

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 33      SECURITIES AND EXCHANGE COMMISSION      File No.\* SR - 2017 - \* 031  
 WASHINGTON, D.C. 20549      Form 19b-4      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 type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
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 checked="" type="checkbox"/> 19b-4(f)(6)	

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 3C(b)(2) * <input type="checkbox"/>
Section 806(e)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

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

Proposal to amend Rules 4752, 4753, and 4754 to specify the execution priority of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing and Halt 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 \* Andrew      Last Name \* Madar  
 Title \* Senior Associate General Counsel  
 E-mail \* Andrew.Madar@nasdaq.com  
 Telephone \* (301) 978-8420      Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)  
 Executive Vice President and General Counsel

Date 03/31/2017  
 By Edward S. Knight  
 (Name \*)

edward.knight@nasdaq.com

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.

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 the Proposed Rule Change

(a) The NASDAQ Stock Market LLC (“Nasdaq” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Rule 4752 (Opening Process), Rule 4753 (Nasdaq Halt Cross) and Rule 4754 (Nasdaq Closing Cross) to specify the execution priority of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing and Halt Cross. Nasdaq is also proposing to amend Rule 4703 (Order Attributes) and Rule 4753 (Halt Cross) to clarify the effect of the re-pricing of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order for purposes of the Opening, Closing and Halt Cross.

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

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

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of The NASDAQ Stock Market

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

(the “Board”) on August 15, 2016. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

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

a. Purpose

The purpose of this proposal is to amend Rule 4752 (Opening Process), Rule 4753 (Nasdaq Halt Cross) and Rule 4754 (Nasdaq Closing Cross) to specify the execution priority of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing and Halt Cross.

Rule 4752, 4753 and 4754 set forth the operation of the Opening Cross, the Halt Cross, and the Closing Cross, respectively. Each Rule specifies the manner in which orders will be executed if less than all available interest is executed as part of the Cross. Specifically, Rule 4752 states that, if the Nasdaq Opening Cross price is selected and fewer than all shares of Market On Open (“MOO”), Limit On Open (“LOO”), Opening Imbalance Only Order (“OIO”) and Early Market Hours Orders that are available in the Nasdaq Market Center would be executed, all Quotes and Orders shall be executed at the Nasdaq Opening Cross price in the following priority: (A) MOO and Early Market Hours market peg orders, with time as the secondary priority; (B) LOO orders, Early Market Hours limit orders, OIO orders, SDAY limit orders, SGTC limit orders, GTMC limit orders, SHEX limit orders, displayed quotes and reserve interest priced more

aggressively than the Nasdaq Opening Cross price based on limit price with time as the secondary priority; (C) LOO orders, OIO Orders, Early Market Hours and displayed interest of quotes, SDAY limit orders, SGTC limit orders, GTMC limit orders, and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority; and (D) reserve interest of quotes, SDAY limit orders, SGTC limit orders, and GTMC limit orders and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority.

Rule 4753 states that, if the Nasdaq Halt Cross price is selected and fewer than all shares of Eligible Interest that are available in the Nasdaq Market Center would be executed, all Eligible Interest shall be executed at the Nasdaq Halt Cross price in price/time priority.

Rule 4754 states that, if the Nasdaq Closing Cross price is selected and fewer than all Market On Close (“MOC”), Limit On Close (“LOC”), Imbalance Only (“IO”) and Close Eligible Interest would be executed, orders will be executed at the Nasdaq Closing Cross price in the following priority: (A) MOC orders, with time as the secondary priority; (B) LOC orders, limit orders, IO orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Closing Cross price based on price with time as the secondary priority; (C) LOC orders, IO Orders displayed interest of limit orders, and displayed interest of quotes at the Nasdaq Closing Cross price with time as the secondary priority; (D) reserve interest at the Nasdaq Closing Cross price with time as the secondary priority; and (E) unexecuted MOC, LOC, and IO orders will be canceled.

Nasdaq now proposes to amend the provisions of Rules 4752, 4753 and 4754 to specifically describe the execution priority an Order that was entered on the Nasdaq Book

and has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing or Halt Cross.

In November 2016, the Commission approved changes to the functionality of Post-Only Orders.<sup>4</sup> As a result of this new Post-Only functionality, Nasdaq recently amended Rule 4703 and Rule 4753 to address the treatment of an Order that and has been locked or crossed at its non-displayed price by a Post-Only Order for purposes of the Opening, Closing and Halt Cross. Nasdaq amended Rule 4703 and Rule 4753 to specify that, if an Order to buy (sell) that is entered on the Nasdaq Book is locked or crossed at its non-displayed price by a Post-Only Order, that Order will be deemed to have a price at

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

Under the new Post-Only functionality, the behavior of Post-Only orders would be altered when the adjusted price of such orders lock or cross a non-displayed price on the Exchange's Book. Specifically, if the adjusted price of the Post-Only Order would lock or cross a non-displayed price on the Exchange's Book, the Post-Only order would be posted in the same manner as a Price to Comply Order. However, the Post-Only Order would execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds \$0.01 per share.

