

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * <input type="text" value="47"/> | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4 | File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="068"/><br>Amendment No. (req. for Amendments *) <input type="text" value="1"/> |
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Filing by The Nasdaq Stock Market LLC  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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| Initial * <input type="checkbox"/>   | Amendment * <input checked="" type="checkbox"/> | Withdrawal <input type="checkbox"/> | Section 19(b)(2) * <input checked="" type="checkbox"/>  | Section 19(b)(3)(A) * <input type="checkbox"/> | Section 19(b)(3)(B) * <input type="checkbox"/> |
| Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/> |   |                                     | Rule<br><input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4)<br><input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5)<br><input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6) |  |  |

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| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010<br>Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/> | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934<br>Section 3C(b)(2) * <input type="checkbox"/> |
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| 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 \*).

**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 \*  Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*  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    
 By

(Name \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

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 proposed rule change to extend the cutoff times for accepting on close orders entered for participation in the Nasdaq Closing Cross. This Amendment No. 1 supersedes the original filing in its entirety.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The changes to rule text made by this amendment is attached as Exhibit 4. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the Exchange on August 13, 2018. No other action is necessary for the filing of the rule change.

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

T. Sean Bennett  
Principal Associate General Counsel  
Nasdaq, Inc.  
(301) 978-8499

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

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

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

a. Purpose

The purpose of the proposed rule change is to extend the cutoff times for accepting on close orders entered for participation in the Nasdaq Closing Cross. The Nasdaq Closing Cross provides a transparent auction process that determines a single price for the close. As the equities markets continue to evolve and become more efficient and automated, the Exchange believes that the current cutoff times are overly restrictive to market participants that wish to participate in the Nasdaq Closing Cross and that typically have to tie up on close interest for ten minutes or more at the end of the trading day to participate in the cross. Similar to cutoffs provided by other equities exchanges that operate a closing auction, the Exchange believes that the proposed cutoff times would give Participants greater control over their on close orders while still leaving enough time at the end of the trading day for Participants to react to and offset Imbalances. Last, the Exchange is proposing to begin disseminating the Order Imbalance Indicator at the new Closing Cross Cutoff.

Current Cutoff Times

Generally, Market On Close ("MOC")<sup>3</sup> and Limit on Close ("LOC")<sup>4</sup> Orders are accepted today until immediately prior to 3:50 p.m. ET ("Closing Cross Cutoff")<sup>5</sup> when

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<sup>3</sup> A MOC Order is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. See Rule 4702(b)(11).

<sup>4</sup> 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. See Rule 4702(b)(12).

the Exchange begins disseminating an Order Imbalance Indicator<sup>6</sup> that contains information about the Nasdaq Closing Cross. Imbalance Only (“IO”) Orders,<sup>7</sup> on the other hand, are designed to allow Participants to offset Imbalances, and may therefore be entered until the time of execution of the Nasdaq Closing Cross, but may not be cancelled or modified at or after the Closing Cross Cutoff, except to correct legitimate errors as described below.<sup>8</sup>

The Exchange also continues to accept LOC Orders between the Closing Cross Cutoff and immediately prior to 3:55 p.m. ET (“Late Cutoff”)<sup>9</sup> provided that there is a First Reference Price.<sup>10</sup> In order to promote price stability in the Nasdaq Closing Cross, such LOC Orders entered during this period are either rejected or re-priced to the First Reference Price, based on the Participant’s instruction, if the LOC Order’s limit price is

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<sup>5</sup> As used in this proposed rule change, the term “Closing Cross Cutoff” refers to the various 3:50 p.m. ET cutoff times described herein for the Nasdaq Closing Cross, including the regular cutoff time for entering MOC/LOC Orders described above and the related cutoff time for cancelling or modifying IO Orders, which is currently at or after 3:50 p.m. ET in contrast to MOC/LOC Orders whose cutoff times are immediately prior to 3:50 p.m. ET.

<sup>6</sup> “Order Imbalance Indicator” means a message disseminated by electronic means containing information about MOC, LOC, IO, and Close Eligible Interest and the price at which those orders would execute at the time of dissemination.

<sup>7</sup> An IO Order is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. See Rule 4702(b)(13).

<sup>8</sup> See Rule 4702(b)(13)(A).

<sup>9</sup> As used in this proposed rule change, the term “Late Cutoff” refers to the various 3:55 p.m. ET cutoff times described herein for the Nasdaq Closing Cross, including the cutoff time for entering the LOC Orders described above and the cutoff time for correcting legitimate errors in an on close order.

<sup>10</sup> “First Reference Price” shall mean the Current Reference Price in the first Order Imbalance Indicator disseminated at or after 3:50 p.m. ET. See Rule 4754(a)(9).

more aggressive than the First Reference Price.<sup>11</sup> IO Orders, meanwhile, are designed to permit Participants to offset Imbalances and therefore may be entered until 4:00 p.m. ET when the Exchange executes the Nasdaq Closing Cross and disseminates the executions via the consolidated tape.<sup>12</sup>

Participants may also be able to cancel and/or modify their on close orders between the Closing Cross Cutoff and immediately prior to the Late Cutoff in limited circumstances. Specifically, during this time period: (1) MOC Orders and IO Orders can be cancelled and/or modified,<sup>13</sup> and (2) LOC Orders can be cancelled but not modified,<sup>14</sup> in each case to correct a legitimate error in the order (e.g., Side, Size, Symbol, or Price, or duplication of an Order).

