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

File No. * SR 2025 - * 011

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 introduce an optional functionality to initiate a trading halt on launch day for Exchange Traded Products.

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 * Sun Last Name * Kim

Title * Senior Associate General Counsel

E-mail * Sun.Kim@Nasdaq.com

Telephone * (646) 420-7816 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 01/31/2025 (Title *)

By John A. 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: 2025.01.31
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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-2025-011 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-2025-011 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-2025-011 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 Nasdaq’s Equity 1, Equity Definitions, and Equity 4, Equity Trading Rules, to introduce an optional functionality for Exchange-Traded Products to initiate a trading halt on the launch day of an Exchange-Traded Product, similar to the trading halt used in initial public offerings (“IPOs”).

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 the Board of Directors (the “Board”) on July 24, 2024. No other action is necessary for the filing of the rule change.

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

Dane Dixon
Associate General Council
Nasdaq, Inc.
470-432-4607

and

Sun Kim
Senior Associate General Council
Nasdaq, Inc.
646-420-7816

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 Exchange proposes to amend its Equity 1 – Equity Definitions and Equity 4 – Equity Trading Rules to allow Exchange-Traded Products (“ETPs”)³ to utilize an optional new halt on launch day (hereinafter, the “Initial ETP Open”), and resume trading using the Nasdaq Halt Cross.⁴ As discussed in detail below, the proposed Initial ETP Open is designed to operate similarly to Nasdaq’s IPO opening process for corporate securities with specified differences to account for the unique characteristics of ETPs. With this proposal, an ETP issuer launching the ETP on the first day of trading would have the option to open the security at the start of Pre-Market Hours⁵ at 4:00 a.m. Eastern Time (“ET”), which is the case today, or delay the opening of the security pursuant to the proposed Initial ETP Open process until Market Hours.⁶

This functionality is intended to support efficient price discovery by enabling ETP issuers to enter a halt on launch day, for a specified time period, after which the ETP can be manually opened. This proposed rule would enable ETP issuers to maximize the chances of more efficient price discovery on launch day while also ensuring there are

³ As discussed later in this filing, the Exchange will add “Exchange-Traded Products” as a defined term in Equity 1, Section 1(a).

⁴ 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 Equity 4, Rule 4753(a)(5).

⁵ The term “Pre-Market Hours” means the period of time beginning at 4:00 a.m. ET and ending immediately prior to the commencement of Market Hours. See Equity 1, Section 1(a)(9).

⁶ The term “Market Hours” means the period of time beginning at 9:30 a.m. ET and ending at 4:00 p.m. ET (or such earlier time as may be designated by Nasdaq on a day when Nasdaq closes early). See Equity 1, Section 1(a)(9).

safeguards for the opening price to protect investors against unexpected volatility in the pricing of the ETP. As proposed, an ETP's initial price would be determined based on market interest and, similar to other auction processes, the matching of buy and sell orders in this auction would be open to all market participants.

Background

Today, ETPs open for trading on Nasdaq at 4:00 a.m. ET at the start of Pre-Market Hours where the ETP becomes available for buying and selling during that time period. This is the case for an ETP's initial day of trading as well as any other trading day for the ETP. While the Exchange has not experienced issues with opening ETPs at 4:00 a.m. ET, ETP issuers have indicated to the Exchange their desire for a more high-touch launch day opening process for some ETPs, similar to the Exchange's IPO opening process for corporate securities. Similar to the existing IPO process for corporate securities, the proposed process for ETPs would delay the opening of the security until Market Hours.

Today, securities of companies listing on Nasdaq in an IPO are halted pursuant to Equity 4, Rule 4120(a)(7) until such time as the conditions in 4120(c)(8) are satisfied, and the Exchange releases the IPO security for trading pursuant to the Nasdaq Halt Cross in Rule 4753.⁷ Prior to the cross execution, market participants may enter quotes and orders eligible for participation in the cross. Pursuant to Rule 4120(c)(8), prior to

⁷ In general, Equity 4, Rule 4120(a) sets forth Nasdaq's authority to initiate trading halts or pauses in the circumstances specified thereunder. Equity 4, Rule 4120(c) then sets forth the various procedures for initiating and terminating such trading halts. Equity 4, Rule 4753 then sets forth procedures for the resumption of trading following various trading halts enumerated in Rule 4120(a). Specifically, Rule 4753(b) provides, in part, that for Nasdaq-listed securities that are the subject of a trading halt initiated pursuant to Rule 4120(a)(7) (i.e., the IPO halt), the Nasdaq Halt Cross shall occur at the time specified by Nasdaq pursuant to Rule 4120, and Market Hours trading would commence when the Nasdaq Halt Cross concludes.

terminating the IPO halt, the security enters a Display Only Period during which indicative information about the potential outcome of the Nasdaq Halt Cross is displayed to market participants every second via the Order Imbalance Indicator,⁸ and during which market participants may continue to enter orders and quotes in that security in Nasdaq systems.⁹

Rule 4120(c)(8) further states that after the conclusion of the Display Only Period, the IPO security enters a “Pre-Launch Period” of indeterminate duration, during which indicative information continues to be disseminated,¹⁰ and market participants are able to submit and cancel orders as they are currently able to do so during the Display Only Period. The Pre-Launch Period ends and the security is released for trading by Nasdaq when the conditions described in paragraphs (c)(8)(A)(i), (ii), and (iii) of Rule 4120 are all met:

- Nasdaq receives notice from the underwriter of the IPO that the security is ready to trade. The Nasdaq system then calculates the Current Reference Price¹¹ at that time (the “Expected Price”) and displays it to the

⁸ “Order Imbalance Indicator” means a message disseminated by electronic means containing information about Eligible Interest and the price at which such interest would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information: (A) Current Reference Price, (B) the number of shares of Eligible Interest that are paired at the Current Reference Price, (C) the size of any Imbalance or Market Order Imbalance, as applicable, (D) the buy/sell direction of any Imbalance or Market Order Imbalance, as applicable, and (E) indicative prices at which the Nasdaq Halt Cross would occur if the Nasdaq Halt Cross were to occur at that time. See Rule 4753(a)(3).

⁹ Equity 4, Rule 4753(b)(1) provides that at the beginning of the Display Only Period and continuing through the resumption of trading, Nasdaq would disseminate by electronic means an Order Imbalance Indicator every second.

¹⁰ See Equity 4, Rule 4753(b)(1).

¹¹ “Current Reference Price” means: (i) The single price at which the maximum number of shares of Eligible Interest can be paired. (ii) If more than one price exists under subparagraph (i), the Current Reference Price shall mean the price that minimizes any Imbalance. (iii) If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at

underwriter. If the underwriter then approves proceeding, the Nasdaq system will conduct two validation checks.

- First, the Nasdaq system must determine that all market orders will be executed in the Nasdaq Halt Cross; and
- Second, the security must pass the price validation test described in subparagraph (C) of Rule 4120(c)(8), which essentially provides that if the actual price calculated by the Nasdaq Halt Cross differs from the Expected Price by an amount in excess of a price band previously selected by the underwriter, the security will not be released for trading and the Pre-Launch period will continue.

As provided in Rule 4120(c)(8)(A), the failure to satisfy these conditions during the process to release the security for trading would result in a delay of the release for trading of the IPO security, and a continuation of the Pre-Launch Period, until all conditions have been satisfied. Market participants may continue to enter orders and order cancellations

which shares will remain unexecuted in the cross. (iv) If more than one price exists under subparagraph (iii), the Current Reference Price shall mean: (a) In the case of an IPO, the price that is closest to the Issuer's Initial Public Offering Price; (b) In the case of the initial pricing of a security listing under Listing Rules IM-5315-1, IM-5405-1, or IM-5505-1, for a security that has had recent sustained trading in a Private Placement Market (as defined in Rule 5005(a)(34)) prior to listing, the most recent transaction price in that market or, if none, a price determined by the Exchange in consultation with the financial advisor to the issuer identified pursuant to Rule 4120(c)(9); (c) In the case of the initial pricing of a security listing under Listing Rule IM-5315-2, the price that is closest to the price that is 20% below (calculated as provided for in Listing Rule IM-5315-2) the lowest price of the price range disclosed by the issuer in its effective registration statement; (d) In the case of another halt type in which the security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the trading halt; (e) In the case of another halt type in which the security has not already traded during normal market hours on that trading day, the price that is closest to the previous Nasdaq Official Closing Price; and (f) In the case of the initial pricing of a security that traded in the over-the-counter market pursuant to FINRA Form 211 immediately prior to the initial pricing, the price that is closest to the most recent transaction price in that market. Notwithstanding the foregoing, the Order Imbalance Indicator will not include the Current Reference Price if there is a Market Order Imbalance. See Rule 4753(a)(3)(A).

for participation in the IPO Halt Cross during the Pre-Launch Period up to the point that the IPO Halt Cross auction process commences pursuant to Equity 4, Rule 4753(b).