Additionally, if the Post-Only Order would not lock or cross a Protected Quotation but would lock or cross a Non-Displayed Order on the Exchange's Book, the Post-Only Order would be posted, ranked, and displayed at its limit price. The Post-Only Order would execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds \$0.01 per share.

one minimum increment below (above) the price of the Post-Only for purposes of selecting the price of the Opening Cross, the Closing Cross, and the Halt Cross.<sup>5</sup> This functionality applies to Non-Displayed Orders, Post-Only Orders, Price to Comply Orders and Midpoint Peg Post-Only Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.<sup>6</sup>

Nasdaq is now proposing to amend Rules 4752, 4753 and 4754 to specify the execution priority of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing and Halt Cross. Accordingly, Nasdaq proposes to amend Rule 4752(d)(3)(B) to state that Orders to buy (sell) that are locked or crossed at their non-displayed price by a Post-Only Order on the Nasdaq Book in Early Market Hours, and which have been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book. This re-pricing functionality will apply to Non-Displayed Orders, Post-Only Orders, and Price to Comply Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.

Nasdaq proposes to amend Rule 4753(b)(3) to state that Orders to buy (sell) that are locked or crossed at their non-displayed price by a Post-Only Order on the Nasdaq Book, and which have been deemed to have a price at one minimum price increment

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<sup>5</sup> See Securities Exchange Act Release No. 80216 (March 10, 2017), 82 FR 14074 (March 16, 2017) (SR-NASDAQ-2017-028) (“Cross Proposal”).

<sup>6</sup> As noted in the Cross Proposal, in this scenario, the Post-Only Order would have locked or crossed the Non-Displayed Order, Post-Only, Price to Comply Order, or Midpoint Peg Post-Only Order at its non-displayed price upon entry if the value of price improvement associated with executing against the Order is not met. Id.

below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book. This re-pricing functionality will apply to Non-Displayed Orders, Post-Only Orders, Price to Comply Orders and Midpoint Peg Post-Only Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.

Finally, Nasdaq proposes to amend Rule 4754(b)(3)(B) to state that Orders to buy (sell) that are locked or crossed at their non-displayed price by a Post-Only Order on the Nasdaq Book, and which have been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book. This re-pricing functionality will apply to Non-Displayed Orders, Post-Only Orders, Price to Comply Orders and Midpoint Peg Post-Only Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.

Nasdaq also proposes to amend the language in Rule 4703 (Order Attributes) and Rule 4753 relating to the re-pricing of Orders that are locked or crossed at its non-displayed price by a Post-Only Order for purposes of determining the Opening, Closing or Halt Cross, as described above. Rule 4703(l) describes this re-pricing functionality as occurring “for purposes of selecting the Nasdaq Opening Cross or Closing Cross price.” Rule 4753(d) similarly describes this re-pricing functionality as occurring “for purposes of selecting the Nasdaq Halt Cross Price.” Nasdaq proposes to amend both 4703(l) and Rule 4753(d) to describe this functionality as occurring for purposes of the Nasdaq



Opening, Closing, or Halt Cross. Nasdaq is making this change to clarify the effect of the re-pricing functionality, since the re-pricing of an Order pursuant to this provision establishes both the price of the Order for purposes of the Cross and the execution priority of the Order as part of the Cross (although that execution priority may be modified based on the changes being proposed herein).

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. This filing supplements the Cross Proposal to re-price an Order that is locked or crossed at its non-displayed price by a Post-Only Order for purposes of the Opening, Closing and Halt Cross. As stated in that proposal, Nasdaq believed that such re-pricing was consistent with the Act because it, among other things, reflected the intent of the Nasdaq Opening and Closing Cross functionality.

Nasdaq believes that this proposal is consistent with the Act for several reasons. First, the proposal adopts a new execution priority, for an Order that has a non-displayed price that is locked or crossed by a Post-Only Order, that reflects the configuration of Nasdaq systems that is necessary to fulfill a central premise of the Opening, Halt, and Closing Cross. Specifically, given the operation of the Opening, Halt and Closing Cross, Orders cannot be locked or crossed for purposes of the Cross. The proposed changes

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

here reflect this premise, and the configuration of the Nasdaq systems that is necessary to achieve this result.

