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Page 1 of * 34		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 004 Amendment No. (req. for Amendments *)	
Filing by NASDAQ Stock Market Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
Initial * <input checked="" type="checkbox"/>		Amendment * <input type="checkbox"/>		Withdrawal <input type="checkbox"/>	
Section 19(b)(2) * <input checked="" type="checkbox"/>		Section 19(b)(3)(A) * <input type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		<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)		Rule	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934		
Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>		Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
Description					
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).					
<input cross")."="" type="text" value="Proposes to Amend Exchange Rule 4754 Governing the NASDAQ Closing Cross ("/>					
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 * <input type="text" value="Jeffrey"/>		Last Name * <input type="text" value="Davis"/>			
Title * <input type="text" value="VP and Deputy General Counsel"/>					
E-mail * <input type="text" value="jeffrey.davis@nasdaqomx.com"/>					
Telephone * <input type="text" value="(301) 978-8484"/>		Fax <input type="text" value="(301) 978-8472"/>			
Signature					
Pursuant to the requirements of the Securities Exchange Act of 1934,					
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.					
(Title *)					
Date <input type="text" value="01/07/2014"/>		<input type="text" value="Executive Vice President and General Counsel"/>			
By <input type="text" value="Edward S. Knight"/>		<input type="text"/>			
(Name *)					
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.					
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of Proposed Rule Change

(a) The NASDAQ Stock Market LLC (“NASDAQ” or the “Exchange”), proposes to amend Exchange Rule 4754 governing the NASDAQ Closing Cross (“Cross”) to accommodate changes in market structure triggered by Phase 2 of the Plan to Address Extraordinary Market Volatility submitted to the Commission pursuant to Rule 608 of Regulation NMS (“LULD Plan”). Specifically, NASDAQ proposes to modify the operation of the Cross in circumstances where a pause triggered under the LULD Plan would be triggered after 3:50 p.m. EST and could, absent the proposed modification, disrupt the operation of the Cross.

Changes to the rule text are shown in the attached Exhibit 5. A copy of this filing is available on the Exchange’s website at <http://nasdaq.cchwallstreet.com>, at NASDAQ’s principal office, and at the Commission’s Public Reference Room.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of NASDAQ on June 23, 2013. No other action by NASDAQ is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Jeffrey S. Davis, Deputy General Counsel, NASDAQ OMX Group, Inc., at (301) 978-8484 (telephone) or (301) 978-8472 (fax).

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

(a) Purpose

Background. Since May 6, 2010, the national securities exchanges and FINRA have implemented market-wide measures designed to protect investors from market volatility. The measures adopted include pilot plans for stock-by-stock trading pauses,¹ changes to the erroneous execution rules,² stricter equities market maker quoting requirements,³ and changes to the equities market-wide circuit breaker rules.⁴ In addition, on May 31, 2012, the Commission approved the LULD Plan, as amended, as a one-year pilot, which began on April 8, 2013.⁵

The LULD Plan is designed to prevent trades in individual NMS Stocks from occurring outside of specified Price Bands calculated and disseminated by the Network Processors.⁶ When the National Best Bid (Offer) (“NBB” or “NBO”) is below (above) the Lower (Upper) Price Band, the Processors disseminate the National Best Bid (Offer)

¹ See, e.g., NASDAQ Rule 4120.

² See, e.g., NASDAQ Rule 11890.

³ See, e.g., NASDAQ Rule 4613(a).

⁴ See Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011-131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SR-NYSEArca-2011-68; SR-Phlx-2011-129).

⁵ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National Market System Plan To Address Extraordinary Market Volatility). Unless otherwise specified, capitalized terms used in this rule filing are based on the defined terms of the Plan.

⁶ See Section (V)(A) of the LULD Plan.

with an appropriate flag identifying it as non-executable. When the NBB (NBO) is equal to the Upper (Lower) Price Band, the Processors distribute the NBB (NBO) with an appropriate flag identifying it as a Limit State Quotation.⁷ Although trading centers must maintain written policies and procedures that are reasonably designed to prevent the display of offers outside of the Price Band, the Processors will display such bids and offers with a “non-executable” flag. Such bids and offers are excluded from the NBB and NBO.⁸

Trading in an NMS Stock immediately enters a Limit State if the NBO (NBB) equals but does not cross the Lower (Upper) Price Band.⁹ Trading exits the Limit State if, within 15 seconds of entering the Limit State, all Limit State Quotations are executed or canceled in their entirety. If the affected NMS Stock does not exit the Limit State within 15 seconds, the Primary Listing Exchange declares a market-wide, five-minute Trading Pause pursuant to Section VII of the LULD Plan.¹⁰ In addition, the Plan defines a Straddle State as when the NBB (NBO) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State. If an NMS Stock is in a Straddle State and trading in that stock deviates from normal trading characteristics, the Primary Listing Exchange may declare a Trading Pause for that NMS Stock.

⁷ See Section VI(A) of the Plan.

⁸ See Section VI(A)(3) of the Plan.

⁹ See Section VI(B)(1) of the Plan.

¹⁰ The primary listing market would declare a trading pause in an NMS Stock; upon notification by the primary listing market, the Processor would disseminate this information to the public. No trades in that NMS Stock could occur during the trading pause, but all bids and offers may be displayed. See Section VII(A) of the Plan.