The Exchange believes that the IPO opening process described above has worked well in the context of Nasdaq-listed corporate securities to provide fair executions for investors through an open and transparent process that protects against unexpected volatility in the pricing of an IPO security. Accordingly, the Exchange proposes to adopt a similar process for Nasdaq-listed ETPs. Unlike the IPO opening process, the Initial ETP Open will involve a Designated Liquidity Provider (“DLP”)¹² (i.e., the Nasdaq market maker for the ETP) instead of an underwriter, such that Nasdaq would display the Expected Price of the Nasdaq Halt Cross for the ETP to the DLP, who will select price bands to ensure that the actual calculated price at which the Nasdaq Halt Cross would occur does not deviate from the Expected Price by more than the selected price band amounts. Additionally, the Exchange is proposing to submit the ETP for validation checks at 9:45 a.m. ET at the latest without exception, whereas under the existing IPO process, the Exchange does not submit the IPO security for validation checks until the underwriter approves proceeding.

Proposal

The Exchange proposes to amend (1) Equity 1, Section 1(a) to add a new definition for “Exchange-Traded Products,” (2) Equity 4, Rule 4120(a) to provide the

¹² Equity 7, Section 11(f)(2) provides that a “Designated Liquidity Provider” or “DLP” is a registered Nasdaq market maker for a Qualified Security (i.e., an ETP) that has committed to maintain minimum performance standards. A DLP shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded products, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of DLPs in a security, or modify a previously established limit, upon prior written notice to members.

Exchange with explicit authority to declare a trading halt in a Nasdaq-listed ETP on its first day of trading, provided specified conditions are met, (3) Equity 4, Rule 4120(c) to add the process by which the Exchange will initiate and terminate the proposed trading halt for Nasdaq-listed ETPs, (4) Equity 4, Rule 4753(b) to include the proposed trading halt in the list of enumerated provisions that would be subject to the Nasdaq Halt Cross, and (5) Equity 7, Section 115(i) to specify that an ETP issuer may subscribe to the IPO Workstation at no cost.

The Exchange first proposes to add a new definition for “Exchange-Traded Products” in Equity 1, Section 1(a). Specifically, the Exchange proposes to add in new paragraph (15) that the term "Exchange-Traded Product" means a security listed on Nasdaq pursuant to Nasdaq Rules 5704, 5705, 5710, 5711, 5713, 5715, 5720, 5735, 5745, 5750 or 5760. The proposed definition aligns to the definition of “Qualified Securities” set forth in the Exchange’s Designated Liquidity Provider program in Equity 7, Section 114(f).¹³

In proposed Equity 4, Rule 4120(a)(15), the Exchange proposes to explicitly provide that the Exchange has authority to halt trading in a Nasdaq-listed ETP on its first day of trading, provided specified conditions are met. Specifically, proposed Rule 4120(a)(15) will provide that Nasdaq may halt trading in an ETP for which Nasdaq is the primary listing market on the first day of trading, provided that (i) the issuer of the ETP being listed opts into this process, and (ii) a broker-dealer serving in the role of DLP to the issuer of the ETP being listed is willing to perform the functions under this Rule. The

¹³ As set forth in Equity 7, Section 114(f)(1), a security may be designated as a “Qualified Security” if: (A) it is an exchange-traded product listed on Nasdaq pursuant to Nasdaq Rules 5704, 5705, 5710, 5711, 5713, 5715, 5720, 5735, 5745, 5750 or 5760; and (B) it has at least one Designated Liquidity Provider.

proposed Initial ETP Open will be offered on an optional basis such that an ETP issuer would have the option on the ETP's initial launch day of opening the ETP at 4:00 a.m. ET (i.e., the current process), or delaying the opening until Market Hours with the new Initial ETP Open process. The Exchange notes that certain ETP issuers may want to open at 4:00 a.m. ET on launch day instead of delaying the opening until Market Hours as proposed hereunder because of the availability for earlier buying and selling in the ETP. Other ETP issuers may seek to use the Initial ETP Open to delay the opening of the ETP until Market Hours because of increased trading activity in the ETP and its underlying component securities, making pricing in the ETP potentially less volatile. The Exchange believes that ETP issuers, with their understanding of the ETP, are best situated to make the decision whether to open during pre-market or regular market hours, and therefore proposes to give them the option to choose one process over the other. The Exchange further believes that the DLP, with their market knowledge of the book and an understanding of the ETP, would be well placed to provide advice on when the ETP should be released for trading.

The Exchange proposes in new paragraph (c)(11) to Equity 4, Rule 4120 to add the process by which the Exchange will initiate and terminate the trading halt that is being proposed under Rule 4120(a)(15), as described above. Specifically, Nasdaq proposes under Equity 4, Rule 4120(c)(11)(A) that the process for halting and initial pricing of a Nasdaq-listed ETP that is the subject of an Initial ETP Open pursuant to Rule 4120(a)(15) and this Rule, respectively, will be available on an optional basis, provided

that the conditions in Rule 4120(a)(15)(i) and (ii) above are met.¹⁴ Proposed Rule 4120(c)(11)(A) will also provide that the DLP is reminded that any activities performed under this Rule are to be conducted in a manner that is consistent with the federal securities laws, including Regulation M and other anti-manipulation requirements.

Proposed Rule 4120(c)(11)(B) will set forth the process and conditions for terminating a trading halt initiated under proposed Rule 4120(a)(15), which will be similar to the existing IPO opening process in Rule 4120(c)(8) in the manner discussed below. Similar to the current IPO opening process, the ETP would enter a 10-minute Display Only Period prior to the termination of the halt, during which (and up until the resumption of trading) indicative information about the potential outcome of the Nasdaq Halt Cross that will be conducted for the ETP will be displayed to market participants every second through an Order Imbalance Indicator,¹⁵ and during which market participants may continue to enter orders, quotes, and cancellations in that ETP in Nasdaq systems.

Specifically, proposed Rule 4120(c)(11)(B) will provide that a trading halt initiated under Rule 4120(a)(15) shall be terminated when Nasdaq releases the security for trading and the conditions described in sub-paragraphs (B)(i) – (iii) are satisfied.¹⁶

Prior to terminating the halt, there will be a 10-minute Display Only Period during which

¹⁴ As discussed above, the conditions in proposed Rule 4120(a)(15)(i) and (ii) provide that Nasdaq may halt trading in an ETP for which Nasdaq is the primary listing market on the first day of trading, provided that (i) the issuer of the ETP being listed opts into this process, and (ii) a broker-dealer serving in the role of DLP to the issuer of the ETP being listed is willing to perform the functions under this Rule.

¹⁵ See supra note 8.

¹⁶ As discussed later in this filing, proposed sub-paragraphs (B)(i)-(iii) will set forth the conditions for when the Pre-Launch period will end and when the ETP will be released for trading.

market participants may enter quotes and orders in that security in Nasdaq systems. Before the Display Only Period begins and once the security is set up in the Nasdaq system during Pre-Market Hours, market participants may enter orders in a security that is the subject of an Initial ETP Open on Nasdaq.¹⁷ Such orders will be accepted and entered into the system.

Proposed Rule 4120(c)(11)(B) will also provide that after the conclusion of the 10-minute Display Only Period, the security will enter a "Pre-Launch Period." Similar to the IPO opening process discussed above, the Exchange would continue to disseminate throughout the Pre-Launch Period (and up until the resumption of trading) an Order Imbalance Indicator every second.¹⁸ Market participants would also be able to submit and cancel interest during the Pre-Launch Period for the Initial ETP Open as they do today during the Pre-Launch Period for an IPO opening process. Proposed Rule 4120(c)(11)(B) will further provide that the Pre-Launch Period shall end and the security shall be released for trading by Nasdaq when the following conditions in proposed subparagraphs (B)(i) – (iii) are all met:

- The ETP will be submitted for the validation checks pursuant to subparagraphs (B)(ii) and (iii) below by 9:45 a.m. ET at the latest. Prior to 9:45 a.m. ET, if Nasdaq receives notice from the DLP of the Initial ETP Open that the ETP is ready to trade,¹⁹ the Nasdaq system will calculate the

¹⁷ Nasdaq will begin accepting orders in ETP securities when Nasdaq staff manually starts up the order window during Pre-Market Hours and before the Display Only Period.

¹⁸ See supra note 8.