Second, Nasdaq is proposing to rank Orders that are subject to this proposal in time priority ahead of all other Orders at that same price. While Nasdaq notes that, in certain scenarios, an Order might not participate in a Cross at its re-priced price when it might have participated in the Cross at its posted price on the Nasdaq Book, the proposal increases the likelihood that such interest will be executed as part of the Cross than if such interest had been assigned a different priority at its new price.<sup>9</sup> Nasdaq also notes that there are instances in which a locked or crossed Order may participate in a Cross at its posted price on the Nasdaq Book.<sup>10</sup>

Third, Nasdaq notes that re-priced Orders that do not participate in the Opening or Halt Cross remain on the Nasdaq Book, and that the proposed functionality would not impair the ability of such Orders to participate in the Regular Market Session after the conclusion of the Cross.

Finally, this proposed change is limited to an Order with a non-displayed price that is locked by a Post-Only Order for purposes of the Open, Halt and Closing Cross. While non-displayed liquidity may enhance market quality in other ways, such liquidity does not contribute to the price discovery process in the same manner as displayed

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<sup>9</sup> For example, if the non-displayed price of a sell Order was entered at \$10.15, and was locked by a Post-Only Order to buy at \$10.15, the price of the sell Order would be adjusted to \$10.16 for purposes of the Cross. That Order would now have priority over all other Orders at \$10.16.

<sup>10</sup> Pursuant to this functionality, an Order is only re-priced at the time that the Cross price is being calculated. To the extent that a member cancels any locking Post-Only Orders prior to the calculation of the Cross price, the locked Order would not be re-priced. This might occur prior to the Opening, Closing, or Halt Cross, which reduces the likelihood that a locked Order will be re-priced and will be unable to participate in the Cross.

liquidity. Had the Order been displayed, the priority of the Order would not have changed, as the Order would be setting the best displayed price on the Exchange. Use of the Nasdaq systems and Order types is completely voluntary, and members may always opt to use a different Order type to achieve a different result.

Nasdaq believes that amending the language in Rule 4703 and Rule 4753 relating to the re-pricing of an Order that is locked or crossed at its non-displayed price for purposes of the Opening, Closing or Halt Cross is consistent with the Act because it more accurately describes the effect of this re-pricing functionality as it relates to the Cross.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change adopts an execution priority for a more aggressively-priced Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing or Halt Cross that reflects the configuration of Nasdaq systems that is necessary to ensure that Orders are not locked or crossed for purposes of the Opening, Halt or Closing Cross. To the extent that such Orders will be ranked in time priority ahead of all other Orders at that same price, the proposal increases the likelihood that such interest will be executed as part of the Cross than if such interest had been assigned a different priority at its new price. There are instances where a locked or crossed Order may participate in a Cross at its posted price on the Nasdaq Book, and re-priced Orders that do not participate in the Opening or Halt Cross would remain eligible to participate in the Regular Market Session after the conclusion of the Cross. Moreover, the use of Exchange Order types and attributes is voluntary, and no member is required to use any specific Order type or attribute or even

to use any Exchange Order type or attribute or any Exchange functionality at all. If an Exchange member believes for any reason that the proposed rule change will be detrimental, that perceived detriment can be avoided by choosing not to enter or interact with the Order types modified by this proposed rule change. Finally, the proposal will apply equally to all Orders that meet its criteria.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>11</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>12</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest, and does not impose any significant burden on competition, because it adopts an execution priority that reflects the configuration of Nasdaq systems that is necessary to ensure that Orders are not locked or crossed for

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

purposes of the Opening, Halt or Closing Cross, while increasing the likelihood that such interest will be executed as part of the Cross than if such interest had been assigned a different priority at its new price. The Exchange notes that there are instances where a locked or crossed Order may participate in a Cross at its posted price, and re-priced Orders that do not participate in the Opening or Halt Cross would remain eligible to participate in the Regular Market Session after the conclusion of the Cross. The proposal also supplements the recently-approved changes to the Post-Only Order and the Cross Proposal, pursuant to which an Order that has been locked or crossed at its non-displayed price by a Post-Only Order is re-priced for purposes of the Opening, Closing and Halt Cross.

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

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection

of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii).