#### Proposed Cutoff Times

The Exchange now proposes to change the Closing Cross Cutoff to 3:55 p.m. ET and the Late Cutoff to 3:58 p.m. ET.<sup>15</sup> The Exchange believes that this proposed change

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<sup>11</sup> See Rule 4702(b)(12)(A).

<sup>12</sup> See Rule 4702(b)(13)(A).

<sup>13</sup> See Rule 4702(b)(11)(A), (13)(A). As provided in these rules, MOC and IO Orders cannot be cancelled or modified at or after the Late Cutoff for any reason.

<sup>14</sup> See Rule 4702(b)(12)(A).

<sup>15</sup> The Exchange proposes to reflect the proposed cutoff times throughout the Nasdaq rulebook, including Rule 4702(b)(11)-(13), which defines MOC, LOC, and IO Orders, as well as Rules 4754(a)(9), (b)(1) and (b)(7)(B), which describe the Nasdaq Closing Cross. With the changed cutoff times, the Exchange will reject MOC Orders entered at or after the 3:55 p.m. ET cutoff, as described in proposed Rule 4702(b)(11)(B), and will reject LOC Orders and Closing Cross/Extended Hours Orders entered at or after 3:58 p.m. ET, as described in proposed Rule 4702(b)(12)(B).

will enhance the experience provided to market participants who will be able to enter and interact with their on close orders later in the trading day.

The Nasdaq Closing Cross was established by the Exchange in 2004 to create a more robust close that would allow for price discovery, and an execution that would result in an accurate, tradable closing price.<sup>16</sup> While the Exchange has made changes to the Nasdaq Closing Cross in the fourteen years since it was established, including by recently permitting LOC Orders to be entered until the Late Cutoff in certain circumstances, the normal Closing Cross Cutoff has remained at 3:50 p.m. ET. At the same time, the equities markets have become more efficient and automated. The Exchange therefore no longer believes that ten minutes is needed for market participants to react to and resolve Imbalances in the Nasdaq Closing Cross. As a result, the Exchange is proposing to extend the Closing Cross Cutoff time to 3:55 p.m. ET, which is consistent with the cutoff time provided in the CBOE BZX Exchange, Inc. (“BZX”) closing auction.<sup>17</sup> While other exchanges operate closing auctions with various cutoff times as late as 3:59 p.m. ET,<sup>18</sup> the Exchange believes that a 3:55 p.m. ET Closing Cross Cutoff strikes the appropriate balance for the Nasdaq Closing Cross in today’s trading environment.

The Exchange also continues to believe that it is beneficial to price discovery to permit Participants to submit LOC Orders after the regular Closing Cross Cutoff if there

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<sup>16</sup> See Securities Exchange Act Release Nos. 48878 (December 4, 2003), 68 FR 69098 (December 11, 2003) (Notice); 49406 (March 11, 2004), 69 FR 12879 (March 18, 2004) (Approval Order) (SR-NASD-2003-173).

<sup>17</sup> See BZX Rule 11.23(c)(1)(A).

<sup>18</sup> See *infra* note 21.

is a First Reference Price as provided in SR-NASDAQ-2017-061.<sup>19</sup> Likewise, the Exchange continues to believe that it is appropriate to provide a brief period of additional time for Participants to correct legitimate errors in their orders entered for participation in the Nasdaq Closing Cross. The Exchange therefore proposes to extend the Late Cutoff to 3:58 p.m. ET. Other exchanges also accept similar orders in this timeframe. For example, BZX offers “Late-Limit-On-Close Orders” that are accepted until the execution of their closing auction at 4:00 p.m. ET,<sup>20</sup> and NYSE Arca, Inc. (“Arca”) initiates its “Closing Auction Imbalance Freeze” for all MOC and LOC Orders at 3:59 p.m. ET.<sup>21</sup> LOC Orders submitted after the proposed Closing Cross Cutoff and before the proposed Late Cutoff will continue to be handled as they are today, and would therefore only be accepted if there is a First Reference Price, and would be subject to re-pricing if the limit price of the LOC Order is more aggressive than the First Reference Price or rejection, depending on the election of the member. Furthermore, the cancellation and/or modification of orders during the extended period would continue to be allowed only to correct a legitimate error in the order.

In addition, Rule 4702(b)(12)(B) currently provides that a Closing Cross/Extended Hours Order that is entered between 3:50 p.m. ET and the time of the Nasdaq Closing Cross will be rejected if it has been assigned a Pegging Attribute. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the national best bid or offer (“NBBO”), and is therefore available only

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<sup>19</sup> See Securities Exchange Act Release No. 81556 (September 8, 2017), 82 FR 43264 (September 14, 2017) (SR-NASDAQ-2017-061).