¹⁹ The Exchange notes that if the DLP instead notified Nasdaq that the ETP was not ready to trade, the Exchange would wait until 9:45 a.m. ET at the latest for the DLP to confirm that the ETP was ready, and once confirmation is received within that time frame, the Exchange would conduct the

Current Reference Price (as defined in Rule 4753(a)(3)(A)) at that time (the "Expected Price") and display it to the DLP.²⁰ If the DLP then approves proceeding, the Nasdaq system will conduct the validation checks in subparagraphs (B)(ii) and (iii) below before releasing the ETP for trading pursuant to the Nasdaq Halt Cross.²¹ If no notice is received by 9:40 a.m. ET, the Nasdaq system will calculate the Expected Price, and then conduct the validation checks in subparagraphs (B)(ii) and (iii) below before releasing the ETP for trading pursuant to the Nasdaq Halt Cross.²² As discussed above, by 9:45 a.m. at the latest, the Nasdaq system will conduct the following validation checks:

-
- validation checks and open the ETP for trading pursuant to the Nasdaq Halt Cross once the validation checks were passed.
- ²⁰ See supra note 11. The Exchange will display the Expected Price (i.e., the Current Reference Price as defined in the Nasdaq Halt Cross rule in Rule 4753(a)(3)(A)) to the DLP and all market participants via the Order Imbalance Indicator.
- ²¹ Upon passing the validation checks, the Pre-Launch Period will end and Nasdaq will open the ETP for trading pursuant to the Nasdaq Halt Cross in Rule 4753. If the ETP does not pass the validation checks, the Pre-Launch Period will continue and Nasdaq will recommence another round of validation checks. This is an iterative process. The ETP will not open for trading until it passes the validation checks. Further, if the DLP does not approve proceeding, then the Nasdaq system will recalculate the Expected Price and display it to the DLP (and all other market participants) via Order Imbalance Indicator until the DLP approves proceeding to the Nasdaq system conducting the two validation checks in subparagraphs (B)(ii) and (B)(iii). Notwithstanding the foregoing, the ETP will be submitted for the validation checks by 9:45 a.m. ET at the latest. See Rule 4120(c)(8)(i) for similar provisions with respect to the underwriter and the IPO opening process, except the Exchange is proposing to submit the ETP for validation checks by 9:45 a.m. ET at the latest and is also proposing to add a scenario where Nasdaq receives no notice by 9:40 a.m. ET.
- ²² In this instance, the Exchange will conduct the validation checks in proposed subparagraphs (B)(ii) and (B)(iii) of Rule 4120(c)(11) at 9:40 a.m. ET, and then open the ETP for trading pursuant to the Nasdaq Halt Cross upon passing the validation checks .

- First, the Nasdaq system must determine that all market orders will be executed in the Nasdaq Halt Cross; and²³
- Second, the security must pass the price validation test described below in proposed subparagraph (C) of Rule 4120(c)(11).²⁴

Proposed subparagraph (C) of Rule 4120(c)(11) will provide that prior to the conclusion of the Pre-Launch Period, the DLP may select price bands for purposes of applying the price validation test.²⁵ Under the price validation test, the System compares the Expected Price with the actual price calculated by the Nasdaq Halt Cross. If the actual price calculated by the Nasdaq Halt Cross differs from the Expected Price by an amount in excess of the price band, the security will not be released for trading and the Pre-Launch Period will continue. The DLP may select an upper price band (i.e., an amount by which the actual price may not exceed the Expected Price) and a lower price band (i.e., an amount by which the actual price may not be lower than the Expected Price). If a security does not pass the price validation test, the DLP may, but is not required to, select different price bands before recommencing the process to release the security for trading.

For example, assume that the Expected Price for the Nasdaq Halt Cross shown to the DLP was \$32 per share, and the DLP selected an upper price band of \$0.10 and a

²³ The intent of this restriction is to ensure that if a market participant enters an order offering to buy or sell in the Nasdaq Halt Cross at any price, the cross should not occur unless all such orders can be executed. The Exchange notes that the IPO opening process has an identical restriction for the same reasons. See Rule 4120(c)(8)(A)(ii).

²⁴ See Rule 4120(c)(8)(A)(iii) for identical provisions.

²⁵ The DLP can select the price bands at any time before or during the Display Only Period or Pre-Launch Period, and can modify them at any time prior to the conclusion of the Pre-Launch Period. As discussed later in this filing, DLPs may choose price bands within the range of \$0.00 to \$0.50. If the DLP does not select any price bands, the default bands will be set at \$0.00.

lower price band of \$0.05. In that case, the actual price calculated by the system for the cross could not be higher than \$32.10 nor lower than \$31.95.

The price bands available for selection shall be in such increments, and at such price points, as may be established from time to time by Nasdaq; the available price bands shall include \$0 but shall not be in excess of \$0.50. The initial available price bands will range from \$0 to \$0.50, with increments of \$0.01. Thus, the DLP may select a price band of \$0 (i.e., no change from the Expected Price would be permitted in this instance), \$0.01, \$0.02, or any other \$0.01 increment up to \$0.50. The DLP may select different price bands above and below the Expected Price. The Exchange reserves the right to stipulate wider increments (such as \$0.05) or price bands that include certain price points but exclude others (for example, increments of \$0.01 up to \$0.10, and increments of \$0.05 thereafter). However, the Exchange will not (in the absence of the submission of a proposed rule change) allow price bands wider than \$0.50, as proposed in Rule 4120(c)(11)(C). Nasdaq will notify member organizations and the public of changes in available price band or increments through a notice that is widely disseminated at least one week in advance of the change. In selecting available price bands and increments, Nasdaq will consider input from DLPs and other market participants and the results of past usage of price bands to adopt price bands and increments that promote efficiency in the initiation of trading and protect investors and the public interest.²⁶

²⁶ See proposed Rule 4120(c)(11)(C), which is similar to Rule 4120(c)(8)(B). The Exchange is proposing to add language about reserving the right to use wider bands, which is also true for the IPO process today even though the current IPO rule is silent in this regard.

Similar to the IPO opening process, the failure to satisfy the conditions in proposed Rule 4120(c)(11)(B)(i) – (iii) during the process to release the security for trading will result in a delay of the release for trading of the Initial ETP Open, and a continuation of the Pre-Launch Period, until all conditions have been satisfied.²⁷ Thus, if the conditions have not been satisfied, the Pre-Launch Period would continue seamlessly, with members able to continue to enter or cancel orders. The ETP would then repeat the process for release until such time the conditions required for launch (i.e., proposed Rule 4120(c)(11)(B)(i) – (iii)) were satisfied). Thus, the DLP would be shown the applicable Expected Price, and the ETP would launch if all market orders would be executed and the price validation in proposed Rule 4120(c)(11)(C) was satisfied. This process can continue until 9:45 a.m. ET, at which point the ETP would open pursuant to the Nasdaq Halt Cross upon passing the validation checks. The Exchange believes that opening the ETP at 9:45 a.m. ET with no exceptions is appropriate because by that time, the DLP would be expected to step in and respond to any excess demand, and any excess volatility in the ETP would be protected against through the proposed validation checks. In addition, unlike an IPO where only the underwriter may provide markets in the corporate security on the first day of trading, other liquidity providers in addition to the DLP may step in and begin providing markets in an ETP on its first day of trading, which could further promote price stability in the ETP. Similar to the IPO opening process, a DLP would be able (but not required) to select different price bands for each attempt to launch the ETP. Thus, a DLP might select an upper and a lower band of \$0 initially, such that the security would not launch unless the calculated price equaled the Expected Price. If

²⁷ See proposed Rule 4120(c)(11)(B), which is similar to Rule 4120(c)(8)(A).

the security did not pass the validation check, however, the DLP could subsequently choose to widen the price bands to allow the Initial ETP Open to proceed at a price that might vary from the Expected Price. Such price deviations are possible because market participants may continue to enter and cancel orders during the period between the display of the Expected Price to the DLP and the commencement of Nasdaq Halt Cross. Nasdaq may determine at any point during the cross auction process up through the conclusion of the Pre-Launch Period to postpone and reschedule the Initial ETP Open.²⁸ Market participants may continue to enter orders and order cancellations for participation in the cross auction during the Pre-Launch Period up to the point that the cross auction process commences.²⁹

The Exchange notes that the DLP's involvement in timing the commencement of trading in the ETP is consistent with the underwriter's involvement in the existing IPO opening process. Similar to the underwriter in an IPO, the Exchange believes that the DLP, with their market knowledge of the book and an understanding of the security, would be well placed to provide advice on when the ETP should be released for trading. Accordingly, the Exchange believes it is in the best interest of the market to give DLPs input into the timing of when to proceed with opening the ETP via the Nasdaq Halt Cross to help ensure the fair and orderly launch of trading in the ETP. The proposed language

²⁸ See proposed Rule 4120(c)(11)(B), which is similar to Rule 4120(c)(8)(A), except the Exchange is not adopting language that provides that it would consult with the underwriter to postpone and reschedule the IPO. This language is designed to allow IPOs to be postponed and rescheduled because the underwriter, for example, did not think the corporate security was ready to trade, or Nasdaq had to postpone and reschedule the IPO due to a market event or system disruption. As discussed above, the Exchange is proposing to open the ETP at 9:45 a.m. ET at the latest, even if the DLP does not indicate that the ETP is ready to trade. However, the Exchange would like to retain the ability to postpone and reschedule the proposed Initial ETP Launch in the event of a serious market event or system disruption.

²⁹ See proposed Rule 4120(c)(11)(B), which is similar to Rule 4120(c)(8)(A).

allowing the DLP to postpone and reschedule the Initial ETP Open with the concurrence of Nasdaq is designed to allow flexibility if unforeseen market or system events make it inadvisable to proceed with the Initial ETP Open.