As noted above, the proposal supplements the recently-approved changes to the Post-Only Order and the Cross Proposal, pursuant to which an Order that has been locked or crossed at its non-displayed price by a Post-Only Order is re-priced for purposes of the Opening, Closing and Halt Cross. Nasdaq believes that this proposal adopts an execution priority for Orders that are re-priced pursuant to the Cross Proposal that reflects the configuration of Nasdaq systems necessary to achieve the objectives of the Cross Proposal, while increasing the likelihood that such interest will be executed as part of the Cross than if such interest had been assigned a different priority at its new price. Given that this filing is an outgrowth of the Post-Only Order proposal and the Cross Proposal, and given that Nasdaq has already implemented the changes to the Post-Only Order type and the Cross Proposal, Nasdaq requests that the Commission waive the 30-day operative delay so that this proposal, and its potential attendant benefits to members that submit non-displayed Orders that will be re-priced pursuant to the Cross Proposal, will be operative immediately.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

**EXHIBIT 1**

## SECURITIES AND EXCHANGE COMMISSION

(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2017-031)

April \_\_, 2017

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 4703 (Order Attributes), Rule 4752 (Opening Process), Rule 4753 (Nasdaq Halt Cross) and Rule 4754 (Nasdaq Closing Cross)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 31, 2017, The NASDAQ Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 4752 (Opening Process), Rule 4753 (Nasdaq Halt Cross) and Rule 4754 (Nasdaq Closing Cross) to specify the execution priority of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing and Halt Cross. Nasdaq is also proposing to amend Rule 4703 (Order Attributes) and Rule 4753 (Halt Cross) to clarify the effect of the re-pricing of an Order that has been locked or crossed at its non-

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.



displayed price by a Post-Only Order for purposes of the Opening, Closing and Halt Cross.

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this proposal is to amend Rule 4752 (Opening Process), Rule 4753 (Nasdaq Halt Cross) and Rule 4754 (Nasdaq Closing Cross) to specify the execution priority of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing and Halt Cross.

Rule 4752, 4753 and 4754 set forth the operation of the Opening Cross, the Halt Cross, and the Closing Cross, respectively. Each Rule specifies the manner in which orders will be executed if less than all available interest is executed as part of the Cross. Specifically, Rule 4752 states that, if the Nasdaq Opening Cross price is selected and fewer than all shares of Market On Open ("MOO"), Limit On Open ("LOO"), Opening Imbalance Only Order ("OIO") and Early Market Hours Orders that are available in the

Nasdaq Market Center would be executed, all Quotes and Orders shall be executed at the Nasdaq Opening Cross price in the following priority: (A) MOO and Early Market Hours market peg orders, with time as the secondary priority; (B) LOO orders, Early Market Hours limit orders, OIO orders, SDAY limit orders, SGTC limit orders, GTMC limit orders, SHEX limit orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Opening Cross price based on limit price with time as the secondary priority; (C) LOO orders, OIO Orders, Early Market Hours and displayed interest of quotes, SDAY limit orders, SGTC limit orders, GTMC limit orders, and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority; and (D) reserve interest of quotes, SDAY limit orders, SGTC limit orders, and GTMC limit orders and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority.

Rule 4753 states that, if the Nasdaq Halt Cross price is selected and fewer than all shares of Eligible Interest that are available in the Nasdaq Market Center would be executed, all Eligible Interest shall be executed at the Nasdaq Halt Cross price in price/time priority.

Rule 4754 states that, if the Nasdaq Closing Cross price is selected and fewer than all Market On Close (“MOC”), Limit On Close (“LOC”), Imbalance Only (“IO”) and Close Eligible Interest would be executed, orders will be executed at the Nasdaq Closing Cross price in the following priority: (A) MOC orders, with time as the secondary priority; (B) LOC orders, limit orders, IO orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Closing Cross price based on price with time as the secondary priority; (C) LOC orders, IO Orders displayed interest of limit orders,

and displayed interest of quotes at the Nasdaq Closing Cross price with time as the secondary priority; (D) reserve interest at the Nasdaq Closing Cross price with time as the secondary priority; and (E) unexecuted MOC, LOC, and IO orders will be canceled.

Nasdaq now proposes to amend the provisions of Rules 4752, 4753 and 4754 to specifically describe the execution priority an Order that was entered on the Nasdaq Book and has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing or Halt Cross.

In November 2016, the Commission approved changes to the functionality of Post-Only Orders.<sup>3</sup> As a result of this new Post-Only functionality, Nasdaq recently

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<sup>3</sup> See Securities Exchange Act Release No. 79290 (November 10, 2016), 81 FR 81184 (November 17, 2016) (SR-NASDAQ-2016-111).

Under the new Post-Only functionality, the behavior of Post-Only orders would be altered when the adjusted price of such orders lock or cross a non-displayed price on the Exchange's Book. Specifically, if the adjusted price of the Post-Only Order would lock or cross a non-displayed price on the Exchange's Book, the Post-Only order would be posted in the same manner as a Price to Comply Order. However, the Post-Only Order would execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds \$0.01 per share.