Currently, the Trading Pauses described above operate from 9:30 a.m. EST to 3:45 p.m. EST. Because no Trading Pause can be triggered after 3:45 p.m. EST, the Trading Pause does not impact continuous market trading during the minutes leading up to NASDAQ's Closing Cross.

Full implementation of Phase 2 of the LULD Plan (Amendment 6) will take effect on February 24, 2014, and upon such date the Plan's operative time will be extended from 3:45 p.m. until 4:00 p.m., or the last 15 minutes of regular trading. As a result, Trading Pauses may occur immediately prior to the close of trading at 4:00 p.m. When that occurs, continuous book trading may be halted at the time of the Cross. At present, continuous market trading is essential to an effective Cross because the Cross mechanism uses continuous book trading to establish reference prices for the Cross which limit volatility in the closing price. Therefore, to ensure that the Cross operates properly when a Trading Pause impacts continuous market trading at the close, NASDAQ proposes to establish an alternate mechanism to close a security that is subject to a Trading Pause within the last ten minutes of regular trading.

The Proposed LULD Closing Cross. The alternate method for closing a stock impacted by an LULD Trading Pause between 3:50 and 4:00 p.m. EST will be called the "LULD Closing Cross" and it will be a hybrid containing elements of the NASDAQ Closing Cross and the NASDAQ Halt Cross. The primary changes, described in more detail below, are (1) timing, (2) information dissemination (3) participation of certain order types, (4) execution processing, and (5) re-opening of trading following execution.

Timing. For securities halted due to an LULD Trading Pause triggered between 3:50 and 4:00 p.m., NASDAQ will conduct an LULD Closing Cross at 4:00 p.m.

Whether the LULD Trading Pause is triggered at 3:50:01 or 3:59:59, the stock will open via the LULD Closing Cross described in greater detail below. For securities that are paused after 3:55:00 the LULD Trading Pause will, in effect, be shortened to ensure that the market continues to close at 4:00 p.m. except in the presence of extreme volatility as described below. NASDAQ believes that maintaining the 4:00 p.m. market closing time is the approach most likely to result in a fair and orderly market at the close of trading.¹¹

If at 4:00 p.m. there is insufficient trading interest in the NASDAQ system to execute an LULD Closing Cross¹², NASDAQ will not conduct an LULD Closing Cross in that security. In that case, NASDAQ shall instead use the last sale on NASDAQ as the NASDAQ Official Closing Price in that security for that trading day, as it does when there is insufficient trading interest to execute the standard Closing Cross on a daily basis.

Additionally, NASDAQ will delay execution of the LULD Closing Cross if the market experiences volatility during the Trading Pause just prior to the time of execution. Specifically, if the expected closing price changes more than five percent, or 50 cents whichever is greater, in the last 15 seconds of the LULD pause, or if there is a market order imbalance (*e.g.* there is a greater quantity of shares to buy priced as market orders

¹¹ The LULD Closing Cross will not apply for any security halted by an LULD Trading Pause triggered prior to 3:50 p.m. Specifically, if an LULD Trading Pause is triggered at 3:49:59 and ends at 3:54:59, the stock will open via the standard NASDAQ Halt Cross as specified in the rules toady and then close via the standard NASDAQ Closing Cross at 4:00 p.m.

¹² Insufficient trading interest is defined as the lack of any bid interest priced to be marketable against any available offer interest. For example, if the most aggressively priced bid interest is priced at \$1.00 and the most aggressively priced offer interest is priced at \$5.00, there is insufficient trading interest to execute an LULD Closing Cross.

than total eligible sell interest) preventing the calculation of a cross price, NASDAQ will delay the execution of the LULD Closing Cross. In that case, the LULD Closing Cross will be extended in one-minute increments until such time as sufficient trading interest does exist, the volatility condition is eliminated, and/or the market order imbalance has been eliminated. The above volatility checks will be governed under Rule 4120(c)(7)(C)(1) and 4120(c)(7)(C)(3). If this condition persists until 5:00 p.m., NASDAQ will not conduct an LULD Closing Cross in that security and shall instead use the last-sale on NASDAQ as the NASDAQ Official Closing Price in that security for that trading day. In that event, all orders will be cancelled back to the entering firms, and after hours trading will begin at 5:00 p.m.

NASDAQ believes that the proposed price check for movement of five percent or 50 cents, whichever is greater, in the last 15 seconds of an LULD Trading Pause is prudent in light of the volatility that stocks are, by definition, experiencing at the time of the LULD Trading Pause. A major goal of any closing cross, including the proposed LULD Closing Cross, is to establish a reliable, tradable, and liquid reflection of the market's value of a stock at the close of regular trading. This goal is defeated if the price of a stock is moving dramatically at the time of the cross. In addition, there is limited downside to extending the time for the execution by as little as one minute. On balance, NASDAQ concluded that the proposed price check will best protect investors.

NASDAQ also believes that 5:00 p.m. is a reasonable time to end such volatility extensions and cancel the closing cross. As volatility in a security continues towards 5:00 p.m., the likelihood of a smooth closing cross diminishes. While it is prudent to extend the time for executing the closing cross rather than risk a volatile close, this must

be balanced by the need for closure. NASDAQ believes that the 5:00 p.m. cut-off time represents a reasonable balance.