The Exchange is also proposing to update Rule 4753(b) to include proposed Rule 4120(a)(15) in the list of enumerated provisions that would be subject to the Nasdaq Halt Cross. As such, any ETP that is subject to the Initial ETP Open will be opened using the Nasdaq Halt Cross for trading during Market Hours.

Lastly, the Exchange proposes to amend Equity 7, Section 115, which sets forth pricing for various Nasdaq services such as the Nasdaq IPO Workstation. Today, the Nasdaq IPO Workstation provides subscribing member firms with access to the IPO Indicator service, which provides information on orders that would be received in an IPO during the launch process. This tool assists subscribing member firms in monitoring their orders in the Nasdaq Halt Cross leading up to the launch of an IPO.³⁰ The IPO Indicator provides the same information in the Order Imbalance Indicator³¹ together with information about the subscribing member firms on Nasdaq in the IPO security. The IPO Indicator allows the subscriber to select an IPO security by ticker and see the Current Reference Price, the number of paired shares, and the number of imbalance shares during the Display Only and Pre-Launch Periods. The subscriber can also see the total number of IPO shares the member firm has entered for execution in the IPO Halt Cross, the nature of such shares (buy or sell), and the number of IPO shares that would be executed

³⁰ See Securities Exchange Act Release No. 74041 (January 13, 2015), 80 FR 2762 (January 20, 2015) (SR-NASDAQ-2014-110) (Order Approving a Proposed Rule Change to Offer the New IPO Workstation).

³¹ See supra note 8.

in the Nasdaq Halt Cross at that time for each of those categories. A subscriber can also access further detail on its IPO shares presented by individual order or order block, which will include the number of IPO shares in a particular order or order block, the number and percentage of IPO shares of the order or order block that would be executed in the Nasdaq Halt Cross if it occurred at any given time in the process, based on the Order Imbalance Indicator disseminated every second, and the price at which the order or order block was submitted. As such, the IPO Indicator provides member firms with information consistent with what Nasdaq currently disseminates during the IPO opening process, but as it relates to the member firm's orders and in greater detail.

The Exchange now proposes to offer this tool to subscribing member DLPs and non-member ETP issuers so that they may receive similar information described above for the ETP securities subject to the Initial ETP Open.³² Today, member firms may subscribe to the Nasdaq IPO workstation at no cost.³³ DLPs are member firms, so they would also be able to subscribe to the Nasdaq IPO workstation at no cost to access the IPO Indicator under this proposal. The Exchange proposes in new paragraph (k) to Equity 7, Section 115 that an ETP issuer may likewise subscribe to the IPO Workstation at no cost so that they may receive similar information on orders in the proposed Initial ETP Open.

Implementation

To implement this proposal, Nasdaq will release an Equity Trader Alert no later than the second quarter of 2025 announcing the implementation date.

³² The DLP and ETP issuer would receive the information described above for the IPO Indicator on a consolidated basis and not on an individual member firm's order basis.

³³ See Equity 7, Section 115(i).

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,³⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,³⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The proposed rule change aims to protect investors and the public interest by strengthening safeguards against unexpected volatility in the pricing of ETPs on their launch day.

The proposed rule change achieves these goals by offering an optional new issuer halt that enhances the price discovery process for ETPs on their initial day of trading. This function is similar to the IPO opening process in Rules 4120(a)(7), 4120(c)(8), and 4753, which has proven effective in managing price discovery for newly listed securities. While the IPO opening process currently provides protection by ensuring the final price does not deviate from recent indicative prices beyond set price band thresholds (such a \$0.50 change), similar safeguards are required to ensure stability and investor confidence in ETP pricing upon launch.

The Exchange believes that its proposal to offer optional functionality to permit ETP issuers the ability to open on launch day by entering into a new issuer halt would maximize the chances of more efficient price discovery and remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because the initial sale price would be based on market interest

³⁴ 15 U.S.C. 78f(b).

³⁵ 15 U.S.C. 78f(b)(5).

and the matching of buy and sell orders in an auction would be open to all market participants. Today, the ETP would simply open for trading at 4:00 a.m. ET during Pre-Market Hours at an initial price that is based on the ETP's Net Asset Value, as provided by the ETP issuer to Nasdaq. Accordingly, the Exchange believes that the proposed process would provide safeguards for the opening price of the ETP that is based on additional market information thereby protecting investors and the public interest.

Although the Exchange is providing ETP issuers the discretion to elect either the current process or the new proposed process, the Exchange believes that each price discovery process is designed to arrive at an opening price that represents the price for the underlying ETP. In particular, Nasdaq believes that the change will facilitate the commencement of orderly trading in ETPs on their first day of trading, by providing the DLP with flexibility throughout the initial launch process to allow order entry and the development of price stability prior to opening. The Exchange also believes that it is reasonable and appropriate to use the Nasdaq Halt Cross process under Rule 4753 to open trading in the ETP (upon passing the validation checks) because it is consistent with the process that is used by Nasdaq when opening an IPO security. It will ensure that the process for resuming trading following the Initial ETP Launch is consistent with other types of halts initiated by Nasdaq, including the IPO halt.

The Exchange also believes that it is reasonable, equitable and not unfairly discriminatory to offer the IPO Workstation to all subscribing DLP member firms and non-member ETP issuers at no cost because they will be provided with more information regarding orders submitted for participation in the Initial ETP Open, similar to the IPO process as discussed above. Both the DLP and ETP issuer would be able to subscribe for

this tool for the Initial ETP Open at no cost, just as all subscribing member firms do today for IPOs.

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. Specifically, the change will not affect the ability of market participants to participate fully in an ETPs launch day because it is an optional functionality that permits ETPs to enter into a new issuer halt on its launch day, for a specified time period, and then manually open. Rather, the change is designed to promote stability and reduce volatility in the pricing of the ETP on its launch day, and therefore does not impose any restriction on competition. In particular, the Exchange believes that the optional initial launch process will enhance the competitiveness of its process for initial pricing of ETPs without imposing any burdens on the ability of DLP or other market participants to participate in that process.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

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-2025-011)

February __, 2025

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Introduce Functionality to Initiate a Trading Halt for Exchange-Traded Products on Launch Day

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 January 31, 2025, 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 Nasdaq’s Equity 1, Equity Definitions, and Equity 4, Equity Trading Rules, to introduce an optional functionality for Exchange-Traded Products to initiate a trading halt on the launch day of an Exchange-Traded Product, similar to the halt used in initial public offerings (“IPOs”).

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rulefilings>, 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 Exchange proposes to amend its Equity 1 – Equity Definitions and Equity 4 – Equity Trading Rules to allow Exchange-Traded Products (“ETPs”)³ to utilize an optional new halt on launch day (hereinafter, the “Initial ETP Open”), and resume trading using the Nasdaq Halt Cross.⁴ As discussed in detail below, the proposed Initial ETP Open is designed to operate similarly to Nasdaq’s IPO opening process for corporate securities with specified differences to account for the unique characteristics of ETPs. With this proposal, an ETP issuer launching the ETP on the first day of trading would have the option to open the security at the start of Pre-Market Hours⁵ at 4:00 a.m. Eastern

³ As discussed later in this filing, the Exchange will add “Exchange-Traded Products” as a defined term in Equity 1, Section 1(a).

⁴ 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 Equity 4, Rule 4753(a)(5).

⁵ The term "Pre-Market Hours" means the period of time beginning at 4:00 a.m. ET and ending immediately prior to the commencement of Market Hours. See Equity 1, Section 1(a)(9).

Time (“ET”), which is the case today, or delay the opening of the security pursuant to the proposed Initial ETP Open process until Market Hours.⁶

This functionality is intended to support efficient price discovery by enabling ETP issuers to enter a halt on launch day, for a specified time period, after which the ETP can be manually opened. This proposed rule would enable ETP issuers to maximize the chances of more efficient price discovery on launch day while also ensuring there are safeguards for the opening price to protect investors against unexpected volatility in the pricing of the ETP. As proposed, an ETP’s initial price would be determined based on market interest and, similar to other auction processes, the matching of buy and sell orders in this auction would be open to all market participants.

Background

Today, ETPs open for trading on Nasdaq at 4:00 a.m. ET at the start of Pre-Market Hours where the ETP becomes available for buying and selling during that time period. This is the case for an ETP’s initial day of trading as well as any other trading day for the ETP. While the Exchange has not experienced issues with opening ETPs at 4:00 a.m. ET, ETP issuers have indicated to the Exchange their desire for a more high-touch launch day opening process for some ETPs, similar to the Exchange’s IPO opening process for corporate securities. Similar to the existing IPO process for corporate securities, the proposed process for ETPs would delay the opening of the security until Market Hours.