Additionally, if the Post-Only Order would not lock or cross a Protected Quotation but would lock or cross a Non-Displayed Order on the Exchange's Book, the Post-Only Order would be posted, ranked, and displayed at its limit price. The Post-Only Order would execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds \$0.01 per share.

amended Rule 4703 and Rule 4753 to address the treatment of an Order that and has been locked or crossed at its non-displayed price by a Post-Only Order for purposes of the Opening, Closing and Halt Cross. Nasdaq amended Rule 4703 and Rule 4753 to specify that, if an Order to buy (sell) that is entered on the Nasdaq Book is locked or crossed at its non-displayed price by a Post-Only Order, that Order will be deemed to have a price at one minimum increment below (above) the price of the Post-Only for purposes of selecting the price of the Opening Cross, the Closing Cross, and the Halt Cross.<sup>4</sup> This functionality applies to Non-Displayed Orders, Post-Only Orders, Price to Comply Orders and Midpoint Peg Post-Only Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.<sup>5</sup>

Nasdaq is now proposing to amend Rules 4752, 4753 and 4754 to specify the execution priority of an Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing and Halt Cross. Accordingly, Nasdaq proposes to amend Rule 4752(d)(3)(B) to state that Orders to buy (sell) that are locked or crossed at their non-displayed price by a Post-Only Order on the Nasdaq Book in Early Market Hours, and which have been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book. This re-pricing functionality will apply to Non-Displayed

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<sup>4</sup> See Securities Exchange Act Release No. 80216 (March 10, 2017), 82 FR 14074 (March 16, 2017) (SR-NASDAQ-2017-028) (“Cross Proposal”).

<sup>5</sup> As noted in the Cross Proposal, in this scenario, the Post-Only Order would have locked or crossed the Non-Displayed Order, Post-Only, Price to Comply Order, or Midpoint Peg Post-Only Order at its non-displayed price upon entry if the value of price improvement associated with executing against the Order is not met. Id.

Orders, Post-Only Orders, and Price to Comply Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.

Nasdaq proposes to amend Rule 4753(b)(3) to state that Orders to buy (sell) that are locked or crossed at their non-displayed price by a Post-Only Order on the Nasdaq Book, and which have been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book. This re-pricing functionality will apply to Non-Displayed Orders, Post-Only Orders, Price to Comply Orders and Midpoint Peg Post-Only Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.

Finally, Nasdaq proposes to amend Rule 4754(b)(3)(B) to state that Orders to buy (sell) that are locked or crossed at their non-displayed price by a Post-Only Order on the Nasdaq Book, and which have been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book. This re-pricing functionality will apply to Non-Displayed Orders, Post-Only Orders, Price to Comply Orders and Midpoint Peg Post-Only Orders when the non-displayed price of that Order is locked or crossed by a Post-Only Order.

Nasdaq also proposes to amend the language in Rule 4703 (Order Attributes) and Rule 4753 relating to the re-pricing of Orders that are locked or crossed at its non-displayed price by a Post-Only Order for purposes of determining the Opening, Closing

or Halt Cross, as described above. Rule 4703(l) describes this re-pricing functionality as occurring “for purposes of selecting the Nasdaq Opening Cross or Closing Cross price.” Rule 4753(d) similarly describes this re-pricing functionality as occurring “for purposes of selecting the Nasdaq Halt Cross Price.” Nasdaq proposes to amend both 4703(l) and Rule 4753(d) to describe this functionality as occurring for purposes of the Nasdaq Opening, Closing, or Halt Cross. Nasdaq is making this change to clarify the effect of the re-pricing functionality, since the re-pricing of an Order pursuant to this provision establishes both the price of the Order for purposes of the Cross and the execution priority of the Order as part of the Cross (although that execution priority may be modified based on the changes being proposed herein).

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>7</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. This filing supplements the Cross Proposal to re-price an Order that is locked or crossed at its non-displayed price by a Post-Only Order for purposes of the Opening, Closing and Halt Cross. As stated in that proposal, Nasdaq believed that such re-pricing was consistent with the Act because it, among other things, reflected the intent of the Nasdaq Opening and Closing Cross functionality.

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

Nasdaq believes that this proposal is consistent with the Act for several reasons. First, the proposal adopts a new execution priority, for an Order that has a non-displayed price that is locked or crossed by a Post-Only Order, that reflects the configuration of Nasdaq systems that is necessary to fulfill a central premise of the Opening, Halt, and Closing Cross. Specifically, given the operation of the Opening, Halt and Closing Cross, Orders cannot be locked or crossed for purposes of the Cross. The proposed changes here reflect this premise, and the configuration of the Nasdaq systems that is necessary to achieve this result.