Information Dissemination. This change in timing will impact not only the time of execution of the LULD Closing Cross, but also how NASDAQ disseminates the Net Order Imbalance Indicator (“NOII”). Today, NASDAQ disseminates the NOII every five seconds from 3:50 p.m. until the close of trading at 4:00 p.m., and it will continue to do so under this proposal. If the LULD Closing Cross is extended beyond 4:00 p.m. due to late volatility or a market order imbalance, NASDAQ will continue to disseminate the NOII every five seconds until the LULD Closing Cross actually occurs or until 5:00 p.m.

The NOII message during the pause preceding an LULD Closing Cross will be similar to those disseminated during a standard Closing Cross and other Halt crosses. Specifically, the Near Price, Far Price, and Reference Price contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. The NOII associated with the LULD Closing Cross will also include Imbalance Size and Side information, which represents the shares not currently paired at the reference price. This will facilitate the entry of additional offsetting interest in the closing process.

Participation of Order Types. Currently, two sets of orders can participate in the Closing Cross: (1) orders resting on NASDAQ’s continuous book at the time of the Cross, and (2) any “Special Closing Order” entered and not cancelled prior to the close. Those special closing orders, as set forth in NASDAQ Rule 4754, are Market on Close (“MOC”), Limit on Close, (“LOC”), and Imbalance Only (“IO”) orders.

Under this proposal, the LULD Closing Cross would include Special Closing Orders, newly entered orders, and all orders resting on the continuous book.

With respect to Special Closing Orders, members would not be permitted to enter new MOC or LOC orders; MOC and LOC orders may only be entered until 3:50 p.m. EST. Members that had previously entered MOC, LOC, and IO Orders generally would not be permitted to modify or cancel such orders prior to the execution of the LULD Closing Cross. As is the case today under Rule 4754, MOC and LOC orders can be cancelled between 3:50:00 p.m. and 3:55:00 p.m. “only by requesting Nasdaq to correct a legitimate error (*e.g.*, side, size, symbol, price or duplication of an order).” In addition MOC and LOC orders “cannot be cancelled after 3:55:00 p.m. for any reason.” Under the proposal, members will be permitted to enter and modify (only to increase the number of shares represented), but not cancel new IO orders up to the time of execution of the LULD Closing Cross.

NASDAQ considered permitting members to cancel or modify previously entered MOC and LOC Orders, but decided not to for several reasons. First and foremost, members that participate in NASDAQ’s Closing Cross rely on the fixed status of MOC and LOC Orders to anchor the crosses; the benefits of stability apply with equal force to the LULD Closing Cross. Second, there is a benefit to maintaining the same behavior of specific order types to the greatest extent possible; changing the behavior of order types could create member confusion. Third, members that enter MOC and LOC orders are and will continue to be fully aware of the risk of price movements at the close, including the risk of an LULD Trading Pause. Members can avoid that risk by changing their behavior and entering other order types if they deem the risk to be too large. All told, NASDAQ

concluded that the better course is to prevent the cancellation or modification of MOC and LOC Orders to the same extent as today.

With respect to continuous book orders resting on the book at the time of the LULD pause, all order times in force (“TIF’s”) eligible to participate in the closing cross today will continue to do so in the proposed LULD Closing Cross. Those orders include the following Time In Force markings: Market Hours Good-till-Cancelled (“MGTC”), Market Hours Day (“MDAY”), System Hours Expire Time (“SHEX”), System Hours Day (“SDAY”), System Hours Good-till-Cancelled (“SGTC”), or Good-til-Market Close (“GTMC”). TIFs are different from order types which are instructions that tell the NASDAQ system how to execute an order as opposed to when to execute it. Each NASDAQ order type can be associated with multiple potential TIFs but each order can have one and only one actual TIF assigned to it by the entering firm. NASDAQ is focusing on the TIF rather than the order type of the orders to determine which are eligible to participate in the LULD Closing Cross.

NASDAQ also proposes to permit the entry, modification, and cancellation of additional orders (whether market or limit orders) during the LULD Trading Pause up to the time of execution of the LULD Closing Cross. Specifically, during an LULD Trading Pause that is triggered or extended after 3:50 p.m., members will be permitted to enter, modify, and cancel new market or limit orders up to the time of execution of the LULD Closing Cross. New orders of any order type or any time in force described in NASDAQ Rule 4751 will be eligible to participate in the LULD Closing Cross. Any new order entered between 3:50 and 4:00 p.m. that is not executed in the LULD Closing Cross shall be processed after the LULD Closing Cross is executed according to the entering firm’s

instructions on that order. NASDAQ believes that permitting the entry of such new orders will enhance the liquidity and price discovery of the resulting LULD Closing Cross.