Today, securities of companies listing on Nasdaq in an IPO are halted pursuant to Equity 4, Rule 4120(a)(7) until such time as the conditions in 4120(c)(8) are satisfied,

⁶ The term "Market Hours" means the period of time beginning at 9:30 a.m. ET and ending at 4:00 p.m. ET (or such earlier time as may be designated by Nasdaq on a day when Nasdaq closes early). See Equity 1, Section 1(a)(9).

and the Exchange releases the IPO security for trading pursuant to the Nasdaq Halt Cross in Rule 4753.⁷ Prior to the cross execution, market participants may enter quotes and orders eligible for participation in the cross. Pursuant to Rule 4120(c)(8), prior to terminating the IPO halt, the security enters a Display Only Period during which indicative information about the potential outcome of the Nasdaq Halt Cross is displayed to market participants every second via the Order Imbalance Indicator,⁸ and during which market participants may continue to enter orders and quotes in that security in Nasdaq systems.⁹

Rule 4120(c)(8) further states that after the conclusion of the Display Only Period, the IPO security enters a “Pre-Launch Period” of indeterminate duration, during which indicative information continues to be disseminated,¹⁰ and market participants are able to submit and cancel orders as they are currently able to do so during the Display Only Period. The Pre-Launch Period ends and the security is released for trading by

⁷ In general, Equity 4, Rule 4120(a) sets forth Nasdaq’s authority to initiate trading halts or pauses in the circumstances specified thereunder. Equity 4, Rule 4120(c) then sets forth the various procedures for initiating and terminating such trading halts. Equity 4, Rule 4753 then sets forth procedures for the resumption of trading following various trading halts enumerated in Rule 4120(a). Specifically, Rule 4753(b) provides, in part, that for Nasdaq-listed securities that are the subject of a trading halt initiated pursuant to Rule 4120(a)(7) (i.e., the IPO halt), the Nasdaq Halt Cross shall occur at the time specified by Nasdaq pursuant to Rule 4120, and Market Hours trading would commence when the Nasdaq Halt Cross concludes.

⁸ “Order Imbalance Indicator” means a message disseminated by electronic means containing information about Eligible Interest and the price at which such interest would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information: (A) Current Reference Price, (B) the number of shares of Eligible Interest that are paired at the Current Reference Price, (C) the size of any Imbalance or Market Order Imbalance, as applicable, (D) the buy/sell direction of any Imbalance or Market Order Imbalance, as applicable, and (E) indicative prices at which the Nasdaq Halt Cross would occur if the Nasdaq Halt Cross were to occur at that time. See Rule 4753(a)(3).

⁹ Equity 4, Rule 4753(b)(1) provides that at the beginning of the Display Only Period and continuing through the resumption of trading, Nasdaq would disseminate by electronic means an Order Imbalance Indicator every second.

¹⁰ See Equity 4, Rule 4753(b)(1).

Nasdaq when the conditions described in paragraphs (c)(8)(A)(i), (ii), and (iii) of Rule 4120 are all met:

- Nasdaq receives notice from the underwriter of the IPO that the security is ready to trade. The Nasdaq system then calculates the Current Reference Price¹¹ at that time (the “Expected Price”) and displays it to the underwriter. If the underwriter then approves proceeding, the Nasdaq system will conduct two validation checks.
- First, the Nasdaq system must determine that all market orders will be executed in the Nasdaq Halt Cross; and
- Second, the security must pass the price validation test described in subparagraph (C) of Rule 4120(c)(8), which essentially provides that if the actual price calculated by the Nasdaq Halt Cross differs from the Expected Price by an amount in excess of a price band previously selected by the

¹¹ “Current Reference Price” means: (i) The single price at which the maximum number of shares of Eligible Interest can be paired. (ii) If more than one price exists under subparagraph (i), the Current Reference Price shall mean the price that minimizes any Imbalance. (iii) If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at which shares will remain unexecuted in the cross. (iv) If more than one price exists under subparagraph (iii), the Current Reference Price shall mean: (a) In the case of an IPO, the price that is closest to the Issuer’s Initial Public Offering Price; (b) In the case of the initial pricing of a security listing under Listing Rules IM-5315-1, IM-5405-1, or IM-5505-1, for a security that has had recent sustained trading in a Private Placement Market (as defined in Rule 5005(a)(34)) prior to listing, the most recent transaction price in that market or, if none, a price determined by the Exchange in consultation with the financial advisor to the issuer identified pursuant to Rule 4120(c)(9); (c) In the case of the initial pricing of a security listing under Listing Rule IM-5315-2, the price that is closest to the price that is 20% below (calculated as provided for in Listing Rule IM-5315-2) the lowest price of the price range disclosed by the issuer in its effective registration statement; (d) In the case of another halt type in which the security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the trading halt; (e) In the case of another halt type in which the security has not already traded during normal market hours on that trading day, the price that is closest to the previous Nasdaq Official Closing Price; and (f) In the case of the initial pricing of a security that traded in the over-the-counter market pursuant to FINRA Form 211 immediately prior to the initial pricing, the price that is closest to the most recent transaction price in that market. Notwithstanding the foregoing, the Order Imbalance Indicator will not include the Current Reference Price if there is a Market Order Imbalance. See Rule 4753(a)(3)(A).

underwriter, the security will not be released for trading and the Pre-Launch period will continue.

As provided in Rule 4120(c)(8)(A), the failure to satisfy these conditions during the process to release the security for trading would result in a delay of the release for trading of the IPO security, and a continuation of the Pre-Launch Period, until all conditions have been satisfied. Market participants may continue to enter orders and order cancellations for participation in the IPO Halt Cross during the Pre-Launch Period up to the point that the IPO Halt Cross auction process commences pursuant to Equity 4, Rule 4753(b).

The Exchange believes that the IPO opening process described above has worked well in the context of Nasdaq-listed corporate securities to provide fair executions for investors through an open and transparent process that protects against unexpected volatility in the pricing of an IPO security. Accordingly, the Exchange proposes to adopt a similar process for Nasdaq-listed ETPs. Unlike the IPO opening process, the Initial ETP Open will involve a Designated Liquidity Provider (“DLP”)¹² (i.e., the Nasdaq market maker for the ETP) instead of an underwriter, such that Nasdaq would display the Expected Price of the Nasdaq Halt Cross for the ETP to the DLP, who will select price bands to ensure that the actual calculated price at which the Nasdaq Halt Cross would occur does not deviate from the Expected Price by more than the selected price band amounts. Additionally, the Exchange is proposing to submit the ETP for validation

¹² Equity 7, Section 11(f)(2) provides that a “Designated Liquidity Provider” or “DLP” is a registered Nasdaq market maker for a Qualified Security (i.e., an ETP) that has committed to maintain minimum performance standards. A DLP shall be selected by Nasdaq based on factors including, but not limited to, experience with making markets in exchange-traded products, adequacy of capital, willingness to promote Nasdaq as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Nasdaq rules and securities laws. Nasdaq may limit the number of DLPs in a security, or modify a previously established limit, upon prior written notice to members.

checks at 9:45 a.m. ET at the latest without exception, whereas under the existing IPO process, the Exchange does not submit the IPO security for validation checks until the underwriter approves proceeding.

Proposal

The Exchange proposes to amend (1) Equity 1, Section 1(a) to add a new definition for “Exchange-Traded Products,” (2) Equity 4, Rule 4120(a) to provide the Exchange with explicit authority to declare a trading halt in a Nasdaq-listed ETP on its first day of trading, provided specified conditions are met, (3) Equity 4, Rule 4120(c) to add the process by which the Exchange will initiate and terminate the proposed trading halt for Nasdaq-listed ETPs, (4) Equity 4, Rule 4753(b) to include the proposed trading halt in the list of enumerated provisions that would be subject to the Nasdaq Halt Cross, and (5) Equity 7, Section 115(i) to specify that an ETP issuer may subscribe to the IPO Workstation at no cost.

The Exchange first proposes to add a new definition for “Exchange-Traded Products” in Equity 1, Section 1(a). Specifically, the Exchange proposes to add in new paragraph (15) that the term "Exchange-Traded Product" means a security listed on Nasdaq pursuant to Nasdaq Rules 5704, 5705, 5710, 5711, 5713, 5715, 5720, 5735, 5745, 5750 or 5760. The proposed definition aligns to the definition of “Qualified Securities” set forth in the Exchange’s Designated Liquidity Provider program in Equity 7, Section 114(f).¹³

¹³ As set forth in Equity 7, Section 114(f)(1), a security may be designated as a “Qualified Security” if: (A) it is an exchange-traded product listed on Nasdaq pursuant to Nasdaq Rules 5704, 5705, 5710, 5711, 5713, 5715, 5720, 5735, 5745, 5750 or 5760; and (B) it has at least one Designated Liquidity Provider.