Second, Nasdaq is proposing to rank Orders that are subject to this proposal in time priority ahead of all other Orders at that same price. While Nasdaq notes that, in certain scenarios, an Order might not participate in a Cross at its re-priced price when it might have participated in the Cross at its posted price on the Nasdaq Book, the proposal increases the likelihood that such interest will be executed as part of the Cross than if such interest had been assigned a different priority at its new price.<sup>8</sup> Nasdaq also notes that there are instances in which a locked or crossed Order may participate in a Cross at its posted price on the Nasdaq Book.<sup>9</sup>

Third, Nasdaq notes that re-priced Orders that do not participate in the Opening or Halt Cross remain on the Nasdaq Book, and that the proposed functionality would not

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<sup>8</sup> For example, if the non-displayed price of a sell Order was entered at \$10.15, and was locked by a Post-Only Order to buy at \$10.15, the price of the sell Order would be adjusted to \$10.16 for purposes of the Cross. That Order would now have priority over all other Orders at \$10.16.

<sup>9</sup> Pursuant to this functionality, an Order is only re-priced at the time that the Cross price is being calculated. To the extent that a member cancels any locking Post-Only Orders prior to the calculation of the Cross price, the locked Order would not be re-priced. This might occur prior to the Opening, Closing, or Halt Cross, which reduces the likelihood that a locked Order will be re-priced and will be unable to participate in the Cross.

impair the ability of such Orders to participate in the Regular Market Session after the conclusion of the Cross.

Finally, this proposed change is limited to an Order with a non-displayed price that is locked by a Post-Only Order for purposes of the Open, Halt and Closing Cross. While non-displayed liquidity may enhance market quality in other ways, such liquidity does not contribute to the price discovery process in the same manner as displayed liquidity. Had the Order been displayed, the priority of the Order would not have changed, as the Order would be setting the best displayed price on the Exchange. Use of the Nasdaq systems and Order types is completely voluntary, and members may always opt to use a different Order type to achieve a different result.

Nasdaq believes that amending the language in Rule 4703 and Rule 4753 relating to the re-pricing of an Order that is locked or crossed at its non-displayed price for purposes of the Opening, Closing or Halt Cross is consistent with the Act because it more accurately describes the effect of this re-pricing functionality as it relates to the Cross.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change adopts an execution priority for a more aggressively-priced Order that has been locked or crossed at its non-displayed price by a Post-Only Order and re-priced for purposes of the Opening, Closing or Halt Cross that reflects the configuration of Nasdaq systems that is necessary to ensure that Orders are not locked or crossed for purposes of the Opening, Halt or Closing Cross. To the extent that such Orders will be ranked in time priority ahead of all other Orders at that same price, the proposal increases the likelihood that such interest will be executed as part of the Cross



than if such interest had been assigned a different priority at its new price. There are instances where a locked or crossed Order may participate in a Cross at its posted price on the Nasdaq Book, and re-priced Orders that do not participate in the Opening or Halt Cross would remain eligible to participate in the Regular Market Session after the conclusion of the Cross. Moreover, the use of Exchange Order types and attributes is voluntary, and no member is required to use any specific Order type or attribute or even to use any Exchange Order type or attribute or any Exchange functionality at all. If an Exchange member believes for any reason that the proposed rule change will be detrimental, that perceived detriment can be avoided by choosing not to enter or interact with the Order types modified by this proposed rule change. Finally, the proposal will apply equally to all Orders that meet its criteria.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>10</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup>

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2017-031 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2017-031. 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

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proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Commission will post all comments on the Commission's Internet Web site

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

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2017-031 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.<sup>12</sup>

Robert W. Errett  
Deputy Secretary

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<sup>12</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**NASDAQ Stock Market Rules**

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**4703. Order Attributes**

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

(a) – (k) No Change.

(l) Participation in the Nasdaq Opening Cross or the Nasdaq Closing Cross. All Order Types except Supplemental Orders, Retail Orders, and RPI Orders participate in the Nasdaq Opening Cross and/or the Nasdaq Closing Cross if the Order has a Time-in-Force that would cause the Order to be in effect at the time of the Nasdaq Opening Cross and/or Nasdaq Closing Cross. MOO Orders, LOO Orders, and IOI Orders participate in the Nasdaq Opening Cross in the manner specified in Rule 4752. Other Order Types eligible to participate in the Nasdaq Opening Cross operate as “Market Hours Orders” or “Open Eligible Interest” as specified in Rule 4752. MOC Orders, LOC Orders and IO Orders participate in the Nasdaq Closing Cross in the manner specified in Rule 4754. Other Order Types eligible to participate in the Nasdaq Closing Cross operate as “Close Eligible Interest” in the manner specified in Rule 4754. For purposes of [selecting ]the Nasdaq Opening Cross or Closing Cross[ price], an Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book shall be deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order.