<sup>20</sup> See BZX Rule 11.23(c)(1)(A).

<sup>21</sup> See Arca Rule 7.35-E(d)(2).

during Market Hours.<sup>22</sup> Since a Pegging Attribute is only available during Market Hours, an Order with a Pegging Attribute can never be entered as a Closing Cross/Extended Hours Order, which would be valid only after Market Hours had concluded. The Exchange proposes to make this clear in Rule 4702(b)(12)(B) by removing the current reference to the time during which such an Order is entered. As proposed, the rule would provide that a Closing Cross/Extended Hours Order will be rejected if it has been assigned a Pegging Attribute.

#### Order Imbalance Indicator

Once MOC/LOC Orders are locked in at the Closing Cross Cutoff, the Exchange begins disseminating the Order Imbalance Indicator to provide market participants with information about the Nasdaq Closing Cross. With the proposed changes to the Closing Cross Cutoff, the Exchange is proposing to also begin disseminating the Order Imbalance Indicator at the new Closing Cross Cutoff of 3:55 p.m. ET.<sup>23</sup> The Exchange has always disseminated the Order Imbalance Indicator once MOC/LOC Orders are locked in at the Closing Cross Cutoff. Prior to the Closing Cross Cutoff, Participants have significantly more leeway to enter new on close orders or cancel or modify on close orders already entered. The Exchange therefore believes that continuing to disseminate the Order Imbalance Indicator starting at the Closing Cross Cutoff, which as proposed will be 3:55 p.m. ET, will ensure that market participants receive a more complete picture of on close interest when such interest is relatively settled.

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<sup>22</sup> See Rule 4703(d).

<sup>23</sup> Because the First Reference Price refers to the Current Reference Price in the first Order Imbalance Indicator disseminated to market participants, Rule 4754(a)(9) will similarly be updated to reference 3:55 p.m. ET, which is when the first Order Imbalance Indicator will now be disseminated.

Currently, the Order Imbalance Indicator is disseminated every five seconds starting at the Closing Cross Cutoff discussed above. The Exchange believes, however, that more frequent dissemination will be beneficial to market participants that use this information, and is therefore proposing to increase the frequency of dissemination to every second. This proposed change will apply to the Order Imbalance Indicator for the Nasdaq Closing Cross as well as the similar Order Imbalance Indicator provided for the LULD Closing Cross,<sup>24</sup> Nasdaq Opening Cross,<sup>25</sup> and the Nasdaq Halt Cross,<sup>26</sup> which each have a five second dissemination frequency today.

#### Conforming Changes

Last, the Exchange is proposing to make conforming changes to Rule 7018(a), which provides the fees and credits available to members for the use of the order execution and routing services of the Nasdaq Market Center for all securities priced at \$1 or more that it trades. Under Rules 7018(a)(1),(2) and (3), Nasdaq has credits that include Limit-on-Close Order entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET.<sup>27</sup> The Exchange is proposing to update these times to reflect the times proposed herein.

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<sup>24</sup> See Rule 4754(b)(6).

<sup>25</sup> See Rule 4752(d)(1).

<sup>26</sup> See Rule 4753(b)(1).

<sup>27</sup> When the Exchange adopted these credit tiers, it noted that the credit tiers provide incentive to members to improve the market by increasing liquidity in the Nasdaq Closing Cross. The Exchange also noted that it did not exclude Imbalance Only Orders from the calculation of shares of liquidity, and that LOC Orders entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET provide a similar function as Imbalance Only Orders in that they help avoid order Imbalances. See Securities Exchange Act Release No. 82493 (January 12, 2018), 83 FR 2859 (January 19, 2018) (SR-NASDAQ-2018-001).

### Implementation

The Exchange proposes to implement all of the changes described in this proposed rule change in Q4 2018. The Exchange will announce the implementation date of these changes 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>28</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>29</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 extending the cutoff times for submitting on close orders will allow market participants to retain control over their orders for a longer period of time, and thereby assist those market participants in managing their trading at the close. Furthermore, the Exchange believes that the proposed changes to the Order Imbalance Indicator will protect investors and the public interest by continuing to provide complete and timely information to the market.

### Cutoff Times

While the Exchange originally implemented a Closing Cross Cutoff time in 2004 that was ten minutes prior to the execution of the Nasdaq Closing Cross, the Exchange no longer believes that this much time is required for market participants to respond to and

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<sup>28</sup> 15 U.S.C. 78f(b).