In proposed Equity 4, Rule 4120(a)(15), the Exchange proposes to explicitly provide that the Exchange has authority to halt trading in a Nasdaq-listed ETP on its first day of trading, provided specified conditions are met. Specifically, proposed Rule 4120(a)(15) will provide that Nasdaq may halt trading in an ETP for which Nasdaq is the primary listing market on the first day of trading, provided that (i) the issuer of the ETP being listed opts into this process, and (ii) a broker-dealer serving in the role of DLP to the issuer of the ETP being listed is willing to perform the functions under this Rule. The proposed Initial ETP Open will be offered on an optional basis such that an ETP issuer would have the option on the ETP's initial launch day of opening the ETP at 4:00 a.m. ET (i.e., the current process), or delaying the opening until Market Hours with the new Initial ETP Open process. The Exchange notes that certain ETP issuers may want to open at 4:00 a.m. ET on launch day instead of delaying the opening until Market Hours as proposed hereunder because of the availability for earlier buying and selling in the ETP. Other ETP issuers may seek to use the Initial ETP Open to delay the opening of the ETP until Market Hours because of increased trading activity in the ETP and its underlying component securities, making pricing in the ETP potentially less volatile. The Exchange believes that ETP issuers, with their understanding of the ETP, are best situated to make the decision whether to open during pre-market or regular market hours, and therefore proposes to give them the option to choose one process over the other. The Exchange further believes that the DLP, with their market knowledge of the book and an understanding of the ETP, would be well placed to provide advice on when the ETP should be released for trading.

The Exchange proposes in new paragraph (c)(11) to Equity 4, Rule 4120 to add the process by which the Exchange will initiate and terminate the trading halt that is being proposed under Rule 4120(a)(15), as described above. Specifically, Nasdaq proposes under Equity 4, Rule 4120(c)(11)(A) that the process for halting and initial pricing of a Nasdaq-listed ETP that is the subject of an Initial ETP Open pursuant to Rule 4120(a)(15) and this Rule, respectively, will be available on an optional basis, provided that the conditions in Rule 4120(a)(15)(i) and (ii) above are met.¹⁴ Proposed Rule 4120(c)(11)(A) will also provide that the DLP is reminded that any activities performed under this Rule are to be conducted in a manner that is consistent with the federal securities laws, including Regulation M and other anti-manipulation requirements.

Proposed Rule 4120(c)(11)(B) will set forth the process and conditions for terminating a trading halt initiated under proposed Rule 4120(a)(15), which will be similar to the existing IPO opening process in Rule 4120(c)(8) in the manner discussed below. Similar to the current IPO opening process, the ETP would enter a 10-minute Display Only Period prior to the termination of the halt, during which (and up until the resumption of trading) indicative information about the potential outcome of the Nasdaq Halt Cross that will be conducted for the ETP will be displayed to market participants every second through an Order Imbalance Indicator,¹⁵ and during which market participants may continue to enter orders, quotes, and cancellations in that ETP in Nasdaq systems.

¹⁴ As discussed above, the conditions in proposed Rule 4120(a)(15)(i) and (ii) provide that Nasdaq may halt trading in an ETP for which Nasdaq is the primary listing market on the first day of trading, provided that (i) the issuer of the ETP being listed opts into this process, and (ii) a broker-dealer serving in the role of DLP to the issuer of the ETP being listed is willing to perform the functions under this Rule.

¹⁵ See supra note 8.

Specifically, proposed Rule 4120(c)(11)(B) will provide that a trading halt initiated under Rule 4120(a)(15) shall be terminated when Nasdaq releases the security for trading and the conditions described in sub-paragraphs (B)(i) – (iii) are satisfied.¹⁶ Prior to terminating the halt, there will be a 10-minute Display Only Period during which market participants may enter quotes and orders in that security in Nasdaq systems. Before the Display Only Period begins and once the security is set up in the Nasdaq system during Pre-Market Hours, market participants may enter orders in a security that is the subject of an Initial ETP Open on Nasdaq.¹⁷ Such orders will be accepted and entered into the system.

Proposed Rule 4120(c)(11)(B) will also provide that after the conclusion of the 10-minute Display Only Period, the security will enter a "Pre-Launch Period." Similar to the IPO opening process discussed above, the Exchange would continue to disseminate throughout the Pre-Launch Period (and up until the resumption of trading) an Order Imbalance Indicator every second.¹⁸ Market participants would also be able to submit and cancel interest during the Pre-Launch Period for the Initial ETP Open as they do today during the Pre-Launch Period for an IPO opening process. Proposed Rule 4120(c)(11)(B) will further provide that the Pre-Launch Period shall end and the security shall be released for trading by Nasdaq when the following conditions in proposed sub-paragraphs (B)(i) – (iii) are all met:

¹⁶ As discussed later in this filing, proposed sub-paragraphs (B)(i)-(iii) will set forth the conditions for when the Pre-Launch period will end and when the ETP will be released for trading.

¹⁷ Nasdaq will begin accepting orders in ETP securities when Nasdaq staff manually starts up the order window during Pre-Market Hours and before the Display Only Period.

¹⁸ See supra note 8.

- The ETP will be submitted for the validation checks pursuant to subparagraphs (B)(ii) and (iii) below by 9:45 a.m. ET at the latest. Prior to 9:45 a.m. ET, if Nasdaq receives notice from the DLP of the Initial ETP Open that the ETP is ready to trade,¹⁹ the Nasdaq system will calculate the Current Reference Price (as defined in Rule 4753(a)(3)(A)) at that time (the "Expected Price") and display it to the DLP.²⁰ If the DLP then approves proceeding, the Nasdaq system will conduct the validation checks in subparagraphs (B)(ii) and (iii) below before releasing the ETP for trading pursuant to the Nasdaq Halt Cross.²¹ If no notice is received by 9:40 a.m. ET, the Nasdaq system will calculate the Expected Price, and then conduct the validation checks in subparagraphs (B)(ii) and (iii) below before releasing the ETP for trading pursuant to the Nasdaq Halt Cross.²²

¹⁹ The Exchange notes that if the DLP instead notified Nasdaq that the ETP was not ready to trade, the Exchange would wait until 9:45 a.m. ET at the latest for the DLP to confirm that the ETP was ready, and once confirmation is received within that time frame, the Exchange would conduct the validation checks and open the ETP for trading pursuant to the Nasdaq Halt Cross once the validation checks were passed.

²⁰ See supra note 11. The Exchange will display the Expected Price (i.e., the Current Reference Price as defined in the Nasdaq Halt Cross rule in Rule 4753(a)(3)(A)) to the DLP and all market participants via the Order Imbalance Indicator.

²¹ Upon passing the validation checks, the Pre-Launch Period will end and Nasdaq will open the ETP for trading pursuant to the Nasdaq Halt Cross in Rule 4753. If the ETP does not pass the validation checks, the Pre-Launch Period will continue and Nasdaq will recommence another round of validation checks. This is an iterative process. The ETP will not open for trading until it passes the validation checks. Further, if the DLP does not approve proceeding, then the Nasdaq system will recalculate the Expected Price and display it to the DLP (and all other market participants) via Order Imbalance Indicator until the DLP approves proceeding to the Nasdaq system conducting the two validation checks in subparagraphs (B)(ii) and (B)(iii). Notwithstanding the foregoing, the ETP will be submitted for the validation checks by 9:45 a.m. ET at the latest. See Rule 4120(c)(8)(i) for similar provisions with respect to the underwriter and the IPO opening process, except the Exchange is proposing to submit the ETP for validation checks by 9:45 a.m. ET at the latest and is also proposing to add a scenario where Nasdaq receives no notice by 9:40 a.m. ET.

²² In this instance, the Exchange will conduct the validation checks in proposed subparagraphs (B)(ii) and (B)(iii) of Rule 4120(c)(11) at 9:40 a.m. ET, and then open the ETP for trading pursuant to the Nasdaq Halt Cross upon passing the validation checks .

As discussed above, by 9:45 a.m. at the latest, the Nasdaq system will conduct the following validation checks:

- First, the Nasdaq system must determine that all market orders will be executed in the Nasdaq Halt Cross; and²³
- Second, the security must pass the price validation test described below in proposed subparagraph (C) of Rule 4120(c)(11).²⁴

Proposed subparagraph (C) of Rule 4120(c)(11) will provide that prior to the conclusion of the Pre-Launch Period, the DLP may select price bands for purposes of applying the price validation test.²⁵ Under the price validation test, the System compares the Expected Price with the actual price calculated by the Nasdaq Halt Cross. If the actual price calculated by the Nasdaq Halt Cross differs from the Expected Price by an amount in excess of the price band, the security will not be released for trading and the Pre-Launch Period will continue. The DLP may select an upper price band (i.e., an amount by which the actual price may not exceed the Expected Price) and a lower price band (i.e., an amount by which the actual price may not be lower than the Expected Price). If a security does not pass the price validation test, the DLP may, but is not required to, select different price bands before recommencing the process to release the security for trading.

²³ The intent of this restriction is to ensure that if a market participant enters an order offering to buy or sell in the Nasdaq Halt Cross at any price, the cross should not occur unless all such orders can be executed. The Exchange notes that the IPO opening process has an identical restriction for the same reasons. See Rule 4120(c)(8)(A)(ii).

²⁴ See Rule 4120(c)(8)(A)(iii) for identical provisions.

²⁵ The DLP can select the price bands at any time before or during the Display Only Period or Pre-Launch Period, and can modify them at any time prior to the conclusion of the Pre-Launch Period. As discussed later in this filing, DLPs may choose price bands within the range of \$0.00 to \$0.50. If the DLP does not select any price bands, the default bands will be set at \$0.00.