Execution Processing. The closing price will be determined by taking the closing book (MOC and LOC orders only), the remaining eligible orders on the book prior to the LULD halt, and any new interest entered after the LULD halt. Priority in the cross will be price/time, with Imbalance Only orders more aggressive than the closing price re-priced to the closing price but retaining their original time priority. The execution algorithm for the LULD Closing Cross shall be the same as currently used for the Cross. Specifically,

- (A) The Nasdaq Closing Cross will occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed;
- (B) If more than one price exists under subparagraph (A), the Nasdaq Closing Cross shall occur at the price that minimizes any Imbalance;
- (C) If more than one price exists under subparagraph (B), the Nasdaq Closing Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

Once the algorithm determines the proper closing price, the LULD Closing Cross will execute all orders at the determined price in strict price/time priority, rather than the complex priority currently set forth in NASDAQ Rule 4754(b)(3). Excess interest at the closing price will be available for execution against available Imbalance Only orders on the opposite side of the market. Aggressive IO orders opposite the side of the imbalance that were entered prior to other orders at exactly the crossing price will be re-priced to the crossing price and have priority over those orders.¹³ The LULD Closing Cross price will

¹³ This treatment of IO Orders differs slightly from the current closing cross where

be the Nasdaq Official Closing Price for stocks that participate in the LULD Closing Cross.

Re-Opening Trading. After hours trading will begin immediately following execution of the LULD Closing Cross. At that time, all resting orders or newly entered orders not executed in the LULD Closing Cross will be either cancelled or available for execution in after hours trading based on the entering firm's instruction on the order.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act¹⁴ in general, and furthers the objectives of Section 6(b)(5),¹⁵ in particular, in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposal is consistent with this provision in that it will ensure that the Exchange continues to comply with the LULD Plan, and simultaneously provide for an effective pricing mechanism for the critical period of the market close. The proposed LULD Closing Cross is designed to balance the need for transparency and liquidity with the need to move quickly from a Trading Pause to a closing price. NASDAQ believes that it has accomplished these goals to the maximum extent possible.

NASDAQ believes that the proposal is consistent with Section 6(b)(5) in that it will protect investors by responding effectively to an LULD Trading Pause near the close

aggressive IO Orders may be re-priced to either the best bid or offer in order to interact only with MOC and LOC interest.

¹⁴ 15 U.S.C. 78f (b).

¹⁵ 15 U.S.C. 78f(b)(5).

of trading. First, the proposal is only triggered in the event an LULD Trading Pause occurs in the final ten minutes of trading, thereby minimizing the time when the LULD Closing Cross will occur. Second, the proposal is designed to preserve to the extent possible current order entry and trading behaviors, thereby reducing the potential for member and investor confusion. Third, the proposal is well-tailored to provide transparency and predictability by clearly defining when the LULD Closing Cross will occur, what orders will be included, what information will be disseminated, how the execution algorithm will operate, and when after hours trading will begin.

The Exchange also believes that the proposal protects investors by fully and fairly considering the risks of modifying the standard Closing Cross, and weighing those against the risks created by an LULD Trading Pause that occurs near the close of trading, and attempted to mitigate those risks to the greatest extent possible. The decision to prevent the cancellation or modification of previously entered MOC and LOC orders is reasonable and prudent, preserving the benefits of stability and predictability as well as preserving the opportunity for members to avoid entering such orders if they choose. NASDAQ will monitor to determine whether this decision undermines the Closing Cross, and modify it via another rule filing if that occurs.

Finally, the Exchange believes that, consistent with Section 6(b)(5), imposing price checks for volatility near the close is prudent, and that delaying the LULD Closing Cross in one-minute increments when such volatility occurs will protect the public and investors. By definition, stocks that experience an LULD Trading Pause near the close may be subject to volatility that could undermine the validity of the closing price. Given the importance to the industry and investors of a liquid and reliable closing price, the

price check and potential delays are a reasonable counter-balance to the risk of such volatility.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is specifically designed to comply with the LULD Plan and, thereby, to ensure cooperation between and among all national securities exchanges and FINRA to promote uniform and effective regulation of the national market system. NASDAQ believes that multiple national securities exchanges will file proposed changes to their closing processes to comply with Phase 2 of the LULD Plan. In actuality, the proposal is pro-competitive because it promotes fair and orderly markets and investor protection, which in turn will buttress investor confidence and attract more investors into U.S. equities markets.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

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

Not applicable.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

Exhibit 5 –Text of Proposed Changes

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2014-004)

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change by The NASDAQ Stock Market LLC Proposes to Amend Exchange Rule 4754 Governing the NASDAQ Closing Cross (“Cross”)

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 7, 2014, 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

Nasdaq is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Exchange Rule 4754 governing the NASDAQ Closing Cross (“Cross”) to accommodate changes in market structure triggered by Phase 2 of the Plan to Address Extraordinary Market Volatility submitted to the Commission pursuant to Rule 608 of Regulation NMS (“LULD Plan”). Specifically, NASDAQ proposes to modify the operation of the Cross in circumstances where a pause triggered under the LULD Plan would be triggered after 3:50 p.m. EST and could, absent the proposed modification, disrupt the operation of the Cross.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available from Nasdaq's website at <http://nasdaq.cchwallstreet.com/Filings/>, at Nasdaq's principal office, and at the Commission's Public Reference Room.

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

In its filing with the Commission, Nasdaq 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. Nasdaq has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Background. Since May 6, 2010, the national securities exchanges and FINRA have implemented market-wide measures designed to protect investors from market volatility. The measures adopted include pilot plans for stock-by-stock trading pauses,³ changes to the erroneous execution rules,⁴ stricter equities market maker quoting requirements,⁵ and changes to the equities market-wide circuit breaker rules.⁶ In

³ See, e.g., NASDAQ Rule 4120.