<sup>29</sup> 15 U.S.C. 78f(b)(5).

offset Imbalances. To promote price discovery in the Nasdaq Closing Cross, the Exchange disseminates an Order Imbalance Indicator with certain information about the cross to market participants beginning at 3:50 p.m. ET, at which time market participants have more limited means of entering orders to participate in the Nasdaq Closing Cross. Specifically, Participants cannot enter new MOC Orders on or after 3:50 p.m. ET, and between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET are limited to entering LOC Orders that are subject to being rejected or re-priced if too aggressive based on the First Reference Price disseminated at that time (or rejected if there is no First Reference Price). Otherwise, the ability to update MOC or LOC Orders is limited to correcting legitimate errors. The Exchange believes that market participants would be better served if the Closing Cross Cutoff was extended to 3:55 p.m. ET so that the period of time where they have limited control over their orders is reduced.<sup>30</sup> The Exchange believes that this will reduce risk for market participants that participate in the Nasdaq Closing Cross, and improve price discovery by facilitating additional participation by market participants that may not be willing to lose control over their on close interest for ten minutes. Another equities exchange, BZX, already uses a 3:55 p.m. ET cutoff for regular MOC/LOC entry in its closing auction, and the Exchange believes that this cutoff time reflects the efficiency and more automated nature of trading in today's market.

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<sup>30</sup> The "Closing Cross Cutoff" refers to various 3:50 p.m. ET cutoff times for the Nasdaq Closing Cross. As such, this change will impact functionality that is tied to the regular cutoff time for entering MOC/LOC Orders, such as the cutoff time for cancelling or modifying IO Orders. See *supra* note 5. The Exchange believes that Participants should continue to be able to cancel or modify their IO Orders, which are designed to offset Imbalances, until such time as MOC/LOC Orders are locked in at the Closing Cross Cutoff.

In addition, the Exchange continues to believe that it is appropriate to offer a later cutoff time for certain LOC Orders, as well as for the correction of legitimate errors. The Exchange launched the functionality described in SR-NASDAQ-2017-061<sup>31</sup> last year, and believes that it provides a helpful means for promoting price discovery in the Nasdaq Closing Cross. Since the Exchange is extending the Closing Cross Cutoff to the time that these LOC Orders are accepted until today, the Exchange is proposing to extend the Late Cutoff as well. The Exchange believes that the market will continue to benefit from permitting LOC Orders to be submitted until 3:58 p.m. ET, subject to the conditions described in the current rule with respect to rejection or re-pricing and orders being accepted only when there is matched buy and sell interest that is eligible to participate in the Nasdaq Closing Cross, as evidenced by a First Reference Price being disseminated to market participants. BZX, which offers a similar “Late-Limit-On-Close Order” accepts those orders until 4:00 p.m. ET, when that exchange runs its closing auction, and Arca initiates its “Closing Auction Imbalance Freeze” for all MOC and LOC Orders at 3:59 p.m. ET. The Exchange therefore believes that there is ample precedent in the industry for continuing to accept these orders until 3:58 p.m. ET, as proposed.

Furthermore, the Exchange believes that it is appropriate to clarify in its rules that a Closing Cross/Extended Hours Order will be rejected if it has been assigned a Pegging Attribute (i.e., regardless of the time the Order is entered). Although the current rule references Closing Cross/Extended Hours Order entered between 3:50 p.m. ET and the time of the Nasdaq Closing Cross, Pegging Attributes are available during Market Hours only, and therefore Closing Cross/Extended Hours Orders are rejected if entered with a

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<sup>31</sup>See note 19, supra.

Pegging Attribute at other times as well. Thus, the Exchange believes the proposed change will increase transparency around the operation of the Exchange.

Last, the Exchange believes that the proposed conforming changes to Rule 7018(a) are consistent with the Act because they do not alter the credit, but rather keep the qualification criteria consistent with the change in the time when LOC Orders may be submitted. Consequently, the proposed conforming changes will ensure that credit is applied consistent with the original intent set forth in the filing adopting the credit.<sup>32</sup>

#### Order Imbalance Indicator

The Exchange also believes that it is appropriate to continue to disseminate the Order Imbalance Indicator starting at the Closing Cross Cutoff. As explained in the purpose section of this proposed rule change, the Exchange has always disseminated the Order Imbalance Indicator beginning at the Closing Cross Cutoff, which is when the Exchange believes it is possible to disseminate meaningful information about the Nasdaq Closing Cross. Prior to this time, Participants are generally free to submit additional on close interest and/or cancel or modify on close interest already submitted. Furthermore, many Participants may wait until immediately prior to the Closing Cross Cutoff to enter their on close interest. Thus, the Exchange believes that any information disseminated before the Closing Cross Cutoff has the potential to be misleading to some market participants. As a result, the Exchange believes that it is consistent with the protection of investors and the public interest to continue to disseminate this information at the Closing Cross Cutoff, which will be moved to 3:55 p.m. ET, as proposed.

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<sup>32</sup>

See note 27, supra.

Finally, the Exchange believes that market participants will benefit from a more frequent dissemination of the Order Imbalance Indicator for the Nasdaq Closing Cross, LULD Closing Cross, Nasdaq Opening Cross, and Nasdaq Halt Cross. While the Exchange initially chose to disseminate this information once every five seconds, the Exchange believes that the increased automation and efficiency in the equities markets that spurred the changed cutoff times described above also justify increasing the frequency for disseminating information to the market. Arca similarly updates Auction Imbalance Information at least every second, unless there is no change to the information.<sup>33</sup> The Exchange believes that an increased frequency of data dissemination for each of the auctions described above will be helpful to Participants that will benefit from a more timely view of the market.

