

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 19	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 046	Amendment No. (req. for Amendments *)
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Filing by The Nasdaq Stock Market LLC  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
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 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 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"/>
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**Description**

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

A proposal to amend Rule 4702(b)(12)(A) so that Participants can choose to have their Limit On Close Orders rejected if subject to being re-priced when entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET.

**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 \* Adrian Last Name \* Griffiths

Title \* Senior Associate General Counsel

E-mail \* adrian.griffiths@nasdaq.com

Telephone \* (212) 231-5176 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 \*)

Date 06/08/2018

By Edward S. Knight

Executive Vice President and General Counsel

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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 4702(b)(12)(A) so that Participants can choose to have their Limit On Close Orders rejected if subject to being re-priced when entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET.

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 Exchange (the “Board”) on September 19, 2017. 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:

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

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

Adrian Griffiths  
Senior Associate General Counsel  
Nasdaq, Inc.  
212-231-5176

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

a. Purpose

On July 13, 2017, the Exchange filed a proposed rule change to enhance the Nasdaq Closing Cross by permitting Participants to submit Limit On Close ("LOC") Orders until immediately prior to 3:55 p.m. ET subject to certain conditions, including that such LOC Orders would be re-priced in certain situations.<sup>3</sup> This rule change was approved by the Commission on September 8, 2017.<sup>4</sup> The Exchange now proposes to amend Rule 4702(b)(12)(A) so that Participants can choose to have their Limit On Close Orders rejected if subject to being re-priced when entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET.

A LOC Order is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross, and only if the price determined by the Nasdaq Closing Cross is equal to or better than the price at which the LOC Order was entered.<sup>5</sup> Subject to the qualifications provided below, LOC Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to 3:50 p.m. ET. Between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET, an LOC Order may be entered provided that there is a

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<sup>3</sup> See Securities Exchange Act Release No. 81188 (July 21, 2017), 82 FR 35014 (July 27, 2017) (SR-NASDAQ-2017-061).

<sup>4</sup> See Securities Exchange Act Release No. 81556 (September 8, 2017), 82 FR 43264 (September 14, 2017) (SR-NASDAQ-2017-061) (Approval Order).

<sup>5</sup> See Rule 4702(b)(12).

First Reference Price.<sup>6</sup> Currently, an LOC Order entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET will be accepted at its limit price, unless its limit price is higher (lower) than the First Reference Price for an LOC Order to buy (sell), in which case the LOC Order will be re-priced to the First Reference Price.<sup>7</sup>

The Exchange now proposes to permit Participants to choose to have LOC Orders rejected if subject to being re-priced when entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET. While the Exchange believes that accepting LOC Orders after the regular 3:50 p.m. ET cutoff enhances price discovery, in order to promote price stability during the Nasdaq Closing Cross, the Exchange re-prices these LOC Orders if the First Reference price is less aggressive than the Order's limit price. Nevertheless, certain Participants may prefer not to have LOC Orders re-priced. A re-priced LOC Order would only have priority at the less aggressive First Reference Price, and as a result would be less likely to receive an execution in the Nasdaq Closing Cross than if it had been accepted at its stated limit price. For example, if the First Reference Price in ABC is \$10, an LOC Order to buy entered at 3:52 with a stated limit price of \$12 would be accepted at \$10 today. If the Nasdaq Closing Cross is subsequently executed at a price of \$11, the LOC Order would not participate even though its stated limit price indicates a willingness to pay up to \$12. Some Participants would therefore prefer to have

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<sup>6</sup> "First Reference Price" is the Current Reference Price in the first Order Imbalance Indicator disseminated at or after 3:50 p.m. ET. See Rule 4754(a)(9). During this time period an LOC Order can also be cancelled but not modified, and only if the Participant requests that Nasdaq correct a legitimate error in the Order (e.g., Side, Size, Symbol, or Price, or duplication of an Order).

<sup>7</sup> If the First Reference Price is not at a permissible minimum increment, the First Reference Price will be rounded (i) to the nearest permitted minimum increment (with midpoint prices being rounded up) if there is no imbalance, (ii) up if there is a buy imbalance, or (iii) down if there is a sell imbalance.

this LOC Order rejected at the outset to avoid this possibility when the Nasdaq Closing Cross is ultimately executed. Giving the option to have those LOC Orders rejected on entry rather than re-priced will give Participants more flexibility with respect to how such LOC Orders are handled. Participants that would prefer that LOC Orders be accepted to participate in the Nasdaq Closing Cross can continue to enter these LOC Orders subject to the current re-pricing logic, which will be the default configuration for Participants that have not chosen to have these LOC Orders rejected instead.

