

"Nasdaq Speaks: Latest Developments & Interpretations"

Thursday, September 6, 2018

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Join us for our regular webcast regarding what is happening at Nasdaq. During this webcast, senior Nasdaq Staffers will provide a wide range of practical guidance, from what are the latest rule changes to what are the latest Staff interpretations, and much more.

Join these experts:

- **John Zecca**, General Counsel North America and Chief Regulatory Officer
- **Arnold Golub**, Vice President & Deputy General Counsel, Nasdaq Listing Qualifications
- **Lisa Roberts**, Vice President, Nasdaq Listing Qualifications
- **Nikolai Utochkin**, Counsel, Nasdaq Listing Qualifications

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Liz Dunshee, *Editor, TheCorporateCounsel.net*: Hi, this is Liz Dunshee, Editor at TheCorporateCounsel.net. Welcome to our regular "Nasdaq Speaks" webcast. I know a lot of people are looking forward to hearing about the latest developments.

I want to welcome our speakers from Nasdaq today and thank them for participating. I will turn it over to Arnold Golub for full introductions.

[Introductions](#)

Arnold Golub, *Vice President & Deputy General Counsel, Nasdaq Listing Qualifications*: Thanks

Liz, and thanks to everyone who's listening. I'm Arnold Golub, head of Nasdaq's Listing Qualifications Department. We are responsible for the initial qualification of companies that want to list on Nasdaq and the ongoing monitoring of companies once they are listed.

We are pleased to do this program to highlight some of the recent initiatives at Nasdaq and the rule changes that we've been working on. We will try to give some practice pointers for those that interact with the Nasdaq regulatory team. Lastly, we will discuss the technology that Nasdaq makes available, to hopefully make your interactions with us easier.

I'm joined today by three of my colleagues. First is John Zecca, who was recently named Nasdaq's General Counsel of North America and is head of Nasdaq Regulation for U.S. markets.

John previously served as legal counsel to an SEC Commissioner and then worked in the SEC's Office of General Counsel. He also did transactional work as outside counsel.

Also with me today is Nikolai Utochkin who works in Nasdaq's Listing Qualifications Department as the Listing & Governance Counsel. Nikolai's primary responsibility is reviewing companies' transactions for compliance with our shareholder approval and voting rights rules and other listing standards. Nikolai also works with the SEC on changes to those rules.

Last, but not least, is Lisa Roberts. Lisa leads the technology development team that supports our listing regulations program and will be talking about some of the exciting things that we're doing with technology.

Nasdaq itself is a public company and we are also listed on Nasdaq. So we eat our own cooking, and are deeply focused on the public company model. We also regulate, and our primary mission is to protect investors. To talk about both of those areas, I'm going to turn it over to John.

Current Surveys & Initiatives

John Zecca, *Senior Vice President, General Counsel North America and Chief Regulatory Officer, Nasdaq*: Thanks Arnold. Thank you all for joining. I'd like to welcome our listed companies and others that focus on this space.

As Arnold mentioned, we're a listed company. That's very important. But our highest calling in many ways is representing the 3,000 public companies that have chosen to list with Nasdaq. One of the important parts of that is information sharing, which is really a two-way flow of information.

On the one hand, we obviously have some of the largest companies in the world listed on Nasdaq. We also have a number of smaller companies that may not have access to the same size teams to understand some of the changes or advocate for some of the changes going on with regulators in Washington D.C. Also, they may not have as much access to some of the information that's critical to the corporate governance side of their operation.

We try to provide that, and this is an important forum to do that. We will talk about some other ways that we try to interact with our companies.

On the other hand, we also believe there's a lot of important information that the listed companies have, which is relevant to us as we come up with the listing standards that apply to companies. It's also very relevant to government regulators. Often, the SEC and other regulators do not have the same exposure to some of these companies - particularly ones that are located outside of the Washington area.

One of our goals is always to try to solicit information from our listed companies that can be relevant to policymakers. I wanted to highlight two surveys that we have with our listed companies.