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 intermarket or intramarket competition not necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposed rule change is evidence of the competitive forces in the equities markets. The Exchange originally launched the Nasdaq Closing Cross in 2004 with a ten minute cutoff period where Participants would no longer have the ability to enter additional MOC/LOC Orders, and would have limited ability to interact with their already entered orders. While the Exchange launched functionality last year to accept LOC Orders up to five minutes before the execution of the Nasdaq Closing Cross, these orders are subject to conditions that may not appeal to all market participants. Meanwhile, exchanges that

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<sup>33</sup> See Arca Rule 7.35-E(a)(4)(A).

have launched closing auctions more recently have typically adopted them with shorter cutoff periods. The Exchange believes that the market participants that trade in the Nasdaq Closing Cross, which determines the Nasdaq Official Closing Price for all Nasdaq listed stocks, would similarly benefit from a shorter cutoff period. The proposed cutoff times would apply equally to all Participants and reflects the current market environment where trading is increasingly more automated and efficient, and where competing exchanges already offer later cutoff times than those currently in place on Nasdaq. The Exchange believes that the proposed changes to the Order Imbalance Indicator similarly reflect the current competitive environment as the Exchange's changes are designed to continue to provide complete and timely information to the market, to the benefit of Participants that trade on Nasdaq. The proposed changes to the Order Imbalance Indicator, like the changes being made to the cutoff times, will apply equally to all Participants.

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

The Exchange does not consent to an extension of the time period for Commission action.

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

Not applicable.

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

The proposed rule change is based, in part, on the rules of BZX<sup>34</sup> and Arca.<sup>35</sup>

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.
4. Amended text of the proposed rule change.
5. Text of the proposed rule change.

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<sup>34</sup> See note 20, supra.

<sup>35</sup> See note 21, supra.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2018-068)

October \_\_, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Extend the Cutoff Times for Accepting On Close Orders Entered for Participation in the 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 October 15, 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 extend the cutoff times for accepting on close orders entered for participation in the Nasdaq Closing Cross. This Amendment No. 1 supersedes the original filing in its entirety.

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

The purpose of the proposed rule change is to extend the cutoff times for accepting on close orders entered for participation in the Nasdaq Closing Cross. The Nasdaq Closing Cross provides a transparent auction process that determines a single price for the close. As the equities markets continue to evolve and become more efficient and automated, the Exchange believes that the current cutoff times are overly restrictive to market participants that wish to participate in the Nasdaq Closing Cross and that typically have to tie up on close interest for ten minutes or more at the end of the trading day to participate in the cross. Similar to cutoffs provided by other equities exchanges that operate a closing auction, the Exchange believes that the proposed cutoff times would give Participants greater control over their on close orders while still leaving enough time at the end of the trading day for Participants to react to and offset Imbalances. Last, the Exchange is proposing to begin disseminating the Order Imbalance Indicator at the new Closing Cross Cutoff.

### Current Cutoff Times

Generally, Market On Close (“MOC”)<sup>3</sup> and Limit on Close (“LOC”)<sup>4</sup> Orders are accepted today until immediately prior to 3:50 p.m. ET (“Closing Cross Cutoff”)<sup>5</sup> when the Exchange begins disseminating an Order Imbalance Indicator<sup>6</sup> that contains information about the Nasdaq Closing Cross. Imbalance Only (“IO”) Orders,<sup>7</sup> on the other hand, are designed to allow Participants to offset Imbalances, and may therefore be entered until the time of execution of the Nasdaq Closing Cross, but may not be cancelled or modified at or after the Closing Cross Cutoff, except to correct legitimate errors as described below.<sup>8</sup>

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<sup>3</sup> A MOC Order is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. See Rule 4702(b)(11).

<sup>4</sup> 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. See Rule 4702(b)(12).

<sup>5</sup> As used in this proposed rule change, the term “Closing Cross Cutoff” refers to the various 3:50 p.m. ET cutoff times described herein for the Nasdaq Closing Cross, including the regular cutoff time for entering MOC/LOC Orders described above and the related cutoff time for cancelling or modifying IO Orders, which is currently at or after 3:50 p.m. ET in contrast to MOC/LOC Orders whose cutoff times are immediately prior to 3:50 p.m. ET.

<sup>6</sup> “Order Imbalance Indicator” means a message disseminated by electronic means containing information about MOC, LOC, IO, and Close Eligible Interest and the price at which those orders would execute at the time of dissemination.

<sup>7</sup> An IO Order is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. See Rule 4702(b)(13).

<sup>8</sup> See Rule 4702(b)(13)(A).

