopting the proposal.

While the proposed reopening process would largely follow the reopening process in place today for trading pauses under the LULD Plan and/or MWCB halts, there would be several differences. These differences are primarily designed to ensure that suitable Auction Collars are utilized for the reopening process. The Exchange proposes to use the Nasdaq last sale price (or if none, the NOCP) as the Auction Reference Price, similar to the Auction Reference Price under a MWCB halt.⁷³ However, the Exchange also proposes to provide MarketWatch authority to set an Auction Reference Price in rare situations where there is no Nasdaq last sale price or NOCP.⁷⁴ In addition, the Exchange believes that it is appropriate to calculate both upper and lower Auction Collars that are a

⁷² There is a risk of a delayed reopening if the price of the halted security is fluctuating.

⁷³ Supra note 16.

⁷⁴ Supra note 18.

specified percentage or dollar amount from the reference price because the halts covered in the proposal do not involve security specific buy or sell pressure. With extensions, the Exchange also believes that it is appropriate to widen the collars on both sides to accommodate price swings in either direction and to increase the likelihood of resolving order imbalances. The proposal would utilize price collar thresholds of 10% (and 20% after the first two display only periods) of the Auction Reference Price, as compared to price collar thresholds of 5% of the Auction Reference Price used for the LULD and MWCB mechanisms, to ensure that the parameters are appropriately set to ensure securities are priced within a reasonable range of their halted price but are also not so restrictive as to prevent effective price discovery. These price collar thresholds are appropriate as they balance the need for price protections with the desire to promote efficient price discovery and minimize the length of the interruption from a trading halt. Finally, the Exchange proposes to include minimum threshold amounts for calculating the price collars (i.e., \$0.50 for securities with an Auction Reference Price of \$1 or less and \$1 for securities with an Auction Reference Price of greater than \$1) to ensure that the Auction Collars for lower-priced securities are wide enough to allow for reopening and effective price discovery. This approach is reasonable because lower priced stocks can have significant price movement which warrants a greater minimum threshold in order to allow for efficient price discovery and a more timely reopening.

Otherwise, the proposed reopening process is consistent with the current LULD and/or MWCB reopening process. Similar to the current LULD and MWCB reopening process, the Exchange also believes that the proposed process is consistent with the protection of investors and the public interest because they are designed to facilitate price

discovery by ensuring that all market order interest could be satisfied in the auction process. Furthermore, the Exchange believes that the standardized procedures to extend halt auctions an additional five minutes are appropriate because this would provide additional time to attract offsetting liquidity. If at the end of such extension, market orders still cannot be satisfied within the applicable collars, or if the reopening price would be outside of the applicable collars, the Exchange would extend the halt auction process an additional five minutes. The Exchange believes that extending the auction in these circumstances would protect investors and the public interest by reducing the potential for significant price disparity in post-auction trading.

The Exchange also believes that its proposal to establish a Hybrid Closing Cross and implement price protections for the Hybrid Closing Cross that are similar to the protections used today for the LULD Closing Cross would promote just and equitable principles of trade. For purposes of the LULD Closing Cross, the Exchange currently calculates and applies a price threshold to a benchmark value that, when applied to an individual security, determines the price threshold range within which the security must execute in the LULD Closing Cross. The Exchange believes that this mechanism has been effective in facilitating a fair and orderly price discovery process at the close and ensuring that the cross price derived does not exceed a price reasonably tied to the prevailing market at the time. The Exchange has therefore determined to adopt a Hybrid Closing Cross and apply similar protections to such Hybrid Closing Cross. The Exchange believes that its proposal would facilitate a fair and orderly close. Additionally, the Exchange believes that the proposed rule change would benefit investors by harmonizing the Exchange's LULD and Hybrid Closing Cross processes,

thereby promoting a more consistent experience for members and investors and reducing any potential confusion regarding Nasdaq's closing processes.