One that is outstanding right now is our annual proxy season survey, where we get information on the prior proxy season and interaction our companies have had with proxy advisors, other entities, and interested parties. That helps frame the information in the public forum on how the proxy process is going, as we will discuss in a minute. That's particularly critical right now since the SEC announced that it is turning its attention to the proxy process.

The second survey, which isn't out yet (but please look for it coming), is on some of the disclosure standards and the exemptions that currently exist under securities law, such as the emerging growth company and smaller reporting company designations. We're seeking information from listed companies on when they use these exemptions; how successful they have been; situations where they may not have used them; and situations where the industry that they're in does not use certain exemptions.

Again, given the focus the SEC has right now on trying to harmonize some of the standards, we think this information could be helpful to the SEC as they frame a path forward in the regulatory space.

We also think this data is especially critical for a project that we've been working on for about a year now. It's a plan to revitalize the public company model in the U.S., and address some of the concerns about the reduction in the number of public companies and the impact this may be having on the ability of retail investors or "main street" investors to invest in the earlier-stage companies, including many probably represented on this webcast, that in prior years went public at an earlier stage in their lifecycle and therefore offered more opportunities through mutual funds and other vehicles for retail investors to participate. If these companies stay private longer, there's a risk that will not be available.

So, we look for information from our listed companies. We distilled the "revitalize" plan into three areas. One of which is regulatory reform and reducing the burdens on listed companies.

The second was strengthening long-termism and finding ways to address some of the concerns that public companies have about the short-term cycle and the need to meet earnings expectations, which can cause companies and investors to not necessarily focus on the long-term and allow the company model to succeed. That may be a reason why companies are staying private.

The third was market structure reforms, particularly changes that might assist the trading of smaller company securities where there's currently less liquidity.

Currently, that liquidity is spread across about 50 venues, some exchanges and some off-exchange venues. The thought is to try to concentrate that liquidity in one place to improve the trading experience, and hopefully the pricing, of these securities.

The revitalize plan has been very successful. It does dovetail nicely with a lot of the thinking coming out of the SEC right now under the comparatively new Chair, Jay Clayton. We think it's going to be a very important year coming up for the Chair and the SEC in addressing some of these issues.

First, he has indicated that he's very focused on rationalizing the disclosure exemptions. There are

competing standards under the securities laws as they exist today; some companies may be in one bucket but not in another. He does seem interested in looking at those standards, which is why that survey information may be very handy.

The second one is the proxy process. The SEC has announced that they will be conducting a roundtable on a number of issues related to proxies that we think our listed companies care about. This includes the proxy advisory firms, shareholder proposals & shareholder access, and proxy plumbing.

Chair Clayton has indicated his concern about the relatively low level of retail participation in the voting process. All of these things will be part of a roundtable later this year. The SEC issued a concept released back in 2010 on this, but hasn't taken much action since then. It's highly possible that a lot will come out of this in the form of changes to regulation. We certainly want to be involved in the discussion and to represent listed companies in that.

Separately, there's another roundtable by the Investor Advisory Committee, which is a standing committee established by the SEC. They have a meeting on proxy plumbing coming up on September 13th.

That one is more focused on the proxy plumbing. It'll cover the director nominee process, complexities of the current voting system, and potential for technology - including perhaps blockchain - to reduce some of the bottlenecks in the current system, which clearly is very complicated.

We are asked to be able to participate in that. We do think in this entire area there is a lot going on.

Nasdaq Regulation

I did want to cover one other issue, which are changes we made to our structure to make it easier for our listed companies and others to interact with us on the regulatory side.

Nasdaq has a lot of regulatory programs. The listing program, which we're obviously focused on today, is one example. We also do a lot of market surveillance. There are real-time groups that companies need to reach out to in order to alert us to material news, which may result in a trading halt. You may also hear from our surveillance group if there's unusual trading activity in your stock.

Those groups have always been part of a loose regulatory group. We've reconstructed that as Nasdaq Regulation. Lisa is going to talk about some of the changes we've made to our websites to make it easier for companies and others to get information, forms and get in touch with various parts of the regulatory team when they need to.

Again, we look forward to trying to making this as easy for you as possible and to put everything in one spot.

Any feedback over time is obviously appreciated. With that, Arnold, I'll turn it back over to you.