The Exchange also continues to accept LOC Orders between the Closing Cross Cutoff and immediately prior to 3:55 p.m. ET (“Late Cutoff”)<sup>9</sup> provided that there is a First Reference Price.<sup>10</sup> In order to promote price stability in the Nasdaq Closing Cross, such LOC Orders entered during this period are either rejected or re-priced to the First Reference Price, based on the Participant’s instruction, if the LOC Order’s limit price is more aggressive than the First Reference Price.<sup>11</sup> IO Orders, meanwhile, are designed to permit Participants to offset Imbalances and therefore may be entered until 4:00 p.m. ET when the Exchange executes the Nasdaq Closing Cross and disseminates the executions via the consolidated tape.<sup>12</sup>

Participants may also be able to cancel and/or modify their on close orders between the Closing Cross Cutoff and immediately prior to the Late Cutoff in limited circumstances. Specifically, during this time period: (1) MOC Orders and IO Orders can be cancelled and/or modified,<sup>13</sup> and (2) LOC Orders can be cancelled but not modified,<sup>14</sup> in each case to correct a legitimate error in the order (e.g., Side, Size, Symbol, or Price, or duplication of an Order).

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<sup>9</sup> As used in this proposed rule change, the term “Late Cutoff” refers to the various 3:55 p.m. ET cutoff times described herein for the Nasdaq Closing Cross, including the cutoff time for entering the LOC Orders described above and the cutoff time for correcting legitimate errors in an on close order.

<sup>10</sup> “First Reference Price” shall mean the Current Reference Price in the first Order Imbalance Indicator disseminated at or after 3:50 p.m. ET. See Rule 4754(a)(9).

<sup>11</sup> See Rule 4702(b)(12)(A).

<sup>12</sup> See Rule 4702(b)(13)(A).

<sup>13</sup> See Rule 4702(b)(11)(A), (13)(A). As provided in these rules, MOC and IO Orders cannot be cancelled or modified at or after the Late Cutoff for any reason.

<sup>14</sup> See Rule 4702(b)(12)(A).

### Proposed Cutoff Times

The Exchange now proposes to change the Closing Cross Cutoff to 3:55 p.m. ET and the Late Cutoff to 3:58 p.m. ET.<sup>15</sup> The Exchange believes that this proposed change will enhance the experience provided to market participants who will be able to enter and interact with their on close orders later in the trading day.

The Nasdaq Closing Cross was established by the Exchange in 2004 to create a more robust close that would allow for price discovery, and an execution that would result in an accurate, tradable closing price.<sup>16</sup> While the Exchange has made changes to the Nasdaq Closing Cross in the fourteen years since it was established, including by recently permitting LOC Orders to be entered until the Late Cutoff in certain circumstances, the normal Closing Cross Cutoff has remained at 3:50 p.m. ET. At the same time, the equities markets have become more efficient and automated. The Exchange therefore no longer believes that ten minutes is needed for market participants to react to and resolve Imbalances in the Nasdaq Closing Cross. As a result, the Exchange is proposing to extend the Closing Cross Cutoff time to 3:55 p.m. ET, which is consistent with the cutoff time provided in the CBOE BZX Exchange, Inc. (“BZX”)

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<sup>15</sup> The Exchange proposes to reflect the proposed cutoff times throughout the Nasdaq rulebook, including Rule 4702(b)(11)-(13), which defines MOC, LOC, and IO Orders, as well as Rules 4754(a)(9), (b)(1) and (b)(7)(B), which describe the Nasdaq Closing Cross. With the changed cutoff times, the Exchange will reject MOC Orders entered at or after the 3:55 p.m. ET cutoff, as described in proposed Rule 4702(b)(11)(B), and will reject LOC Orders and Closing Cross/Extended Hours Orders entered at or after 3:58 p.m. ET, as described in proposed Rule 4702(b)(12)(B).

<sup>16</sup> See Securities Exchange Act Release Nos. 48878 (December 4, 2003), 68 FR 69098 (December 11, 2003) (Notice); 49406 (March 11, 2004), 69 FR 12879 (March 18, 2004) (Approval Order) (SR-NASD-2003-173).

closing auction.<sup>17</sup> While other exchanges operate closing auctions with various cutoff times as late as 3:59 p.m. ET,<sup>18</sup> the Exchange believes that a 3:55 p.m. ET Closing Cross Cutoff strikes the appropriate balance for the Nasdaq Closing Cross in today's trading environment.

The Exchange also continues to believe that it is beneficial to price discovery to permit Participants to submit LOC Orders after the regular Closing Cross Cutoff if there is a First Reference Price as provided in SR-NASDAQ-2017-061.<sup>19</sup> Likewise, the Exchange continues to believe that it is appropriate to provide a brief period of additional time for Participants to correct legitimate errors in their orders entered for participation in the Nasdaq Closing Cross. The Exchange therefore proposes to extend the Late Cutoff to 3:58 p.m. ET. Other exchanges also accept similar orders in this timeframe. For example, BZX offers "Late-Limit-On-Close Orders" that are accepted until the execution of their closing auction at 4:00 p.m. ET,<sup>20</sup> and NYSE Arca, Inc. ("Arca") initiates its "Closing Auction Imbalance Freeze" for all MOC and LOC Orders at 3:59 p.m. ET.<sup>21</sup> LOC Orders submitted after the proposed Closing Cross Cutoff and before the proposed Late Cutoff will continue to be handled as they are today, and would therefore only be accepted if there is a First Reference Price, and would be subject to re-pricing if the limit price of the LOC Order is more aggressive than the First Reference Price or rejection,

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<sup>17</sup> See BZX Rule 11.23(c)(1)(A).