For example, assume that the Expected Price for the Nasdaq Halt Cross shown to the DLP was \$32 per share, and the DLP selected an upper price band of \$0.10 and a lower price band of \$0.05. In that case, the actual price calculated by the system for the cross could not be higher than \$32.10 nor lower than \$31.95.

The price bands available for selection shall be in such increments, and at such price points, as may be established from time to time by Nasdaq; the available price bands shall include \$0 but shall not be in excess of \$0.50. The initial available price bands will range from \$0 to \$0.50, with increments of \$0.01. Thus, the DLP may select a price band of \$0 (i.e., no change from the Expected Price would be permitted in this instance), \$0.01, \$0.02, or any other \$0.01 increment up to \$0.50. The DLP may select different price bands above and below the Expected Price. The Exchange reserves the right to stipulate wider increments (such as \$0.05) or price bands that include certain price points but exclude others (for example, increments of \$0.01 up to \$0.10, and increments of \$0.05 thereafter). However, the Exchange will not (in the absence of the submission of a proposed rule change) allow price bands wider than \$0.50, as proposed in Rule 4120(c)(11)(C). Nasdaq will notify member organizations and the public of changes in available price band or increments through a notice that is widely disseminated at least one week in advance of the change. In selecting available price bands and increments, Nasdaq will consider input from DLPs and other market participants and the results of past usage of price bands to adopt price bands and

increments that promote efficiency in the initiation of trading and protect investors and the public interest.²⁶

Similar to the IPO opening process, the failure to satisfy the conditions in proposed Rule 4120(c)(11)(B)(i) – (iii) during the process to release the security for trading will result in a delay of the release for trading of the Initial ETP Open, and a continuation of the Pre-Launch Period, until all conditions have been satisfied.²⁷ Thus, if the conditions have not been satisfied, the Pre-Launch Period would continue seamlessly, with members able to continue to enter or cancel orders. The ETP would then repeat the process for release until such time the conditions required for launch (i.e., proposed Rule 4120(c)(11)(B)(i) – (iii)) were satisfied). Thus, the DLP would be shown the applicable Expected Price, and the ETP would launch if all market orders would be executed and the price validation in proposed Rule 4120(c)(11)(C) was satisfied. This process can continue until 9:45 a.m. ET, at which point the ETP would open pursuant to the Nasdaq Halt Cross upon passing the validation checks. The Exchange believes that opening the ETP at 9:45 a.m. ET with no exceptions is appropriate because by that time, the DLP would be expected to step in and respond to any excess demand, and any excess volatility in the ETP would be protected against through the proposed validation checks. In addition, unlike an IPO where only the underwriter may provide markets in the corporate security on the first day of trading, other liquidity providers in addition to the DLP may step in and begin providing markets in an ETP on its first day of trading, which could further promote price stability in the ETP. Similar to the IPO opening process, a DLP

²⁶ See proposed Rule 4120(c)(11)(C), which is similar to Rule 4120(c)(8)(B). The Exchange is proposing to add language about reserving the right to use wider bands, which is also true for the IPO process today even though the current IPO rule is silent in this regard.

²⁷ See proposed Rule 4120(c)(11)(B), which is similar to Rule 4120(c)(8)(A).

would be able (but not required) to select different price bands for each attempt to launch the ETP. Thus, a DLP might select an upper and a lower band of \$0 initially, such that the security would not launch unless the calculated price equaled the Expected Price. If the security did not pass the validation check, however, the DLP could subsequently choose to widen the price bands to allow the Initial ETP Open to proceed at a price that might vary from the Expected Price. Such price deviations are possible because market participants may continue to enter and cancel orders during the period between the display of the Expected Price to the DLP and the commencement of Nasdaq Halt Cross. Nasdaq may determine at any point during the cross auction process up through the conclusion of the Pre-Launch Period to postpone and reschedule the Initial ETP Open.²⁸ Market participants may continue to enter orders and order cancellations for participation in the cross auction during the Pre-Launch Period up to the point that the cross auction process commences.²⁹

The Exchange notes that the DLP's involvement in timing the commencement of trading in the ETP is consistent with the underwriter's involvement in the existing IPO opening process. Similar to the underwriter in an IPO, the Exchange believes that the DLP, with their market knowledge of the book and an understanding of the security, would be well placed to provide advice on when the ETP should be released for trading.

²⁸ See proposed Rule 4120(c)(11)(B), which is similar to Rule 4120(c)(8)(A), except the Exchange is not adopting language that provides that it would consult with the underwriter to postpone and reschedule the IPO. This language is designed to allow IPOs to be postponed and rescheduled because the underwriter, for example, did not think the corporate security was ready to trade, or Nasdaq had to postpone and reschedule the IPO due to a market event or system disruption. As discussed above, the Exchange is proposing to open the ETP at 9:45 a.m. ET at the latest, even if the DLP does not indicate that the ETP is ready to trade. However, the Exchange would like to retain the ability to postpone and reschedule the proposed Initial ETP Launch in the event of a serious market event or system disruption.

²⁹ See proposed Rule 4120(c)(11)(B), which is similar to Rule 4120(c)(8)(A).

Accordingly, the Exchange believes it is in the best interest of the market to give DLPs input into the timing of when to proceed with opening the ETP via the Nasdaq Halt Cross to help ensure the fair and orderly launch of trading in the ETP. The proposed language allowing the DLP to postpone and reschedule the Initial ETP Open with the concurrence of Nasdaq is designed to allow flexibility if unforeseen market or system events make it inadvisable to proceed with the Initial ETP Open.

The Exchange is also proposing to update Rule 4753(b) to include proposed Rule 4120(a)(15) in the list of enumerated provisions that would be subject to the Nasdaq Halt Cross. As such, any ETP that is subject to the Initial ETP Open will be opened using the Nasdaq Halt Cross for trading during Market Hours.

Lastly, the Exchange proposes to amend Equity 7, Section 115, which sets forth pricing for various Nasdaq services such as the Nasdaq IPO Workstation. Today, the Nasdaq IPO Workstation provides subscribing member firms with access to the IPO Indicator service, which provides information on orders that would be received in an IPO during the launch process. This tool assists subscribing member firms in monitoring their orders in the Nasdaq Halt Cross leading up to the launch of an IPO.³⁰ The IPO Indicator provides the same information in the Order Imbalance Indicator³¹ together with information about the subscribing member firms on Nasdaq in the IPO security. The IPO Indicator allows the subscriber to select an IPO security by ticker and see the Current Reference Price, the number of paired shares, and the number of imbalance shares during the Display Only and Pre-Launch Periods. The subscriber can also see the total number

³⁰ See Securities Exchange Act Release No. 74041 (January 13, 2015), 80 FR 2762 (January 20, 2015) (SR-NASDAQ-2014-110) (Order Approving a Proposed Rule Change to Offer the New IPO Workstation).

³¹ See supra note 8.

of IPO shares the member firm has entered for execution in the IPO Halt Cross, the nature of such shares (buy or sell), and the number of IPO shares that would be executed in the Nasdaq Halt Cross at that time for each of those categories. A subscriber can also access further detail on its IPO shares presented by individual order or order block, which will include the number of IPO shares in a particular order or order block, the number and percentage of IPO shares of the order or order block that would be executed in the Nasdaq Halt Cross if it occurred at any given time in the process, based on the Order Imbalance Indicator disseminated every second, and the price at which the order or order block was submitted. As such, the IPO Indicator provides member firms with information consistent with what Nasdaq currently disseminates during the IPO opening process, but as it relates to the member firm's orders and in greater detail.

The Exchange now proposes to offer this tool to subscribing member DLPs and non-member ETP issuers so that they may receive similar information described above for the ETP securities subject to the Initial ETP Open.³² Today, member firms may subscribe to the Nasdaq IPO workstation at no cost.³³ DLPs are member firms, so they would also be able to subscribe to the Nasdaq IPO workstation at no cost to access the IPO Indicator under this proposal. The Exchange proposes in new paragraph (k) to Equity 7, Section 115 that an ETP issuer may likewise subscribe to the IPO Workstation at no cost so that they may receive similar information on orders in the proposed Initial ETP Open.

³² The DLP and ETP issuer would receive the information described above for the IPO Indicator on a consolidated basis and not on an individual member firm's order basis.

³³ See Equity 7, Section 115(i).

Implementation

To implement this proposal, Nasdaq will release an Equity Trader Alert no later than the second quarter of 2025 announcing the implementation date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,³⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,³⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The proposed rule change aims to protect investors and the public interest by strengthening safeguards against unexpected volatility in the pricing of ETPs on their launch day.

The proposed rule change achieves these goals by offering an optional new issuer halt that enhances the price discovery process for ETPs on their initial day of trading. This function is similar to the IPO opening process in Rules 4120(a)(7), 4120(c)(8), and 4753, which has proven effective in managing price discovery for newly listed securities. While the IPO opening process currently provides protection by ensuring the final price does not deviate from recent indicative prices beyond set price band thresholds (such a \$0.50 change), similar safeguards are required to ensure stability and investor confidence in ETP pricing upon launch.