Golub: All right, thanks John. I'm turning it over to Nikolai now to talk about some of our recent rule proposals.

Rule Proposal: Shareholder Approval for Stock Issuances

Nikolai Utochkin, *Listing & Governance Counsel, Nasdaq Listing Qualifications*: Thank you

Arnold, and thanks to everyone who's listening to us. I will update our listeners on two rule filings. One related to Special Purpose Acquisition Companies ("SPACs"), and the other relates to amending shareholder approval requirements for listed companies.

First, I'll go over the shareholder approval rule. Currently, Listing Rule 5635(d) requires a Nasdaq listed company to obtain shareholder approval when issuing common stock or securities convertible into common stock - which alone or together with sales by officers, directors, or substantial shareholders of the company is equal to 20% or more of the shares outstanding - at a price less than greater of the book or market value of the stock. Listing Rule 5005 defines market value as closing bid price.

On January 30, 2018, Nasdaq filed with the SEC a proposed rule change. The proposed rule will change the definition of market value for purposes of the shareholder approval rules and eliminate the requirement for shareholder approval of issuances at a price less than book value but greater than market value.

Specifically, Nasdaq proposes to modify the measure of market value from the closing bid price, as is currently required, to the lower of the closing price or the average closing price for five trading days immediately preceding the signing of the binding agreement.

We see the benefit from the proposed rule primarily as reducing the burden of compliance imposed by the rules that are not valuable to shareholders. Specifically, Nasdaq believes the book value is not an appropriate measure of whether a transaction is dilutive or should otherwise require shareholder approval.

The forces of a free and open marketplace determine the fair market value of a security, based on all publicly available information about the issuer of the security. This includes in large part the company's financial position. Book value is but one point in the myriad of financial data points; and is already incorporated into the market value of the security. Therefore, we believe that the book value requirement can be eliminated without sacrificing the crucial investor protection of the shareholder approval rule.

Further, Nasdaq believes that the closing price is a more accurate measure of market price than the closing bid price because the closing price is the Nasdaq official closing price. It is derived from the closing auction that can reflect the actual sale price at one of the most liquid times of the day.

Finally, we believe that the five-day average closing price is a reasonable alternative to determining market value of a security for purposes of the shareholder approval requirement. The proposed change to allow such five-day average of the closing price will provide benefits for companies and their shareholders.

Effectively, the proposed rule allows companies the flexibility and certainty of completing transactions by accepting the lower of the average closing price for five days or the closing price immediately preceding the binding agreement.

For example, currently if a company were negotiating a deal, they could not offer a five-day average price because of the uncertainty as to whether such price will end up being below or above market. This rule will eliminate such uncertainty.

Procedurally, as I mentioned, the rule was filed in January. During the first comment period, the SEC received three positive comments. In May, however, the Commission instituted proceedings

to determine whether to approve or disapprove the rule and launched an additional public comment period asking some specific questions. Nasdaq filed a letter providing additional support for the proposal in answering those questions.

No other comment letters were submitted during the second comment period. We also filed a non-substantive clarifying amendment a couple weeks ago. The final action deadline for the commission is October 18th, although we hope that the SEC will approve the rule before then.

Golub: Nikolai, this is one area where Nasdaq has proceeded very cautiously. We're cognizant of the importance of this rule to investors.

The requirement imposed only on exchange-listed companies to obtain shareholder approval is enormously important to shareholders. As you mentioned, even before we filed this with the SEC, we went through two rounds of public comments on our own to make sure that the changes we made weren't detrimental to investors in the company or perceived negatively.

By the same token, this is one of the rules that is often most burdensome to companies, because it can delay needed financing and the ability to react quickly to market conditions. We're hopeful that these pending changes will strike just the right balance. And we're continuing to look at these rules for additional ways that we can ease burdens without eliminating necessary protections.

Rule Proposal: SPACs

Utochkin: That's right, thanks, Arnold. Another rule filing I will mention today relates to SPACs.

As you may know, in September of last year, Nasdaq filed a proposed rule change applicable to SPACs. It would modify the listing rules to reduce the number of round lot holders required for initial listing from 300 to 150 and eliminate the continued listing requirement for shareholders.