While the proposed price protections for the Hybrid Closing Cross will largely follow the current implementation of the protections in place today for the LULD Closing Cross, there are certain differences. The differences are designed to account for inherent differences between LULD pauses and other trading halts and ensure that the proposed price protections are reasonably based on market conditions. One of the proposed tiebreakers in Rule 4754(b)(7)(D) references the Auction Reference Price whereas the LULD Closing Cross rule instead refers to a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause. Such difference reflects the need for a price that is unrelated to the LULD mechanism in the case of the Hybrid Closing Cross given there would not be a security-specific pricing direction reason for the halt (or LULD Bands). Similarly, the process for calculating the Benchmark Prices for the LULD Closing Cross is distinct because it involves widening the Auction Collar (or Band) on only one side, while the proposed process would widen the Auction Reference Price on both sides for the Hybrid Closing Cross. In this case, because there would not be a security-specific pricing direction reason for the halt, the Exchange believes that it is appropriate to apply the thresholds on both sides of the Auction Reference Price. Finally, certain language from the LULD Closing Cross is omitted where it is inapplicable to the Hybrid Closing Cross.⁷⁵

Finally, the Exchange also believes it is appropriate to make clarifying changes in Equity 4 to remove references to the LULD Closing Cross in Rule 4702 and Rule 4755,

⁷⁵ See supra note 65.

clarify how Auction Reference Prices and Auction Collars are disseminated in Rule 4753(a)(3), add an exception regarding cancellation of IOC Orders for halted securities in Rule 4753(e), specify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Rule 4754(a)(6), add “NOII” as an alternative defined term for “Order Imbalance Indicator” in Rule 4754(a)(7), add “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Rule 4754(a)(10), amend language related to handling of late LOC Orders in Rule 4754(b)(6), and modify the priority for orders participating in the LULD Closing Cross in Rule 4754(b)(6). The proposed changes would increase clarity and transparency in the Rules, consistent with the public interest and the protection of investors.

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 Exchange believes that the proposed rule change is not designed to address any competitive issues, but rather, is designed to provide a measured and transparent process for reopening Nasdaq listed securities after certain trading halts. The proposed rule change is similar to the current reopening process following a trading pause initiated under the LULD Plan, the process following a MWCB halt, and processes implemented on other exchanges for non-LULD regulatory halts. In addition, the proposed rule change is also designed to establish a Hybrid Closing Cross that aligns with the Exchange’s LULD Closing Cross to provide for a transparent auction process for executing member interest at the close and promote a more consistent experience for members and investors.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NASDAQ-2024-065 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-NASDAQ-2024-065. This file number should be included on the subject line if email 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 website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NASDAQ-2024-065 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷⁶

Sherry R. Haywood,

Assistant Secretary.

⁷⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

THE NASDAQ STOCK MARKET LLC RULES

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Equity Rules

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Equity 4: Equity Trading Rules

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4120. Limit Up-Limit Down Plan and Trading Halts

(a) – (b) No change.

(c) Procedure for Initiating and Terminating a Trading Halt

(1) – (6)

(7) A trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14) shall be terminated when Nasdaq releases the security for trading. For any such security listed on Nasdaq, prior to terminating the halt, there will be a 5-minute “Initial Display Only Period” during which market participants may enter quotations and orders in that security in Nasdaq systems.

(A) Nasdaq will:

(i) establish the “Auction Reference Price”, which shall mean:

(a) the Nasdaq last sale price (either round or odd lot); and

(b) if there is no Nasdaq last sale price, the prior trading day’s Nasdaq Official Closing Price (“NOCP”).

In the event there is no Nasdaq last sale price or NOCP, Nasdaq’s MarketWatch Department retains discretion to set the Auction Reference Price.

(ii) determine the upper and lower “Auction Collar” prices, which are determined by:

For securities with an Auction Reference Price of greater than \$1, the lower Auction Collar price (rounded to the nearest minimum price increment) is derived by subtracting \$1 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. For securities with an Auction Reference Price of \$1 or less, the lower Auction Collar price (rounded to the nearest minimum price increment) is derived by subtracting \$0.50 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. For securities with an Auction Reference Price of greater than \$1, the upper Auction Collar price (rounded to the nearest minimum price increment) is derived by adding \$1 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price. For securities with an Auction Reference Price of \$1 or less, the upper Auction Collar price (rounded to the nearest minimum price increment) is derived by adding \$0.50 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price.