⁴ See, e.g., NASDAQ Rule 11890.

⁵ See, e.g., NASDAQ Rule 4613(a).

⁶ See Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011-131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SR-NYSEArca-2011-68; SR-Phlx-2011-129).

addition, on May 31, 2012, the Commission approved the LULD Plan, as amended, as a one-year pilot, which began on April 8, 2013.⁷

The LULD Plan is designed to prevent trades in individual NMS Stocks from occurring outside of specified Price Bands calculated and disseminated by the Network Processors.⁸ When the National Best Bid (Offer) (“NBB” or “NBO”) is below (above) the Lower (Upper) Price Band, the Processors disseminate the National Best Bid (Offer) with an appropriate flag identifying it as non-executable. When the NBB (NBO) is equal to the Upper (Lower) Price Band, the Processors distribute the NBB (NBO) with an appropriate flag identifying it as a Limit State Quotation.⁹ Although trading centers must maintain written policies and procedures that are reasonably designed to prevent the display of offers outside of the Price Band, the Processors will display such bids and offers with a “non-executable” flag. Such bids and offers are excluded from the NBB and NBO.¹⁰

Trading in an NMS Stock immediately enters a Limit State if the NBO (NBB) equals but does not cross the Lower (Upper) Price Band.¹¹ Trading exits the Limit State if, within 15 seconds of entering the Limit State, all Limit State Quotations are executed or canceled in their entirety. If the affected NMS Stock does not exit the Limit State

⁷ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National Market System Plan To Address Extraordinary Market Volatility). Unless otherwise specified, capitalized terms used in this rule filing are based on the defined terms of the Plan.

⁸ See Section (V)(A) of the LULD Plan.

⁹ See Section VI(A) of the Plan.

¹⁰ See Section VI(A)(3) of the Plan.

¹¹ See Section VI(B)(1) of the Plan.

within 15 seconds, the Primary Listing Exchange declares a market-wide, five-minute Trading Pause pursuant to Section VII of the LULD Plan.¹² In addition, the Plan defines a Straddle State as when the NBB (NBO) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State. If an NMS Stock is in a Straddle State and trading in that stock deviates from normal trading characteristics, the Primary Listing Exchange may declare a Trading Pause for that NMS Stock.

Currently, the Trading Pauses described above operate from 9:30 a.m. EST to 3:45 p.m. EST. Because no Trading Pause can be triggered after 3:45 p.m. EST, the Trading Pause does not impact continuous market trading during the minutes leading up to NASDAQ's Closing Cross.

Full implementation of Phase 2 of the LULD Plan (Amendment 6) will take effect on February 24, 2014, and upon such date the Plan's operative time will be extended from 3:45 p.m. until 4:00 p.m., or the last 15 minutes of regular trading. As a result, Trading Pauses may occur immediately prior to the close of trading at 4:00 p.m. When that occurs, continuous book trading may be halted at the time of the Cross. At present, continuous market trading is essential to an effective Cross because the Cross mechanism uses continuous book trading to establish reference prices for the Cross which limit volatility in the closing price. Therefore, to ensure that the Cross operates properly when a Trading Pause impacts continuous market trading at the close, NASDAQ

¹² The primary listing market would declare a trading pause in an NMS Stock; upon notification by the primary listing market, the Processor would disseminate this information to the public. No trades in that NMS Stock could occur during the trading pause, but all bids and offers may be displayed. *See* Section VII(A) of the Plan.

proposes to establish an alternate mechanism to close a security that is subject to a Trading Pause within the last ten minutes of regular trading.

The Proposed LULD Closing Cross. The alternate method for closing a stock impacted by an LULD Trading Pause between 3:50 and 4:00 p.m. EST will be called the “LULD Closing Cross” and it will be a hybrid containing elements of the NASDAQ Closing Cross and the NASDAQ Halt Cross. The primary changes, described in more detail below, are (1) timing, (2) information dissemination (3) participation of certain order types, (4) execution processing, and (5) re-opening of trading following execution.

Timing. For securities halted due to an LULD Trading Pause triggered between 3:50 and 4:00 p.m., NASDAQ will conduct an LULD Closing Cross at 4:00 p.m. Whether the LULD Trading Pause is triggered at 3:50:01 or 3:59:59, the stock will open via the LULD Closing Cross described in greater detail below. For securities that are paused after 3:55:00 the LULD Trading Pause will, in effect, be shortened to ensure that the market continues to close at 4:00 p.m. except in the presence of extreme volatility as described below. NASDAQ believes that maintaining the 4:00 p.m. market closing time is the approach most likely to result in a fair and orderly market at the close of trading.¹³

If at 4:00 p.m. there is insufficient trading interest in the NASDAQ system to execute an LULD Closing Cross¹⁴, NASDAQ will not conduct an LULD Closing Cross

¹³ The LULD Closing Cross will not apply for any security halted by an LULD Trading Pause triggered prior to 3:50 p.m. Specifically, if an LULD Trading Pause is triggered at 3:49:59 and ends at 3:54:59, the stock will open via the standard NASDAQ Halt Cross as specified in the rules toady and then close via the standard NASDAQ Closing Cross at 4:00 p.m.