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**4752. Opening Process**

(a) – (c) No Change.

(d) Processing of Nasdaq Opening Cross. For System securities, the Nasdaq Opening Cross shall occur at 9:30, and market hours trading shall commence when the Nasdaq Opening Cross concludes.

(1) Beginning at 9:28 a.m., Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds until market open.

(2) (A) The Nasdaq Opening Cross shall occur at the price that maximizes the number of shares of MOO, LOO, OIO, Early Market Hours orders, and executable quotes and orders in the Nasdaq Market Center to be executed.

(B) If more than one price exists under subparagraph (A), the Nasdaq Opening Cross shall occur at the price that minimizes any Imbalance.

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

(D) If more than one price exists under subparagraph (C), the Nasdaq Opening Cross shall occur at the price that minimizes the distance from the bid-ask midpoint of the inside quotation prevailing at 9:30 a.m.

(E) If the Nasdaq Opening Cross price established by subparagraphs (A) through (D) is outside the benchmarks established by Nasdaq by a threshold amount, the Nasdaq Opening Cross shall occur at a price within the threshold amounts that best satisfies the conditions of subparagraphs (A) through (D). Nasdaq management shall set and modify such benchmarks and thresholds from time to time upon prior notice to market participants.

**(F) Opening Cross Eligibility:** In addition to the Nasdaq Opening Cross price process of subparagraphs (A) through (E), each security in the Nasdaq Opening Cross must also pass one of the Opening Cross Price Tests in subparagraphs (i) through (iii) below or all MOO, LOO, OIO, and Early Market Hours orders in the Nasdaq Opening Cross in the security will be cancelled back to Participants, no Nasdaq Opening Cross in that security will occur, and the security will open for regular market hours trading consistent with paragraph (c) above. Each Opening Cross Price Test applies a price range within which the Opening Cross Price, as calculated by subparagraphs (A) through (E) above, must fall to pass the individual Opening Cross Price Test. For each Opening Cross Price Test, Nasdaq will calculate the price range by using a threshold applied to the unique measures under each test. Nasdaq will establish and publish the thresholds used in the Opening Cross Price Tests below. Nasdaq management shall set and modify the Opening Cross Price Test thresholds from time to time upon prior notice to market participants.

(i) Opening Cross Price Test A. For Nasdaq listed securities, the Opening Cross price range for Test A is established by adding and subtracting the Opening Cross Price Test A threshold from the Nasdaq Official Closing Price of the security for the previous trading day. For non-Nasdaq listed securities, the Opening Cross price range for Test A is established by adding and subtracting the Opening Cross Price Test A threshold from the consolidated closing price of the security for the previous trading day. For new Exchange Traded Products that do not have a Nasdaq Official Closing Price, the Opening Cross price range is established by adding and subtracting the Opening Cross Price Test A threshold from the offering price. If the Nasdaq Opening Cross price is higher or lower than the Opening Cross price range established by this subparagraph or the security does

not have a Nasdaq Official Closing Price or consolidated closing price for the previous trading day, Opening Cross Price Test B will be performed.

**(ii)** Opening Cross Price Test B. The Opening Cross price range for Test B is established by adding and subtracting the Opening Cross Price Test B threshold from the Nasdaq last sale (either round or odd lot) after 9:15 a.m. ET but prior to the Opening Cross. If the Nasdaq Opening Cross price is higher or lower than the Opening Cross price range established by this subparagraph or if there is no Nasdaq last sale, Opening Cross Price Test C will be performed.

**(iii)** Opening Cross Price Test C. The Opening Cross price range for Test C is established by adding to and subtracting the Opening Cross Price Test C threshold from the Nasdaq best bid (for Opening Cross prices that would be higher than the closing price used under subparagraph (i) above) or Nasdaq best offer (for Opening Cross prices that would be lower than the closing price used under subparagraph (i) above). For purposes of this test, if a security does not have a Nasdaq Official Closing Price or consolidated closing price, as applicable, for the previous trading day Nasdaq will use a price of \$0. If the Nasdaq Opening Cross price is higher or lower than the Opening Cross price range established by this subparagraph all Orders in the Opening Cross will be cancelled back to Participants, no Opening Cross will occur, and the security will open for regular market hours trading consistent with paragraph (c) above.