#### Implementation

The Exchange proposes to introduce the change described in this proposed rule change in Q3 or Q4 2018. The Exchange will announce the implementation date of this change in an Equity Trader Alert issued to Participants prior to implementing the change.

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</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. Specifically, the Exchange believes that the proposed changes will give Participants more flexibility with respect to how their LOC Orders are handled, to the benefit of Participants and investors.

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

While the Exchange permits Participants to submit LOC Orders between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET, the Exchange re-prices these LOC Orders to the First Reference Price if the First Reference price is less aggressive than the Order's limit price. As mentioned in the purpose section of this proposed rule change, this re-pricing is done to promote stability in the Nasdaq Closing Cross price. However, certain Participants may prefer not to have LOC Orders re-priced, and instead would like to have these LOC Orders rejected on entry instead. The Exchange therefore proposes to facilitate this by giving Participants the choice to have LOC Orders handled in this manner. The Exchange believes that this is consistent with the protection of investors and the public interest as it allows Participants to have more flexibility in how they may achieve their trading goals. Specifically, Participants that choose to have an LOC Order rejected instead of re-priced could thereafter execute their trading interest in a different manner, such as by entering it onto the continuous book, rather than waiting for an uncertain execution in the Nasdaq Closing Cross where the LOC Order may have a lower priority at the re-priced price. Participants that consume and house the First Reference Price in their systems can already do this themselves today by checking if an LOC Order would be subject to re-pricing (i.e., because the limit price is more aggressive than the First Reference Price disseminated by the Exchange) prior to entering this interest on the Exchange. The Exchange believes, however, that many Participants would benefit from the Exchange performing this determination for them, and is therefore proposing to do so.

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 functionality would be available to all Participants of the Exchange,

who will now have the flexibility to choose to have LOC Orders rejected on entry in situations where those LOC Orders would otherwise be re-priced to the First Reference Price. Although Participants could implement this logic themselves, implementing it on the Exchange will ensure that it is readily available to all Participants. Furthermore, other exchanges are free to offer similar functionality if they so desire.

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>10</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>11</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 the proposed rule change does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition as it merely gives Participants the flexibility to have certain LOC

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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).



Orders rejected on entry instead of re-priced. The Exchange believes that some Participants may prefer to have LOC Orders rejected when subject to re-pricing, and is facilitating this by implementing the proposed functionality. Participants that would prefer to have LOC Orders accepted regardless of re-pricing can continue to submit LOC Orders in the same manner as they do today. The proposed change therefore does not raise any novel regulatory issues, and the Exchange believes that the proposed rule change qualifies for immediate effectiveness as a “non-controversial” rule change.

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 satisfied this requirement.

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.

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-2018-046)

June \_\_, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 4702

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 June 8, 2018, 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 4702(b)(12)(A) so that Participants can choose to have their Limit On Close Orders rejected if subject to being re-priced when entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET.

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.

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

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

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

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

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

1. Purpose

On July 13, 2017, the Exchange filed a proposed rule change to enhance the Nasdaq Closing Cross by permitting Participants to submit Limit On Close (“LOC”) Orders until immediately prior to 3:55 p.m. ET subject to certain conditions, including that such LOC Orders would be re-priced in certain situations.<sup>3</sup> This rule change was approved by the Commission on September 8, 2017.<sup>4</sup> The Exchange now proposes to amend Rule 4702(b)(12)(A) so that Participants can choose to have their Limit On Close Orders rejected if subject to being re-priced when entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET.

A LOC Order is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross, and only if the price determined by the Nasdaq Closing Cross

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<sup>3</sup> See Securities Exchange Act Release No. 81188 (July 21, 2017), 82 FR 35014 (July 27, 2017) (SR-NASDAQ-2017-061).

<sup>4</sup> See Securities Exchange Act Release No. 81556 (September 8, 2017), 82 FR 43264 (September 14, 2017) (SR-NASDAQ-2017-061) (Approval Order).

is equal to or better than the price at which the LOC Order was entered.<sup>5</sup> Subject to the qualifications provided below, LOC Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to 3:50 p.m. ET. Between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET, an LOC Order may be entered provided that there is a First Reference Price.<sup>6</sup> Currently, an LOC Order entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET will be accepted at its limit price, unless its limit price is higher (lower) than the First Reference Price for an LOC Order to buy (sell), in which case the LOC Order will be re-priced to the First Reference Price.<sup>7</sup>

The Exchange now proposes to permit Participants to choose to have LOC Orders rejected if subject to being re-priced when entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET. While the Exchange believes that accepting LOC Orders after the regular 3:50 p.m. ET cutoff enhances price discovery, in order to promote price stability during the Nasdaq Closing Cross, the Exchange re-prices these LOC Orders if the First Reference price is less aggressive than the Order's limit price. Nevertheless, certain Participants may prefer not to have LOC Orders re-priced. A re-priced LOC Order would only have priority at the less aggressive First Reference Price, and as a result would be less likely to receive an execution in the Nasdaq Closing Cross

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<sup>5</sup> See Rule 4702(b)(12).