Nasdaq also proposed to codify a 30-day time period for a company merging with the SPAC to demonstrate that the company satisfies the initial listing shareholder test. The rule went through the entire SEC comment period and received several positive comments and one neutral comment but no negative comments.

Notwithstanding, about a week prior to the final deadline for the Commission to act on our proposal, the SEC informed us that they were planning to disapprove the proposed rule, primarily because of the concern that lowering the number of required shareholders may result in SPAC securities being more prone to manipulation or more easily manipulated. We therefore withdrew the proposal so that we can continue to think around this area and engage with the SEC.

Again, we continue to monitor developments in the SPAC area, and look for, innovative changes to ease unnecessary costs and burdens while maintaining important investor protection.

At this point, I will turn it to Arnold for an update on corporate bond listings.

Rule Proposal: Corporate Bond Listings

Golub: Yes. I'll mention one more pending rule filing relative to public companies in general and Nasdaq listed companies in particular. A few weeks ago, we filed a rule proposal to list, for the first time, corporate bonds on Nasdaq in the U.S.

Over time, we've seen more Nasdaq-listed companies issuing bonds and either wanting to or

needing to list those bonds on an exchange. We hope to bring a low-cost platform for these companies to list the bonds.

We've proposed a \$5,000 initial listing fee and a \$5,000 annual fee for listing bonds, which is significantly below other exchanges' listing cost for bonds. We would waive the initial listing fee as well as the annual fee for the initial year for any company that switches from another exchange.

While a U.S. bond exchange is a new initiative for Nasdaq, we have operated the bond markets in the Nordics for several years and now list over 1,000 bonds over six exchanges there.

This proposal has been published for comment by the SEC. We are working towards an end of the year launch, a December 2018 launch.

Initially, we'll only list the debt of companies that have their equities listed on Nasdaq. We anticipate extending that to non-Nasdaq listed companies next year. We will continue to provide updates about this initiative, as it advances, to companies on our websites.

New Listing Applications

Next, we're going to talk about some of our rules and common issues or problems we see and provide some practice pointers.

First, I'll note that we have seen a big increase in the number of new listings, with about a 75% increase in the number of IPOs versus last year. That's more than a 50% increase in the overall number of new operating companies added so far this year. We also continue to see a large number of new applications come in. The outlook for the rest of the year also looks busy.

With that background, I'd like to lead into our biggest request, which is for anyone filing an application for a new listing, please don't wait until you make your public filing with the SEC.

With more companies doing confidential filings over the last few years, it's important for companies to apply while they're still in that confidential process. We don't publicly disclose the receipt of an application or that you're considering an offering or a listing. There's no downside, and the more time we have to review the applications, the better service we can provide to you.

Listing of Additional Shares

Also we are seeing a record number of filings for the Listing of Additional Shares ("LAS"), which is coming on top of a similar increase in the number of filings last year.

Nikolai is going to talk about the LAS process now. The same advice applies. Please file the notification form as early as possible.

Utochkin: Speaking right where Arnold left off, I want to remind everyone that all companies listed on Nasdaq, except for companies listing ADRs only, are required to notify us at least 15 calendar days prior to certain transactions or events.

The most common trigger for the notification is a transaction that may result in a potential issuance of 10% or more of the company's outstanding shares. The rule is designed to allow the Nasdaq staff to review a pending transaction to make sure that it complies with all corporate governance requirements including shareholder approval and voting right rules. I'd like to note a few important specific points.

The LAS form is submitted to us in electronic formats through the Listing Center, which Lisa will discuss shortly, and may be updated subsequently as many times as needed.

Again, file early and provide as much information to us as you can. Then update the form as necessary as you progress.

Even if some fields cannot yet be completed, the form can be submitted with some information omitted to start the process and have us appraise the transaction.

As our current Transparency Report indicates, which is a report Arnold will describe shortly in more detail, last year, there were almost 40 transactions that could have violated Nasdaq rules if closed as initially structured.

This underscores the importance of submitting the form on time and allowing us to review a transaction before the terms are finalized. Amending a transaction post-closing is a very complex matter and often requires Nasdaq to issue letters that are subject to public disclosure.