¹⁴ Insufficient trading interest is defined as the lack of any bid interest priced to be marketable against any available offer interest. For example, if the most aggressively priced bid interest is priced at \$1.00 and the most aggressively priced

in that security. In that case, NASDAQ shall instead use the last sale on NASDAQ as the NASDAQ Official Closing Price in that security for that trading day, as it does when there is insufficient trading interest to execute the standard Closing Cross on a daily basis.

Additionally, NASDAQ will delay execution of the LULD Closing Cross if the market experiences volatility during the Trading Pause just prior to the time of execution. Specifically, if the expected closing price changes more than five percent, or 50 cents whichever is greater, in the last 15 seconds of the LULD pause, or if there is a market order imbalance (*e.g.* there is a greater quantity of shares to buy priced as market orders than total eligible sell interest) preventing the calculation of a cross price, NASDAQ will delay the execution of the LULD Closing Cross. In that case, the LULD Closing Cross will be extended in one-minute increments until such time as sufficient trading interest does exist, the volatility condition is eliminated, and/or the market order imbalance has been eliminated. The above volatility checks will be governed under Rule 4120(c)(7)(C)(1) and 4120(c)(7)(C)(3). If this condition persists until 5:00 p.m., NASDAQ will not conduct an LULD Closing Cross in that security and shall instead use the last-sale on NASDAQ as the NASDAQ Official Closing Price in that security for that trading day. In that event, all orders will be cancelled back to the entering firms, and after hours trading will begin at 5:00 p.m.

NASDAQ believes that the proposed price check for movement of five percent or 50 cents, whichever is greater, in the last 15 seconds of an LULD Trading Pause is prudent in light of the volatility that stocks are, by definition, experiencing at the time of

offer interest is priced at \$5.00, there is insufficient trading interest to execute an LULD Closing Cross.

the LULD Trading Pause. A major goal of any closing cross, including the proposed LULD Closing Cross, is to establish a reliable, tradable, and liquid reflection of the market's value of a stock at the close of regular trading. This goal is defeated if the price of a stock is moving dramatically at the time of the cross. In addition, there is limited downside to extending the time for the execution by as little as one minute. On balance, NASDAQ concluded that the proposed price check will best protect investors.

NASDAQ also believes that 5:00 p.m. is a reasonable time to end such volatility extensions and cancel the closing cross. As volatility in a security continues towards 5:00 p.m., the likelihood of a smooth closing cross diminishes. While it is prudent to extend the time for executing the closing cross rather than risk a volatile close, this must be balanced by the need for closure. NASDAQ believes that the 5:00 p.m. cut-off time represents a reasonable balance.

Information Dissemination. This change in timing will impact not only the time of execution of the LULD Closing Cross, but also how NASDAQ disseminates the Net Order Imbalance Indicator ("NOII"). Today, NASDAQ disseminates the NOII every five seconds from 3:50 p.m. until the close of trading at 4:00 p.m., and it will continue to do so under this proposal. If the LULD Closing Cross is extended beyond 4:00 p.m. due to late volatility or a market order imbalance, NASDAQ will continue to disseminate the NOII every five seconds until the LULD Closing Cross actually occurs or until 5:00 p.m.

The NOII message during the pause preceding an LULD Closing Cross will be similar to those disseminated during a standard Closing Cross and other Halt crosses. Specifically, the Near Price, Far Price, and Reference Price contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross

conclude at that time. The NOII associated with the LULD Closing Cross will also include Imbalance Size and Side information, which represents the shares not currently paired at the reference price. This will facilitate the entry of additional offsetting interest in the closing process.

Participation of Order Types. Currently, two sets of orders can participate in the Closing Cross: (1) orders resting on NASDAQ's continuous book at the time of the Cross, and (2) any "Special Closing Order" entered and not cancelled prior to the close. Those special closing orders, as set forth in NASDAQ Rule 4754, are Market on Close ("MOC"), Limit on Close, ("LOC"), and Imbalance Only ("IO") orders.

Under this proposal, the LULD Closing Cross would include Special Closing Orders, newly entered orders, and all orders resting on the continuous book.

With respect to Special Closing Orders, members would not be permitted to enter new MOC or LOC orders; MOC and LOC orders may only be entered until 3:50 p.m. EST. Members that had previously entered MOC, LOC, and IO Orders generally would not be permitted to modify or cancel such orders prior to the execution of the LULD Closing Cross. As is the case today under Rule 4754, MOC and LOC orders can be cancelled between 3:50:00 p.m. and 3:55:00 p.m. "only by requesting Nasdaq to correct a legitimate error (*e.g.*, side, size, symbol, price or duplication of an order)." In addition MOC and LOC orders "cannot be cancelled after 3:55:00 p.m. for any reason." Under the proposal, members will be permitted to enter and modify (only to increase the number of shares represented), but not cancel new IO orders up to the time of execution of the LULD Closing Cross.