(B) At the conclusion of the Initial Display Only Period, the security will be released for trading unless, at the end of an Initial Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will extend the Display Only Period for an additional 5-minute period (“Extended Display Only Period”), and the Auction Collar prices will be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 10% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference price of \$1 or less. The new upper Auction Collar price is derived by adding \$1 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less.

(C) At the conclusion of the Extended Display Only Period, the security will be released for trading unless, at the end of the Extended Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will further extend the Display Only Period for an additional 5-minute period (“Third Period”), and the Auction Collar prices will be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference price of \$1 or less. The new upper Auction Collar price is derived by adding \$1 or 20% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the

initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less.

Nasdaq shall release the security for trading at the first point there is no order imbalance. If the security has not been released for trading by the conclusion of the Third Period, Nasdaq will continue to adjust the Auction Collar prices every five minutes in the manner described in this section (C) until the security is released for trading.

(D) Notwithstanding paragraphs (A) – (C) above, a trading halt that exists at or after 3:50 p.m. in a stock shall re-open via a Hybrid Closing Cross pursuant to Rule 4754(b)(7).

(E) For purposes of Rule 4120(c)(7), upon completion of the cross calculation an order imbalance shall be established as follows:

(i) the calculated price at which the security would be released for trading is above (below) the upper (lower) Auction Collar price calculated under paragraphs (A), (B), or (C) above; or

(ii) all market orders would not be executed in the cross.

(F) If the Exchange is unable to reopen trading due to a systems or technology issue, it shall notify the securities information processor immediately.

[A] A trading halt or pause initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14) shall be terminated when Nasdaq releases the security for trading. For any such security listed on Nasdaq, prior to terminating the halt or pause, there will be a 5-minute Display Only Period during which market participants may enter quotations and orders in that security in Nasdaq systems. In addition, in instances where a trading halt is in effect prior to the commencement of the Display Only Period, market participants may enter orders in a security that is the subject of the trading halt on Nasdaq. Such orders will be accepted and entered into the system.

(B) At the conclusion of the 5-minute Display Only Period, the security will be released for trading unless, at the end of a Display Only Period or during the subsequent process to release the security for trading, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will extend the Display Only Period for an additional 1-minute period. At the conclusion of the Display Only Period, trading shall immediately resume pursuant to Rule 4753.

(C) For purposes of Rule 4120(c)(7), an order imbalance shall be established as follows:

(1) When (i) the last available Current Reference Price, as defined in Rule 4753(a)(2)(A), disseminated immediately prior to the end of the Display

Only Period and any of the three preceding Current Reference Prices differ by more than the greater of 5 percent or 50 cents, or (ii) all market orders will not be executed in the cross; or

(2) If, upon completion of the cross calculation, (i) the calculated price at which the security would be released for trading and any of the three preceding Current Reference Prices disseminated immediately prior to the initiation of the cross calculation differ by more than the greater of 5 percent or 50 cents, or (ii) all market orders would not be executed in the cross.]

(8) – (10) No changes.

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4702. Order Types

(a) No change.

(b) Except where stated otherwise, the following Order Types are available to all Participants:

(1) – (11) No change.

(12) (A) A "**Limit On Close Order**" or "**LOC Order**" is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross [or the LULD Closing Cross](except as provided herein), and only if the price determined by the Nasdaq Closing Cross [or the LULD Closing Cross](except as provided herein) is equal to or better than the price at which the LOC Order was entered. Subject to the qualifications provided below, LOC Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to 3:50 p.m. ET. Between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET, LOC Orders may be entered but can only be cancelled and/or modified if the Participant requests that Nasdaq correct a legitimate error in the Order (e.g., Side, Size, Symbol, or Price, or duplication of an Order). Between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET, an LOC Order may be entered provided that there is a First Reference Price or a Second Reference Price. Between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET, an LOC Order can only be cancelled and/or modified if the Participant requests that Nasdaq correct a legitimate error in the Order (e.g., Side, Size, Symbol, or Price, or duplication of an Order). LOC Orders cannot be cancelled or modified at or after 3:58 p.m.