The Exchange believes that its proposal to offer optional functionality to permit ETP issuers the ability to open on launch day by entering into a new issuer halt would maximize the chances of more efficient price discovery and remove impediments to and

³⁴ 15 U.S.C. 78f(b).

³⁵ 15 U.S.C. 78f(b)(5).

perfect the mechanism of a free and open market and a national market system and, in general, protect investors because the initial sale price would be based on market interest and the matching of buy and sell orders in an auction would be open to all market participants. Today, the ETP would simply open for trading at 4:00 a.m. ET during Pre-Market Hours at an initial price that is based on the ETP's Net Asset Value, as provided by the ETP issuer to Nasdaq. Accordingly, the Exchange believes that the proposed process would provide safeguards for the opening price of the ETP that is based on additional market information thereby protecting investors and the public interest.

Although the Exchange is providing ETP issuers the discretion to elect either the current process or the new proposed process, the Exchange believes that each price discovery process is designed to arrive at an opening price that represents the price for the underlying ETP. In particular, Nasdaq believes that the change will facilitate the commencement of orderly trading in ETPs on their first day of trading, by providing the DLP with flexibility throughout the initial launch process to allow order entry and the development of price stability prior to opening. The Exchange also believes that it is reasonable and appropriate to use the Nasdaq Halt Cross process under Rule 4753 to open trading in the ETP (upon passing the validation checks) because it is consistent with the process that is used by Nasdaq when opening an IPO security. It will ensure that the process for resuming trading following the Initial ETP Launch is consistent with other types of halts initiated by Nasdaq, including the IPO halt.

The Exchange also believes that it is reasonable, equitable and not unfairly discriminatory to offer the IPO Workstation to all subscribing DLP member firms and non-member ETP issuers at no cost because they will be provided with more information

regarding orders submitted for participation in the Initial ETP Open, similar to the IPO process as discussed above. Both the DLP and ETP issuer would be able to subscribe for this tool for the Initial ETP Open at no cost, just as all subscribing member firms do today for IPOs.

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. Specifically, the change will not affect the ability of market participants to participate fully in an ETPs launch day because it is an optional functionality that permits ETPs to enter into a new issuer halt on its launch day, for a specified time period, and then manually open. Rather, the change is designed to promote stability and reduce volatility in the pricing of the ETP on its launch day, and therefore does not impose any restriction on competition. In particular, the Exchange believes that the optional initial launch process will enhance the competitiveness of its process for initial pricing of ETPs without imposing any burdens on the ability of DLP or other market participants to participate in that process.

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-2025-011 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-2025-011. 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-2025-011 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.³⁶

Sherry R. Haywood,

Assistant Secretary.

³⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

THE NASDAQ STOCK MARKET LLC RULES

* * * * *

Equity 1 Equity Definitions

Section 1 Equity Definitions

(a) When used in the Equity Rules, unless the context otherwise requires:

* * * * *

(15) The term "Exchange-Traded Product" means a security listed on Nasdaq pursuant to Nasdaq Rules 5704, 5705, 5710, 5711, 5713, 5715, 5720, 5735, 5745, 5750 or 5760.

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Equity 4 Equity Trading Rules

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4120. Limit Up-Limit Down Plan and Trading Halts

(a) Authority to Initiate Trading Halts or Pauses

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

* * * * *

(15) may halt trading in an Exchange-Traded Product ("ETP") for which Nasdaq is the primary listing market on the first day of trading, provided that (i) the issuer of the ETP being listed opts into this process, and (ii) a broker-dealer serving in the role of Designated Liquidity Provider ("DLP") to the issuer of the ETP being listed is willing to perform the functions under this Rule.

* * * * *

(c) Procedure for Initiating and Terminating a Trading Halt

* * * * *

(11) Initial ETP Open

(A) The process for halting and initial pricing of a Nasdaq-listed ETP that is the subject of an Initial ETP Open pursuant to Rule 4120(a)(15) and this Rule, respectively, will be available on an optional basis, provided that the conditions in Rule 4120(a)(15)(i) and (ii) above are met. The DLP is reminded that any activities performed under this Rule are to be conducted in a manner that is consistent with the federal securities laws, including Regulation M and other anti-manipulation requirements.

(B) A trading halt initiated under Rule 4120(a)(15) shall be terminated when Nasdaq releases the security for trading and the conditions described in subparagraphs (B)(i) – (iii) below are satisfied. Prior to terminating the halt, there will be a 10-minute Display Only Period during which market participants may enter quotes and orders in that security in Nasdaq systems. Before the Display Only Period begins and once the security is set up in the Nasdaq system during Pre-Market Hours, market participants may enter orders in a security that is the subject of an Initial ETP Open on Nasdaq. Such orders will be accepted and entered into the system.

After the conclusion of the 10-minute Display Only Period, the security will enter a "**Pre-Launch Period.**" The Pre-Launch Period shall end and the security shall be released for trading by Nasdaq when the following conditions are all met:

(i) The ETP will be submitted for the validation checks pursuant to subparagraphs (B)(ii) and (iii) below by 9:45 a.m. ET at the latest. Prior to 9:45 a.m. ET, if Nasdaq receives notice from the DLP of the Initial ETP Open that the ETP is ready to trade, the Nasdaq system will calculate the Current Reference Price (as defined in Rule 4753(a)(3)(A)) at that time (the "**Expected Price**") and display it to the DLP. If the DLP then approves proceeding, the Nasdaq system will conduct the validation checks in subparagraphs (B)(ii) and (iii) below before releasing the ETP for trading pursuant to the Nasdaq Halt Cross. If no notice is received by 9:40 a.m. ET, the Nasdaq system will calculate the Expected Price, and then conduct the validation checks in subparagraphs (B)(ii) and (iii) below before releasing the ETP for trading pursuant to the Nasdaq Halt Cross. By 9:45 a.m. ET at the latest, the Nasdaq system will conduct the following validation checks:

(ii) The Nasdaq system must determine that all market orders will be executed in the Nasdaq Halt Cross; and

(iii) the security must pass the price validation test described below in subparagraph (C).

The failure to satisfy these conditions during the process to release the security for trading will result in a delay of the release for trading of the Initial ETP Open, and a continuation of the Pre-Launch Period, until all conditions have been satisfied.

Nasdaq may determine at any point during the cross process up through the conclusion of the Pre-Launch Period to postpone and reschedule the Initial ETP Open. Market participants may continue to enter orders and order cancellations for participation in the cross auction during the Pre-Launch Period up to the point that the cross auction process commences.

(C) Prior to the conclusion of the Pre-Launch Period, the DLP may select price bands for purposes of applying the price validation test. Under the price validation test, the System compares the Expected Price with the actual price calculated by the Nasdaq Halt Cross. If the actual price calculated by the Nasdaq Halt Cross differs from the Expected Price by an amount in excess of the price band, the security will not be released for trading and the Pre-Launch Period will continue. The DLP may select an upper price band (i.e., an amount by which the actual price may not exceed the Expected Price) and a lower price band (i.e., an amount by which the actual price may not be lower than the Expected Price). If a security does not pass the price validation test, the DLP may, but is not required to, select different price bands before recommencing the iterative process to release the security for trading. The price bands available for selection shall be in such increments, and at such price points, as may be established from time to time by Nasdaq; the available price bands shall include \$0 but shall not be in excess of \$0.50. The Exchange reserves the right to stipulate wider increments (such as \$0.05) or price bands that include certain price points but exclude others (for example, increments of \$0.01 up to \$0.10, and increments of \$0.05 thereafter). However, the Exchange will not (in the absence of the submission of a proposed rule change) allow price bands wider than \$0.50, as proposed in Rule 4120(c)(11)(C). Nasdaq will notify member organizations and the public of changes in available price band or increments through a notice that is widely disseminated at least one week in advance of the change. In selecting available price bands and increments, Nasdaq will consider input from DLPs and other market participants and the results of past usage of price bands to adopt price bands and increments that promote efficiency in the initiation of trading and protect investors and the public interest.

* * * * *

4753. Nasdaq Halt Cross

* * * * *

(b) Processing of Nasdaq Halt Cross. For Nasdaq-listed securities that are the subject of a trading halt or pause initiated pursuant to Rule 4120(a)(1), (4), (5), (6), (7), (11)₂ [or] (14), or (15), the Nasdaq Halt Cross shall occur at the time specified by Nasdaq pursuant to Rule 4120, and Market hours trading shall commence when the Nasdaq Halt Cross concludes.

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Equity 7 Pricing Schedule

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Section 115. Ports and Services†

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(i) Nasdaq IPO Workstation

The Nasdaq IPO Workstation provides subscribing member firms with access to the IPO Indicator service, which provides information on order execution that would be received in an IPO during the launch process. A member firm may subscribe to the IPO Workstation at no cost.

* * * * *

(k) An ETP issuer may subscribe to the IPO Workstation at no cost.

* * * * *