NASDAQ considered permitting members to cancel or modify previously entered MOC and LOC Orders, but decided not to for several reasons. First and foremost, members that participate in NASDAQ's Closing Cross rely on the fixed status of MOC and LOC Orders to anchor the crosses; the benefits of stability apply with equal force to the LULD Closing Cross. Second, there is a benefit to maintaining the same behavior of specific order types to the greatest extent possible; changing the behavior of order types could create member confusion. Third, members that enter MOC and LOC orders are and will continue to be fully aware of the risk of price movements at the close, including the risk of an LULD Trading Pause. Members can avoid that risk by changing their behavior and entering other order types if they deem the risk to be too large. All told, NASDAQ concluded that the better course is to prevent the cancellation or modification of MOC and LOC Orders to the same extent as today.

With respect to continuous book orders resting on the book at the time of the LULD pause, all order times in force ("TIF's") eligible to participate in the closing cross today will continue to do so in the proposed LULD Closing Cross. Those orders include the following Time In Force markings: Market Hours Good-till-Cancelled ("MGTC"), Market Hours Day ("MDAY"), System Hours Expire Time ("SHEX"), System Hours Day ("SDAY"), System Hours Good-till-Cancelled ("SGTC"), or Good-til-Market Close ("GTMC"). TIFs are different from order types which are instructions that tell the NASDAQ system how to execute an order as opposed to when to execute it. Each NASDAQ order type can be associated with multiple potential TIFs but each order can have one and only one actual TIF assigned to it by the entering firm. NASDAQ is

focusing on the TIF rather than the order type of the orders to determine which are eligible to participate in the LULD Closing Cross.

NASDAQ also proposes to permit the entry, modification, and cancellation of additional orders (whether market or limit orders) during the LULD Trading Pause up to the time of execution of the LULD Closing Cross. Specifically, during an LULD Trading Pause that is triggered or extended after 3:50 p.m., members will be permitted to enter, modify, and cancel new market or limit orders up to the time of execution of the LULD Closing Cross. New orders of any order type or any time in force described in NASDAQ Rule 4751 will be eligible to participate in the LULD Closing Cross. Any new order entered between 3:50 and 4:00 p.m. that is not executed in the LULD Closing Cross shall be processed after the LULD Closing Cross is executed according to the entering firm's instructions on that order. NASDAQ believes that permitting the entry of such new orders will enhance the liquidity and price discovery of the resulting LULD Closing Cross.

Execution Processing. The closing price will be determined by taking the closing book (MOC and LOC orders only), the remaining eligible orders on the book prior to the LULD halt, and any new interest entered after the LULD halt. Priority in the cross will be price/time, with Imbalance Only orders more aggressive than the closing price re-priced to the closing price but retaining their original time priority. The execution algorithm for the LULD Closing Cross shall be the same as currently used for the Cross. Specifically,

- (A) The Nasdaq Closing Cross will occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed;
- (B) If more than one price exists under subparagraph (A), the Nasdaq Closing Cross shall occur at the price that minimizes any Imbalance;

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

Once the algorithm determines the proper closing price, the LULD Closing Cross will execute all orders at the determined price in strict price/time priority, rather than the complex priority currently set forth in NASDAQ Rule 4754(b)(3). Excess interest at the closing price will be available for execution against available Imbalance Only orders on the opposite side of the market. Aggressive IO orders opposite the side of the imbalance that were entered prior to other orders at exactly the crossing price will be re-priced to the crossing price and have priority over those orders.¹⁵ The LULD Closing Cross price will be the Nasdaq Official Closing Price for stocks that participate in the LULD Closing Cross.

Re-Opening Trading. After hours trading will begin immediately following execution of the LULD Closing Cross. At that time, all resting orders or newly entered orders not executed in the LULD Closing Cross will be either cancelled or available for execution in after hours trading based on the entering firm's instruction on the order.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act¹⁶ in general, and furthers the objectives of Section 6(b)(5),¹⁷ in particular, in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and,

¹⁵ This treatment of IO Orders differs slightly from the current closing cross where aggressive IO Orders may be re-priced to either the best bid or offer in order to interact only with MOC and LOC interest.

¹⁶ 15 U.S.C. 78f (b).

¹⁷ 15 U.S.C. 78f(b)(5).

in general, to protect investors and the public interest. The proposal is consistent with this provision in that it will ensure that the Exchange continues to comply with the LULD Plan, and simultaneously provide for an effective pricing mechanism for the critical period of the market close. The proposed LULD Closing Cross is designed to balance the need for transparency and liquidity with the need to move quickly from a Trading Pause to a closing price. NASDAQ believes that it has accomplished these goals to the maximum extent possible.

NASDAQ believes that the proposal is consistent with Section 6(b)(5) in that it will protect investors by responding effectively to an LULD Trading Pause near the close of trading. First, the proposal is only triggered in the event an LULD Trading Pause occurs in the final ten minutes of trading, thereby minimizing the time when the LULD Closing Cross will occur. Second, the proposal is designed to preserve to the extent possible current order entry and trading behaviors, thereby reducing the potential for member and investor confusion. Third, the proposal is well-tailored to provide transparency and predictability by clearly defining when the LULD Closing Cross will occur, what orders will be included, what information will be disseminated, how the execution algorithm will operate, and when after hours trading will begin.

The Exchange also believes that the proposal protects investors by fully and fairly considering the risks of modifying the standard Closing Cross, and weighing those against the risks created by an LULD Trading Pause that occurs near the close of trading, and attempted to mitigate those risks to the greatest extent possible. The decision to prevent the cancellation or modification of previously entered MOC and LOC orders is reasonable and prudent, preserving the benefits of stability and predictability as well as

preserving the opportunity for members to avoid entering such orders if they choose.