An LOC Order entered between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET will be accepted at its limit price, unless its limit price is higher (lower) than the higher (lower) of the First Reference Price and the Second Reference Price for an LOC Order to buy (sell), in which case the LOC Order will be handled consistent with the Participant's instruction that the LOC Order is to be: (1) rejected; or (2) re-

priced to the higher (lower) of the First Reference Price and the Second Reference Price, provided that if either the First Reference Price or the Second Reference Price is not at a permissible minimum increment, the First Reference Price or the Second Reference Price, as applicable, will be rounded (i) to the nearest permitted minimum increment (with midpoint prices being rounded up) if there is no imbalance, (ii) up if there is a buy imbalance, or (iii) down if there is a sell imbalance. The default configuration for Participants that do not specify otherwise will be to have such LOC Orders re-priced rather than rejected.

If an LOC Order for a Nasdaq-listed security entered through RASH or FIX does not execute in full during the Nasdaq Closing Cross[or the LULD Closing Cross], as applicable, the Order will participate in the Extended Trading Close (“ETC Eligible LOC Order”) if the Nasdaq Official Closing Price, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross], is at or within the limit price of the Order. Alternatively, a Participant may opt to disable an LOC Order from participating in the Extended Trading Close, in which case, the System will cancel back to the Participant any shares of its LOC Order that remain unexecuted after the Closing Cross occurs. An ETC Eligible LOC Order may only execute against other ETC Eligible LOC Orders and ETC Orders. If an ETC Eligible LOC Order has not been executed fully at the conclusion of the Extended Trading Close, then any unexecuted portion of the Order will be canceled. At any time during the Extended Trading Close, any unexecuted portion of an ETC Eligible LOC Order may be canceled or modified by the Participant.

(B) The following Order Attributes may be assigned to a Limit On Close Order:

- Price.
- Size.
- Time-in-Force. In general, an LOC Order may execute only in the Nasdaq Closing Cross[or LULD Closing Cross] and, depending upon a Participant’s choice, in the Extended Trading Close, to the extent that it is an ETC Eligible LOC Order. A Participant may designate the Time-in-Force for an LOC Order either by designating a Time-in-Force of "On Close," in which case the Order will execute solely in the Nasdaq Closing Cross[or the LULD Closing Cross] (and/or in the Extended Trading Close if it is an ETC Eligible LOC Order entered through RASH or FIX, and provided that the Participant has not opted to disable ETC eligibility for the Order), or by entering another Order Type and Time-in-Force and flagging the Order to participate in the Nasdaq Closing Cross[or the LULD Closing Cross], or the Extended Trading Close.

In the latter case, if the Participant designates a Time-in-Force of IOC, the Order will participate solely in the Nasdaq Closing Cross[or the LULD Closing Cross] (except as provided herein) (and/or in the Extended Trading Close if it is an ETC Eligible LOC Order entered through RASH or FIX, and provided that the

Participant has not opted to disable ETC eligibility for the Order). A Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not be flagged to solely participate in the Nasdaq Closing Cross[, the LULD Closing Cross].

If the Participant enters a Time-in-Force that continues after the time of the Nasdaq Closing Cross[or the LULD Closing Cross], the Order will participate in the Nasdaq Closing Cross [or the LULD Closing Cross]like an LOC Order, while operating thereafter in accordance with its designated Order Type and Order Attributes (if not executed in full in the Nasdaq Closing Cross[or the LULD Closing Cross]). Such an Order may be referred to as a “Closing Cross/Extended Hours Order.” Closing Cross/Extended Hours Orders will bypass the Extended Trading Close.

A Post-Only Order, Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not operate as a Closing Cross/Extend Hours Order. A Closing Cross/Extended Hours Order will be rejected if it has been assigned a Pegging Attribute. A Closing Cross/Extended Hours Order entered through OUCH, FLITE, RASH, or FIX with a Time-in-Force other than IOC after the time of the Nasdaq Closing Cross will be accepted but the Nasdaq Closing Cross flag will be ignored. All other LOC Orders and Closing Cross/Extended Hours Orders entered at or after 3:58 p.m. ET will be rejected.

- Participation in the Nasdaq Closing Cross is required for this Order Type.

(13) – (16) No change.