<sup>18</sup> See infra note 21.

<sup>19</sup> See Securities Exchange Act Release No. 81556 (September 8, 2017), 82 FR 43264 (September 14, 2017) (SR-NASDAQ-2017-061).

<sup>20</sup> See BZX Rule 11.23(c)(1)(A).

<sup>21</sup> See Arca Rule 7.35-E(d)(2).

depending on the election of the member. Furthermore, the cancellation and/or modification of orders during the extended period would continue to be allowed only to correct a legitimate error in the order.

In addition, Rule 4702(b)(12)(B) currently provides that a Closing Cross/Extended Hours Order that is entered between 3:50 p.m. ET and the time of the Nasdaq Closing Cross will be rejected if it has been assigned a Pegging Attribute. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the national best bid or offer (“NBBO”), and is therefore available only during Market Hours.<sup>22</sup> Since a Pegging Attribute is only available during Market Hours, an Order with a Pegging Attribute can never be entered as a Closing Cross/Extended Hours Order, which would be valid only after Market Hours had concluded. The Exchange proposes to make this clear in Rule 4702(b)(12)(B) by removing the current reference to the time during which such an Order is entered. As proposed, the rule would provide that a Closing Cross/Extended Hours Order will be rejected if it has been assigned a Pegging Attribute.

#### Order Imbalance Indicator

Once MOC/LOC Orders are locked in at the Closing Cross Cutoff, the Exchange begins disseminating the Order Imbalance Indicator to provide market participants with information about the Nasdaq Closing Cross. With the proposed changes to the Closing Cross Cutoff, the Exchange is proposing to also begin disseminating the Order Imbalance Indicator at the new Closing Cross Cutoff of 3:55 p.m. ET.<sup>23</sup> The Exchange has always

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<sup>22</sup> See Rule 4703(d).

<sup>23</sup> Because the First Reference Price refers to the Current Reference Price in the first Order Imbalance Indicator disseminated to market participants, Rule 4754(a)(9)

disseminated the Order Imbalance Indicator once MOC/LOC Orders are locked in at the Closing Cross Cutoff. Prior to the Closing Cross Cutoff, Participants have significantly more leeway to enter new on close orders or cancel or modify on close orders already entered. The Exchange therefore believes that continuing to disseminate the Order Imbalance Indicator starting at the Closing Cross Cutoff, which as proposed will be 3:55 p.m. ET, will ensure that market participants receive a more complete picture of on close interest when such interest is relatively settled.

Currently, the Order Imbalance Indicator is disseminated every five seconds starting at the Closing Cross Cutoff discussed above. The Exchange believes, however, that more frequent dissemination will be beneficial to market participants that use this information, and is therefore proposing to increase the frequency of dissemination to every second. This proposed change will apply to the Order Imbalance Indicator for the Nasdaq Closing Cross as well as the similar Order Imbalance Indicator provided for the LULD Closing Cross,<sup>24</sup> Nasdaq Opening Cross,<sup>25</sup> and the Nasdaq Halt Cross,<sup>26</sup> which each have a five second dissemination frequency today.

#### Conforming Changes

Last, the Exchange is proposing to make conforming changes to Rule 7018(a), which provides the fees and credits available to members for the use of the order execution and routing services of the Nasdaq Market Center for all securities priced at \$1

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will similarly be updated to reference 3:55 p.m. ET, which is when the first Order Imbalance Indicator will now be disseminated.

<sup>24</sup> See Rule 4754(b)(6).

<sup>25</sup> See Rule 4752(d)(1).

<sup>26</sup> See Rule 4753(b)(1).

or more that it trades. Under Rules 7018(a)(1),(2) and (3), Nasdaq has credits that include Limit-on-Close Order entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET.<sup>27</sup> The Exchange is proposing to update these times to reflect the times proposed herein.

### Implementation

The Exchange proposes to implement all of the changes described in this proposed rule change in Q4 2018. The Exchange will announce the implementation date of these changes 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>28</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>29</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 extending the cutoff times for submitting on close orders will allow market participants to retain control over their orders for a longer period of time,

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<sup>27</sup> When the Exchange adopted these credit tiers, it noted that the credit tiers provide incentive to members to improve the market by increasing liquidity in the Nasdaq Closing Cross. The Exchange also noted that it did not exclude Imbalance Only Orders from the calculation of shares of liquidity, and that LOC Orders entered between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET provide a similar function as Imbalance Only Orders in that they help avoid order Imbalances. See Securities Exchange Act Release No. 82493 (January 12, 2018), 83 FR 2859 (January 19, 2018) (SR-NASDAQ-2018-001).