NASDAQ will monitor to determine whether this decision undermines the Closing Cross, and modify it via another rule filing if that occurs.

Finally, the Exchange believes that, consistent with Section 6(b)(5), imposing price checks for volatility near the close is prudent, and that delaying the LULD Closing Cross in one-minute increments when such volatility occurs will protect the public and investors. By definition, stocks that experience an LULD Trading Pause near the close may be subject to volatility that could undermine the validity of the closing price. Given the importance to the industry and investors of a liquid and reliable closing price, the price check and potential delays are a reasonable counter-balance to the risk of such volatility.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is specifically designed to comply with the LULD Plan and, thereby, to ensure cooperation between and among all national securities exchanges and FINRA to promote uniform and effective regulation of the national market system. NASDAQ believes that multiple national securities exchanges will file proposed changes to their closing processes to comply with Phase 2 of the LULD Plan. In actuality, the proposal is pro-competitive because it promotes fair and orderly markets and investor protection, which in turn will buttress investor confidence and attract more investors into U.S. equities markets.

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

Written comments were neither solicited nor received.

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

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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2014-XX on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2014-XX. This file number should be included on the subject line if e-mail is used. To help the Commission

process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site

(<http://www.sec.gov/rules/sro.shtml>).

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

All submissions should refer to File Number SR-NASDAQ-2014-XX and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Kevin M. O'Neill
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is underlined. Proposed deletions are in [brackets].

* * * * *

NASDAQ Equity Rules

* * *

4120. Limit Up-Limit-Down Plan and Trading Halts

(a)

(1) – (11) **No change.**

(12) Limit-Up-Limit-Down Mechanism

(A) – (G) **No change.**

(H) Re-opening of Trading following a Trading Pause. At the end of the Trading Pause, the Exchange shall re-open the security in a manner similar to the procedures set forth in Rule 4753, provided that following a Trading Pause that is triggered at or after 3:50 p.m. a stock shall re-open via a LULD Closing Cross pursuant to Rule 4754(b)(6).

(b) – (c) **No change.**

* * *

Rule 4754. Nasdaq Closing Cross

(a) No change.

(b)

(1) – (5) No change.

(6) LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause.
When a Trading Pause pursuant to Rule 4120(a)(12) is triggered at or after 3:50 p.m. and before 4:00 p.m., the stock shall open via a modified NASDAQ Closing Cross (“LULD Closing Cross”). The LULD Closing Cross shall operate as defined in this rule with the following exceptions:

- (A) (i) For Trading Pauses triggered at or after 3:50 and before 4:00 p.m., the LULD Closing Cross shall occur at 4:00 p.m. After Hours Trading shall commence after the LULD Closing Cross executes.
- (ii) If there is insufficient trading interest in the NASDAQ system to execute a LULD Closing Cross, NASDAQ will not conduct a Cross in that security and shall instead use the last sale on NASDAQ as the NASDAQ Official Closing Price in that security for that trading day. After Hours Trading shall commence after NASDAQ publishes the NASDAQ Official Closing Price.
- (iii) If an order imbalance as defined in Rule 4120(c)(7)(C) (1) and (3) exists at the time designated for the LULD Closing Cross to occur, NASDAQ shall extend the time of the LULD Closing Cross by one minute until the order imbalance no longer exists. If this condition persists until 5:00 p.m., NASDAQ will not conduct a Cross in that security and shall instead use the last-sale on NASDAQ as the NASDAQ Official Closing Price in that security for that trading day. After Hours Trading shall commence after the LULD Closing Cross executes unless the volatility condition persists until 5:00 p.m. in which case there will After Hours Trading will begin at 5:00 p.m.
- (B) NASDAQ shall continue disseminating the NOII every five seconds until the execution of the LULD Closing Cross or until 5:00 p.m. whichever is later. The Near Price, Far Price, and Reference Prices contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. The NOII will also include Imbalance Size and Side information representing the shares not currently paired at the reference price.
- (C) Orders eligible to participate:
- (i) In the event of an LULD Closing Cross, MOC, LOC and IO orders intended for the closing cross entered into the system and placed on the book prior to 3:50 p.m. will remain on the book to participate in the LULD Closing Cross. Such orders may not be modified or cancelled.
- (ii) All orders entered into the system and placed on the continuous book prior to the LULD pause will remain on the book to participate in the LULD Closing Cross. Such orders may be modified or cancelled up until the time the LULD Closing Cross.

(iii) During the pause, new market and limit orders of any order type and any time in force may be entered, modified, and cancelled and may participate in the LULD Closing Cross. New Imbalance Only Orders may also be entered and modified to increase shares represented, but can't be cancelled during the pause.

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

([6]7) Contingency Procedures. When a disruption occurs at or near the close of Market hours that prevents the execution of the Closing Cross as set forth above, Nasdaq shall apply the following contingency procedures for the Closing Cross rather than procedures set forth above. The determination to implement contingency procedures for the Closing Cross shall be made by the President of Nasdaq or any Executive Vice President designated by the President.

(A) – (F) No Change.

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