Voting Rights Rule

The Nasdaq voting rights rule deserves a special note as well, because subsequent shareholder approval of the transaction that led to a violation of the voting rights rule will not remedy the violation.

Shareholders may not vote to disparately reduce their own voting rights. That means that if the transaction violates the voting rights rule and is closed, even if it's subsequently approved by shareholders, the problem remains and can only be remedied by amending the transaction.

Another reminder is that we cannot complete our review of the transaction without reviewing transaction documents. The form alone, as helpful as it is, does not provide all the necessary information we need.

We understand the drafting of transaction documents takes time but please provide us with meaningful drafts as soon as they are available so that we can start the process and help you close the transaction as quickly as possible.

Nasdaq Definition of "Public Offering"

Another practice pointer I'll briefly mention is an area where we spend a lot of our time talking to companies and their counsel. One of the most frequently asked questions we receive is whether a proposed transaction is a public offering under Nasdaq rules.

I want to remind everyone that Nasdaq's definition of a public offering differs from the SEC's definition. Our rule, IM-5635-3, provides certain factors that we look at including the type of offering, whether the company engaged a banker or is conducting an offering by itself, the manner in which the offering was marketed, the extent of the distribution and the offering price.

Those are the factors in the rule. There are some additional factors that we'll look at. For example, whether a transaction was announced. For a confidentially marketed public offering, we look to whether the transaction was announced before it was priced.

We also look to whether a transaction was marketed to retail investors. There's no requirement that retail investors participate. But we do expect that the public offerings will be marketed to retail

investors. And offerings of securities that are not available to retail investors, such as a Rule 144A offering of convertible notes, are not public offerings under Nasdaq rules regardless of the other factors.

We also look to the portion of the offering allocated to the largest purchaser. If the vast majority of the securities offered were allocated to one investor or a group of affiliated investors, it is more likely in our view that the offering price was derived through the direct negotiation with that investor rather than through the economics of price discovery attendant to the underwriter's book building process, which would be the linchpin of a public offering.

A rights offering is typically considered a public offering. You can review Interpretation Letter 2012-5.

"Bought deals" typically are not public offerings, although we have found in limited circumstances transactions that we determined to be public offering. Please contact us if you need to discuss this.

As for more typical transactions such as registered direct, confidentially marketed public offerings and at the market offerings, I want to remind everyone that the designation or the name of the transaction in and of itself does not dictate whether it's a public offering or not. The same public offering factors apply. However, we can make some generalizations, which I will mention now.

Registered direct typically are not public offerings because companies usually negotiate the transaction and issue the securities directly to the investors.

Now, confidentially marketed public offerings could be a public offering, like in Interpretation Letter 2009-13. This is where all the factors come into play and we will look to all the facts and circumstances to determine whether it is a public offering.

Also, at-the-market offerings, where the company enters into an agreement with the sales agent to sell securities directly into the existing trading market, typically is a public offering. There is an Interpretation Letter on that point as well, 2007-22. I do want to mention that many of the sales agreements provide that the sales agent may sell not just into the existing trading market in ordinary brokerage transactions but also in privately negotiated transactions. Unless that provision is limited to some extent, even at-the-market offering may not be a public offering.

At this point, I will turn this back to Arnold for some other reminders.

Dividend Notifications

Golub: Yes. I'd like to give a few reminders about the notification requirements to Nasdaq. The first of these relates to dividends.

Under Nasdaq rules, as well as SEC Rule 10b-17, companies are required both to give notice to Nasdaq and to provide public notice about a dividend, at least 10 calendar days before the record date for that dividend.

The notification to Nasdaq is done online through our Listing Center and allows us to establish the ex-date, which is the date that the market adjusts the price of the security to reflect who is entitled to receive the dividend.

It's important that the public notification also be done at least 10 calendar days in advance because we can't announce that ex-date until the company has disclosed that it declared the

dividend.

Many times, due to the timelines for a board meeting to approve dividends or other disclosures, or to tie the dividend notification into other disclosures, companies want to notify us timely but wait to make the public disclosure. That doesn't satisfy the rule or give the market sufficient notice to adjust.