(17) (A) An “Extended Trading Close” Order or “ETC Order” is an Order Type applicable to Nasdaq-listed securities that may be executed only during the Extended Trading Close and only at the Nasdaq Official Closing Price, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross]. The System will not accept an ETC Order entered on any day when insufficient interest exists in the System to conduct a Closing Cross for that security or when the Exchange invokes contingency procedures due to a disruption that prevents execution of the Closing Cross. An ETC Order may only execute against other ETC Orders and ETC Eligible LOC Orders. ETC Orders may be entered, cancelled and/or modified between the time when the Extended Trading Close commences and ends. The System will reject an ETC Order that is submitted prior to the commencement of the Extended Trading Close. If an ETC Order has not been fully executed at the conclusion of the Extended Trading Close, then any unexecuted portion of the Order will be canceled.

(B) The following Order Attributes may be assigned to an ETC Order:

- Minimum Quantity. For an ETC Order, a minimum quantity condition may be satisfied only by execution against one or more Orders, each of which must have

a size that satisfies the minimum quantity condition. If no Orders in the ETC satisfy a minimum quantity condition for an ETC Order, then the ETC Order with a minimum quantity condition will rest on the Nasdaq Book in time priority unless and until there is an Order that can satisfy the minimum quantity condition to allow for execution of the ETC Order. If no such Order is present in the ETC at its conclusion, then the ETC Order will cancel.

- Price. The price of an ETC Order shall be the Nasdaq Official Closing price, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross].
- Size.
- Time-in-Force is ETC.

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4753. Nasdaq Halt Cross

(a) Definitions.

For the purposes of this rule the term:

(1) – (2) No change.

(3) "**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) – (E) No change.

(F) For purposes of a Trading Pause initiated pursuant to Rule 4120(a)(12), ["Order Imbalance Indicator" will include] the Exchange will disseminate a separate message with Auction Reference Prices and Auction Collars, as defined in Rule 4120(c)(10)(A).

(G) For purposes of a MWCB Halt initiated pursuant to Rule 4121, ["Order Imbalance Indicator" will include] the Exchange will disseminate a separate message with Auction Reference Prices and MWCB Auction Collars, as defined in Rule 4121(d).

(H) For purposes of a trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14), the Exchange will disseminate a separate message with Auction Reference Prices and Auction Collars, as defined in Rule 4120(c)(7)(A).

(4) – (6) No change.

(b) – (d) No change.

(e) Any IOC Order for a halted security that is entered prior to the Nasdaq Closing Cross and for which the halt remains in effect at the commencement of the Nasdaq Closing Cross, shall either execute in the Nasdaq Closing Cross or be cancelled immediately after the Nasdaq Closing Cross. Any IOC Order for a halted security that is entered after the Nasdaq Closing Cross and for which the halt remains in effect at 8:00 p.m. ET (or 5:00 p.m. ET in the event of a Scheduled Early Close), shall be cancelled at 8:00 p.m. ET (or 5:00 p.m. ET in the event of a Scheduled Early Close).

4754. Nasdaq Closing Cross

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

(1) – (5) No change.

(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 and shall include the LULD Closing Cross and the Hybrid Closing Cross.

(7) "**Order Imbalance Indicator**" or "**NOII**" 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) – (E) No change.

(8) – (9) No change.

(10) "**Early Order Imbalance Indicator**" or "**EOII**" shall mean a message disseminated by electronic means containing the same information as the Order Imbalance Indicator, except that it will exclude information about indicative prices, as set forth in subparagraph (a)(7)(E) herein.

(11) No change.

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

(1) – (5) No change.

(6) **LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause.** When a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m., the Nasdaq-listed security shall resume trading via a modified

Nasdaq Closing Cross ("LULD Closing Cross"). The LULD Closing Cross shall operate as defined in this rule with the following exceptions:

(A) – (E) No change.

(F) Orders eligible to participate:

(i) No change.

(ii) During the pause and prior to 4:00 pm, new orders may be entered, modified, and cancelled and may participate in the LULD Closing Cross. MOC, LOC and IO orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13). With respect to LOC orders entered [between]after the NOII immediately following 3:55 p.m. ET and immediately prior to 3:58 p.m. ET (hereinafter, "late LOC orders"), the System will handle such orders in the LULD Closing Cross as follows:

(a) If the security entered a Trading Pause prior and up to 3:50 p.m., the System will not accept late LOC orders.