<sup>6</sup> "First Reference Price" is the Current Reference Price in the first Order Imbalance Indicator disseminated at or after 3:50 p.m. ET. See Rule 4754(a)(9). During this time period an LOC Order can also be cancelled but not modified, and only if the Participant requests that Nasdaq correct a legitimate error in the Order (e.g., Side, Size, Symbol, or Price, or duplication of an Order).

<sup>7</sup> If the First Reference Price is not at a permissible minimum increment, the First Reference Price will be rounded (i) to the nearest permitted minimum increment (with midpoint prices being rounded up) if there is no imbalance, (ii) up if there is a buy imbalance, or (iii) down if there is a sell imbalance.

than if it had been accepted at its stated limit price. For example, if the First Reference Price in ABC is \$10, an LOC Order to buy entered at 3:52 with a stated limit price of \$12 would be accepted at \$10 today. If the Nasdaq Closing Cross is subsequently executed at a price of \$11, the LOC Order would not participate even though its stated limit price indicates a willingness to pay up to \$12. Some Participants would therefore prefer to have this LOC Order rejected at the outset to avoid this possibility when the Nasdaq Closing Cross is ultimately executed. Giving the option to have those LOC Orders rejected on entry rather than re-priced will give Participants more flexibility with respect to how such LOC Orders are handled. Participants that would prefer that LOC Orders be accepted to participate in the Nasdaq Closing Cross can continue to enter these LOC Orders subject to the current re-pricing logic, which will be the default configuration for Participants that have not chosen to have these LOC Orders rejected instead.

### Implementation

The Exchange proposes to introduce the change described in this proposed rule change in Q3 or Q4 2018. The Exchange will announce the implementation date of this change in an Equity Trader Alert issued to Participants prior to implementing the change.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</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

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

market system, and, in general to protect investors and the public interest. Specifically, the Exchange believes that the proposed changes will give Participants more flexibility with respect to how their LOC Orders are handled, to the benefit of Participants and investors.

While the Exchange permits Participants to submit LOC Orders between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET, the Exchange re-prices these LOC Orders to the First Reference Price if the First Reference price is less aggressive than the Order's limit price. As mentioned in the purpose section of this proposed rule change, this re-pricing is done to promote stability in the Nasdaq Closing Cross price. However, certain Participants may prefer not to have LOC Orders re-priced, and instead would like to have these LOC Orders rejected on entry instead. The Exchange therefore proposes to facilitate this by giving Participants the choice to have LOC Orders handled in this manner. The Exchange believes that this is consistent with the protection of investors and the public interest as it allows Participants to have more flexibility in how they may achieve their trading goals. Specifically, Participants that choose to have an LOC Order rejected instead of re-priced could thereafter execute their trading interest in a different manner, such as by entering it onto the continuous book, rather than waiting for an uncertain execution in the Nasdaq Closing Cross where the LOC Order may have a lower priority at the re-priced price. Participants that consume and house the First Reference Price in their systems can already do this themselves today by checking if an LOC Order would be subject to re-pricing (i.e., because the limit price is more aggressive than the First Reference Price disseminated by the Exchange) prior to entering this interest on the

Exchange. The Exchange believes, however, that many Participants would benefit from the Exchange performing this determination for them, and is therefore proposing to do so.

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 functionality would be available to all Participants of the Exchange, who will now have the flexibility to choose to have LOC Orders rejected on entry in situations where those LOC Orders would otherwise be re-priced to the First Reference Price. Although Participants could implement this logic themselves, implementing it on the Exchange will ensure that it is readily available to all Participants. Furthermore, other exchanges are free to offer similar functionality if they so desire.

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-2018-046 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2018-046. 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-2018-046 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>

Eduardo A. Aleman  
Assistant 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.

**The Nasdaq Stock Market Rules**

\* \* \* \* \*

**4702. Order Types.**

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

An LOC Order entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET will be accepted at its limit price, unless its limit price is higher (lower) than the First Reference Price for an LOC Order to buy (sell), in which case the LOC Order will be handled consistent with the Participant's instruction that the LOC Order is to be: (1) rejected; or (2) re-priced to the First Reference Price[;], provided that if the First Reference Price is not at a permissible minimum increment, the First Reference Price will be rounded (i) to the nearest permitted minimum increment (with midpoint prices being rounded up) if there is no imbalance, (ii) up if there is a buy imbalance, or (iii) down if there is a sell imbalance. The default configuration for Participants that do not specify otherwise will be to have such LOC Orders re-priced rather than rejected.

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