So I'd ask that when you're planning your calendars for the year, for dividends and board meetings in particular, keep that 10-day notification requirement in mind.

Material News

Another of our notification requirements relates to the release of material news. Under Nasdaq rules, companies must disclose material news and can do so in any Regulation FD compliant manner.

Companies are also required to notify Nasdaq MarketWatch through our electronic disclosure system, which is available at Nasdaq.net. Companies must do that at least 10 minutes before releasing the news. This allows us to consider whether a trading halt is appropriate to allow dissemination of the news into the market. If MarketWatch thinks a trading halt is appropriate, they'll reach out to the company.

Increasingly, we're seeing companies use social media and other Regulation FD compliant means to disseminate news rather than the traditional press release. The same Nasdaq notification requirement applies, though.

Nasdaq rules accept Regulation FD compliant manners of disclosure of material news. But the same MarketWatch pre-notification requirement applies whether news is released to the public in a press release, in a Form 8-K, a blog post or in a tweet. Please keep that in mind, and make the notification to MarketWatch timely.

Transparency Report

The last thing I'll mention is a new annual resource that we started publishing last year. At Nasdaq, we try to maintain a transparent listing process with objective rules wherever possible. Also, we try to make it easy for you to find and understand our interpretations of those rules.

But as a regulator, we also have a primary obligation to protect investors and the public interest. Our rules give us some limited discretion to apply more stringent standards in light of that obligation.

We realize that for lawyers counseling companies and executives at companies seeking certainty when making their plan, this discretion can be scary. We wanted to add more transparency to how we use and apply that discretion.

Last year, we started publishing an annual report, which we call the Transparency Report. In it we describe instances where Nasdaq relied upon the discretion in our rules as the basis for the listing decision.

In addition, we described instances where Nasdaq shortens timeframes that are otherwise available to a company, such as the times they submit a compliance plan.

Last, because it can be opaque as to what types of transactions we've not allowed, we describe instances where companies made significant changes to transactions to comply with the rules based on comments that they received from Nasdaq during our review of the Listing of Additional Shares Notification form.

We hope that the summaries in the Transparency Report will help companies understand the application of our rules and our use of discretion and remain compliant with the listing requirements.

The report is posted on our Governance Clearinghouse website. Lisa will now talk more about that website as well as our other technology initiatives.

Nasdaq Listing Center

Lisa Roberts, *Vice President, Nasdaq Listing Qualifications*: Thanks, Arnold. I've been at Nasdaq almost 25 years, and can tell you that innovation is part of our DNA here.

We're continually looking for ways to incorporate the latest and greatest technologies into our listings and surveillance systems. These enhancements will benefit investors and listed companies by ensuring the continued integrity and transparency of Nasdaq exchanges.

The public securities markets have become more automated and increasingly complex. Technology plays a role as integral to regulation as lawyers, economists and accountants.

This isn't new to Nasdaq. We've long recognized this. In fact, we were the first market to implement an ongoing internal regulatory testing program to ensure our trading platforms were in compliance with new rules and regulations.

Also, we were the first market to introduce an electronic listing application process with an entirely online system for submitting applications and forms. Since we've launched that system, companies have submitted more than 60,000 applications and forms online. We now have more than 11,000 active account holders on the Listing Center, which generates more than 750,000-page views a year.

Our digital listing platform processed more than 8,000 U.S. company applications and forms in 2017 alone. The most popular form is the dividend form. Another 3,000 applications were generated by issuers listing securities on our Nordic exchanges. If you haven't visited us yet, you can find the Listing Center at listingcenter.nasdaq.com or simply type Nasdaq Listing Center in your browser.

The Listing Center is more than just a site for companies to submit electronic notification forms. It also includes a robust Reference Library and, of course, our Governance Clearinghouse.

If you've visited the Reference Library lately, you may have noticed that in addition to the libraries containing hundreds of listing-related FAQs, Listing Council Decisions and staff interpretations, we've now added a fifth library for Market Regulation content to help answer your questions on a myriad of market surveillance and regulatory issues.