(b) If the security entered a Trading Pause after 3:50 p.m. and up to 3:55 p.m., the System will accept late LOC orders, provided that there is a First Reference Price. Such orders may then be subject to re-pricing in accordance with Rule 4702(b)(12) or rejected, in either case consistent with the Participant's instructions.

(c) If the security entered a Trading Pause after 3:55 p.m., the System will accept late LOC orders, provided that there is a First Reference Price or a Second Reference Price. Such orders may then be subject to re-pricing in accordance with Rule 4702(b)(12) or rejected, in either case consistent with the Participant's instructions.

(iii) No change.

(G) Orders participating in the LULD Closing Cross shall be executed in price/display/time priority order rather than the priority set forth in subsection (b)(3) above. For purposes of determining priority, eligible IO orders will be priced to the closing price and executed in time priority with other orders at that price. Any order not executed in the LULD Closing Cross will be processed according to the entering firm's instructions.

(7) Closing Cross Following Certain Trading Halts. When a trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14) exists at or after 3:50 p.m. and before 4:00 p.m., the Nasdaq-listed security shall resume trading via a modified Nasdaq Closing Cross ("Hybrid Closing Cross"). A halted security shall only be eligible to resume trading via the Hybrid Closing Cross after the Display Only

Period begins. The Hybrid Closing Cross shall operate as defined in this rule with the following exceptions:

(A) **Definitions.** For purposes of this Rule 4754(b)(7), the term:

(i) "**Auction Reference Price**" shall have the same meaning as defined in Rule 4120(c)(7)(A).

(ii) "**Eligible Interest**" shall have the same meaning as "Close Eligible Interest" in Rule 4754(a), with the addition of any new orders, with an eligible underlying Order Type and Attribute, entered during the trading halt.

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

(B)(i) For trading halts existing at or after 3:50 and before 4:00 p.m., the Hybrid Closing Cross shall occur at 4:00 p.m. After Hours Trading shall commence after the Hybrid Closing Cross executes.

(ii) If there is insufficient trading interest in the Nasdaq system to execute a Hybrid Closing Cross, Nasdaq will not conduct a Cross in that security and shall instead use the last sale on Nasdaq as the Nasdaq Official Closing Price in that security for that trading day. After Hours Trading shall commence after Nasdaq publishes the Nasdaq Official Closing Price.

(C) Nasdaq shall continue disseminating the EOII and the NOII pursuant to Rule 4754(b)(1) until After Hours Trading begins. The Near Clearing Price and Reference Prices contained in the EOII and the NOII, as applicable, will represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, bounded by the Threshold Prices, and the Far Clearing Price will represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, if it were not bounded by the Threshold Prices.

(D)(i) The Hybrid Closing Cross will occur at the price within the threshold prices established pursuant to paragraph (E) below ("Threshold Prices") that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO orders in the Nasdaq Market Center to be executed.

(ii) If more than one price exists under subparagraph (i), the Hybrid Closing Cross shall occur at the price within the Threshold Prices that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the Hybrid Closing Cross shall occur at the entered price within the Threshold Prices at which shares will remain unexecuted in the cross.

(iv) If there is no price within the Threshold Prices that satisfies the above conditions, then the Hybrid Closing Cross shall occur at:

(a) if an Imbalance exists, a price equal to the upper (lower) Threshold Price for a buy (sell) Imbalance; or

(b) if no Imbalance exists, a price equal to the Auction Reference Price.

(E) The Threshold Prices within which the Hybrid Closing Cross price must fall are established as follows:

(i) The upper (lower) Threshold Price is established by adding (subtracting) \$1 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to 4120(c)(7)(A)(ii) for securities with an Auction Reference Price of greater than \$1.

(ii) The upper (lower) Threshold Price is established by adding (subtracting) \$0.50 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to 4120(c)(7)(A)(ii) for securities with an Auction Reference price of \$1 or less.

Nasdaq management shall set and modify such thresholds from time to time upon prior notice to market participants.