**(3)** If the Nasdaq Opening Cross price is selected and fewer than all shares of MOO, LOO, OIO and Early Market Hours Orders that are available in the Nasdaq Market Center would be executed, all Quotes and Orders shall be executed at the Nasdaq Opening Cross price in the following priority:

**(A)** MOO and Early Market Hours market peg orders, with time as the secondary priority;

**(B)** LOO orders, Early Market Hours limit orders, OIO orders, SDAY limit orders, SGTC limit orders, GTMC limit orders, SHEX limit orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Opening Cross price based on limit price with time as the secondary priority. An Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book in Early Market Hours, and which has been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book;

**(C)** LOO orders, OIO Orders, Early Market Hours and displayed interest of quotes, SDAY limit orders, SGTC limit orders, GTMC limit orders, and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority;

**(D)** Reserve interest of quotes, SDAY limit orders, SGTC limit orders, and GTMC limit orders and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority; and

**(4)** All Quotes and Orders executed in the Nasdaq Opening Cross shall be executed at the Nasdaq Opening Cross price, trade reported anonymously, and disseminated via a national market system plan. The Nasdaq Opening Cross price shall be the Nasdaq Official Opening Price for stocks that participate in the Nasdaq Opening Cross.

#### **4753. Nasdaq Halt Cross**

**(a)** No Change.

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

**(1)** At the beginning of the Display Only Period and continuing through the resumption of trading, Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds.

**(2)** (A) The Nasdaq Halt Cross shall 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 Halt Cross shall occur at the price that minimizes any Imbalance.

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

**(D)** If more than one price exists under subparagraph (C), the Nasdaq Halt Cross shall occur at:

- (i) In the case of an IPO, the price that is closest to the Issuer's Initial Public Offering Price;
- (ii) In the case of another halt type in which the security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the trading halt; and
- (iii) In the case of another halt type in which the security has not already traded during normal market hours on that trading day, the price that is closest to the previous Nasdaq Official Closing Price.

(3) If the Nasdaq Halt Cross price is selected and fewer than all shares of Eligible Interest that are available in the Nasdaq Market Center would be executed, all Eligible Interest shall be executed at the Nasdaq Halt Cross price in price/time priority. An Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book, and which has been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book.

(4) All Eligible Interest executed in the Nasdaq Halt Cross shall be executed at the Nasdaq Halt Cross price, trade reported anonymously, and disseminated via a national market system plan. The Nasdaq Halt Cross price shall be the Nasdaq Official Opening Price for stocks that participate in the Nasdaq Halt Cross unless the stock has already been traded during normal market hours on that trading day.

(c) Nasdaq-listed securities that are the subject of a trading halt initiated pursuant to Rule 4120(a) and in which no Halt Cross occurs, shall open for trading at the time specified by Nasdaq pursuant to Rule 4120 in the following manner:

(1) Orders shall be added to the book in time priority.

(2) The Nasdaq Official Opening Price for such securities shall be the first Nasdaq market center execution following trade resumption unless the security has already traded during Market hours on that trading day.

(d) For purposes of [selecting ]the Nasdaq Halt Cross[ price], an Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book prior to the trading halt shall be deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order.

#### **4754. Nasdaq Closing Cross**

(a) No Change.

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

(1) Order Imbalance Indicator. Beginning at 3:50 p.m., Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds until market close.

(2) (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.

**(D)** If more than one price exists under subparagraph (C), the Nasdaq Closing Cross shall occur at: a price that minimizes the distance from the System bid-ask midpoint at the time of the Nasdaq Closing Cross.

**(E)** If the Nasdaq Closing Cross price established by subparagraphs (A) through (D) above is outside the benchmarks established by Nasdaq by a threshold amount, the Nasdaq Closing Cross will occur at a price within the threshold amounts that best satisfies the conditions of subparagraphs (A) through (D) above. Nasdaq management shall set and modify such benchmarks and thresholds from time to time upon prior notice to market participants.

**(3)** If the Nasdaq Closing Cross price is selected and fewer than all MOC, LOC IO and Close Eligible Interest would be executed, orders will be executed at the Nasdaq Closing Cross price in the following priority:

**(A)** MOC orders, with time as the secondary priority;

**(B)** LOC orders, limit orders, IO orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Closing Cross price based on price with time as the secondary priority. An Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book, and which has been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book;

**(C)** LOC orders, IO Orders displayed interest of limit orders, and displayed interest of quotes at the Nasdaq Closing Cross price with time as the secondary priority;

**(D)** Reserve interest at the Nasdaq Closing Cross price with time as the secondary priority; and

**(E)** Unexecuted MOC, LOC, and IO orders will be canceled.

**(b)(4) – (b)(8)** No Change.

\* \* \* \* \*