The Market Regulation Library contains about 70 FAQs. Like our other libraries, you can search by category and refine your searches using keywords. You can also share individual FAQs or groups of FAQs by clicking the envelope icon on the search results page.

These reference libraries continue to be extremely popular and actually generate about 20% of the traffic on the Listing Center. Given the high volume of use and that our online users are increasingly accessing the Internet through mobile devices, we created a mobile reference library app.

We released this app for iPhone and Android devices. While I admit it's never going to compete with Fortnite or Angry Birds in terms of downloads, more than 5,000 users have downloaded it and we have hundreds of regular monthly users.

The Reference Library app has all the great current functionality of the website. It also has a few added features like the ability to save FAQs or staff interpretations to your favorites so you can readily access them later.

Nasdaq Governance Clearinghouse

Before I move on and talk about some of our other technology-related initiatives, I wanted to give a plug to the Nasdaq Governance Clearinghouse. The idea behind this site was to create a forum to promote dialogue and exchange ideas across a variety of governance topics.

Since launching the site, we've been working diligently to do just this. We post original content and news articles on a weekly basis on topics that might not be suitable for listing standards, but that are important to public companies such as sustainability, public policy, board diversity and leadership.

This week, we published an article from Ann Mulé of the Weinberg Center for Corporate Governance at the University of Delaware, which takes a closer look at SOX's financial expert requirement.

Next week, we'll post the second of our "Winning Women" series, featuring Candace Duncan, veteran public company director and former managing partner at KPMG, who talks about the importance of confidence in America's pipeline of emerging female leaders.

We also feature stories highlighting some of our great listed companies like CA Technologies and Morningstar.

If you or your company has an interesting governance story to tell, please reach out to us at governancenews@nasdaq.com as we're always looking for new perspectives and topics of interest to share with our audience. We also actively promote our content on social media. So if you see us on LinkedIn, like us.

Surveillance Technology

As part of our continuing strategy to innovate and incorporate cutting-edge technology into our regulatory program, we launched a machine learning pilot program in July to help our analysts more efficiently prioritize the almost 50,000 SEC filings that are reviewed each year.

We expect to complete the first phase of implementation during the fourth quarter. The first phase will include integrating the results of our machine intelligence model into the filing review module of our compliance tracking system.

In addition to the review of initial listing applications and monitoring the more than 3,000 Nasdaq listed companies, our regulatory team also reviews more than 300,000 trading alerts and 50,000

issuer disclosures annually to ensure compliance with trading rules and procedures.

Our experienced team of market surveillance practitioners utilizes our SMARTS technology to detect potential breaches of trading rules, unusual behavior and market volatility in real time.

I should also add that SMARTS is owned by Nasdaq. Our surveillance team also collaborates with Nasdaq technologists to ensure that the SMARTS platform is a best-in-class industry surveillance system that ensures the integrity of not only Nasdaq's markets and your securities, but of over 50 other marketplaces and regulators worldwide that rely upon it.

Nasdaq continues to improve this technology. We're working to deploy enhancements, which include advance data visualization tools and expanded case tracking functionality. As comprehensive as our current technology and systems are, Nasdaq is always seeking to innovate and make them better.

During the coming months, we will integrate new data sources into our regulatory technologies, which will help us leverage news and social media content posted on Twitter and other platforms on a real time basis for surveillance purposes.

John, I turn it back to you.

Concluding Remarks

Zecca: Great, thank you, Lisa and everyone. We hope this has been informative and useful. We encourage you to check out our website.

There's going to be a lot posted in the coming weeks. As I mentioned at the beginning, I really believe the next six months to a year are going to be a critical time in the corporate governance and securities space.

The SEC is going to take some definitive actions, and we certainly want to engage with listed companies on a number of fronts. Thank you for joining, and we look forward to further communication. I'll turn it back to Liz.

Dunshee: Thanks to all of our panelists today. Our members really appreciate that you regularly bring us up-to-date on Nasdaq developments. Thanks to everyone in our audience who dialed in.

Remember to visit Nasdaq's helpful Listing Center, download the reference library app and check out the new Transparency Report. The audio archive for this program will be available shortly. We'll post a transcript of the program in a few weeks. Have a great day.