(F) Orders eligible to participate:

(i) All orders entered into the system and placed on the continuous book prior to the trading halt will remain on the book to participate in the Hybrid Closing Cross. Such orders may be modified or cancelled up until the time of the Hybrid Closing Cross.

(ii) During the halt and prior to 4:00 pm, new orders may be entered, modified, and cancelled and may participate in the Hybrid Closing Cross. MOC, LOC and IO orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13). If the security entered a trading halt prior and up to 3:50 p.m., the System will not accept late LOC orders.

(iii) For purposes of Hybrid Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the initial Auction Reference Price.

(G) Orders participating in the Hybrid Closing Cross shall be executed in price/display/time priority order rather than the priority set forth in subsection (b)(3) above. For purposes of determining priority, eligible IO orders will be priced to the closing price and executed in time priority with other orders at that price. Any order not executed in the Hybrid Closing Cross will be processed according to the entering firm's instructions.

([7]8) Contingency Procedures. When a disruption occurs that prevents the execution of the Closing Cross as set forth above, Nasdaq shall apply the Contingency Procedures pursuant to this paragraph ([7]8).

4755. Extended Trading Close

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

(1) “After Hours Trading” shall mean trading in a Nasdaq-listed security that commences immediately following the conclusion of the Nasdaq Closing Cross[or the LULD Closing Cross], during Post-Market Hours, as that term is defined in Equity 1, Section 1(a)(9).

(2) – (4) No change.

(5) The “Extended Trading Close” or “ETC” shall mean the process, described in Rule 4755, during which ETC Eligible Orders may match and execute at the Nasdaq Official Closing Price, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross], for a five minute period immediately following the Nasdaq Closing Cross[or the LULD Closing Cross].

(6) – (8) No change.

(b) Processing of the Extended Trading Close. The Extended Trading Close will commence upon the conclusion of the Nasdaq Closing Cross[or the LULD Closing Cross] and it will end at 4:05 PM (or 1:05 PM on a day when Nasdaq closes early). The Extended Trading Close will not occur on any day when insufficient interest exists in the System to conduct a Closing Cross for that security or when the Exchange invokes contingency procedures due to a disruption that prevents execution of the Closing Cross. The Exchange will cancel executions in a security that occur in the Extended Trading Close to the extent that the Exchange nullifies the Closing Cross in that security pursuant to the rules governing clearly erroneous transactions, as set forth in Rule 11890.

(1) No change.

(2) The System will match and execute ETC Eligible Orders continuously throughout the Extended Trading Close, in time priority order (based on the time the system received each order into the Extended Trading Close) and at the Nasdaq

Official Closing Price, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross].

(3) During the Extended Trading Close, the System will suspend execution of an ETC Eligible Order in a security whenever it detects: (i) an Order in that same security resting on the Nasdaq Continuous Book in After Hours Trading with a bid (offer) price that is higher than (lower than) the Nasdaq Official Closing Price for that security, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross]; or (ii) the After Hours Trading last sale price, or the best After Hours Trading bid (offer) price, of the security other than on the Nasdaq Continuous Book is either more than 0.5% or \$0.01 higher than (lower than) the Nasdaq Official Closing Price for that security, whichever is greater, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross]. The System will resume execution of an ETC Eligible Order in a security in scenario (i) of this paragraph, above, if and when the System determines, during the pendency of the Extended Trading Close, that the Nasdaq Continuous Book in After Hours Trading is clear of resting Orders in that security with a bid (offer) price that is higher than (lower than) the Nasdaq Official Closing Price for that security, as determined by the Nasdaq Closing Cross[or the LULD Closing Cross]. The System will resume execution of an ETC Eligible Order in a security in scenario (ii) of this paragraph, above, if and when the After Hours Trading last sale price or the best After Hours Trading bid (offer) price of the underlying security other than on the Nasdaq Continuous Book returns to within the greater of 0.5%/\$0.01 thresholds during the Extended Trading Close. If execution of an ETC Eligible Order remains suspended as of the conclusion of the Extended Trading Close, then the System will cancel any remaining unexecuted ETC Eligible Orders in that security.

(4) – (5) No change.

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