<sup>28</sup> 15 U.S.C. 78f(b).

<sup>29</sup> 15 U.S.C. 78f(b)(5).

and thereby assist those market participants in managing their trading at the close.

Furthermore, the Exchange believes that the proposed changes to the Order Imbalance Indicator will protect investors and the public interest by continuing to provide complete and timely information to the market.

#### Cutoff Times

While the Exchange originally implemented a Closing Cross Cutoff time in 2004 that was ten minutes prior to the execution of the Nasdaq Closing Cross, the Exchange no longer believes that this much time is required for market participants to respond to and offset Imbalances. To promote price discovery in the Nasdaq Closing Cross, the Exchange disseminates an Order Imbalance Indicator with certain information about the cross to market participants beginning at 3:50 p.m. ET, at which time market participants have more limited means of entering orders to participate in the Nasdaq Closing Cross. Specifically, Participants cannot enter new MOC Orders on or after 3:50 p.m. ET, and between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET are limited to entering LOC Orders that are subject to being rejected or re-priced if too aggressive based on the First Reference Price disseminated at that time (or rejected if there is no First Reference Price). Otherwise, the ability to update MOC or LOC Orders is limited to correcting legitimate errors. The Exchange believes that market participants would be better served if the Closing Cross Cutoff was extended to 3:55 p.m. ET so that the period of time where they have limited control over their orders is reduced.<sup>30</sup> The Exchange believes that this will

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<sup>30</sup> The “Closing Cross Cutoff” refers to various 3:50 p.m. ET cutoff times for the Nasdaq Closing Cross. As such, this change will impact functionality that is tied to the regular cutoff time for entering MOC/LOC Orders, such as the cutoff time for cancelling or modifying IO Orders. See supra note 5. The Exchange believes that Participants should continue to be able to cancel or modify their IO Orders,

reduce risk for market participants that participate in the Nasdaq Closing Cross, and improve price discovery by facilitating additional participation by market participants that may not be willing to lose control over their on close interest for ten minutes.

Another equities exchange, BZX, already uses a 3:55 p.m. ET cutoff for regular MOC/LOC entry in its closing auction, and the Exchange believes that this cutoff time reflects the efficiency and more automated nature of trading in today's market.

In addition, the Exchange continues to believe that it is appropriate to offer a later cutoff time for certain LOC Orders, as well as for the correction of legitimate errors. The Exchange launched the functionality described in SR-NASDAQ-2017-061<sup>31</sup> last year, and believes that it provides a helpful means for promoting price discovery in the Nasdaq Closing Cross. Since the Exchange is extending the Closing Cross Cutoff to the time that these LOC Orders are accepted until today, the Exchange is proposing to extend the Late Cutoff as well. The Exchange believes that the market will continue to benefit from permitting LOC Orders to be submitted until 3:58 p.m. ET, subject to the conditions described in the current rule with respect to rejection or re-pricing and orders being accepted only when there is matched buy and sell interest that is eligible to participate in the Nasdaq Closing Cross, as evidenced by a First Reference Price being disseminated to market participants. BZX, which offers a similar "Late-Limit-On-Close Order" accepts those orders until 4:00 p.m. ET, when that exchange runs its closing auction, and Arca initiates its "Closing Auction Imbalance Freeze" for all MOC and LOC Orders at 3:59

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which are designed to offset Imbalances, until such time as MOC/LOC Orders are locked in at the Closing Cross Cutoff.

<sup>31</sup> See note 19, supra.

p.m. ET. The Exchange therefore believes that there is ample precedent in the industry for continuing to accept these orders until 3:58 p.m. ET, as proposed.

Furthermore, the Exchange believes that it is appropriate to clarify in its rules that a Closing Cross/Extended Hours Order will be rejected if it has been assigned a Pegging Attribute (i.e., regardless of the time the Order is entered). Although the current rule references Closing Cross/Extended Hours Order entered between 3:50 p.m. ET and the time of the Nasdaq Closing Cross, Pegging Attributes are available during Market Hours only, and therefore Closing Cross/Extended Hours Orders are rejected if entered with a Pegging Attribute at other times as well. Thus, the Exchange believes the proposed change will increase transparency around the operation of the Exchange.

Last, the Exchange believes that the proposed conforming changes to Rule 7018(a) are consistent with the Act because they do not alter the credit, but rather keep the qualification criteria consistent with the change in the time when LOC Orders may be submitted. Consequently, the proposed conforming changes will ensure that credit is applied consistent with the original intent set forth in the filing adopting the credit.<sup>32</sup>

#### Order Imbalance Indicator

The Exchange also believes that it is appropriate to continue to disseminate the Order Imbalance Indicator starting at the Closing Cross Cutoff. As explained in the purpose section of this proposed rule change, the Exchange has always disseminated the Order Imbalance Indicator beginning at the Closing Cross Cutoff, which is when the Exchange believes it is possible to disseminate meaningful information about the Nasdaq Closing Cross. Prior to this time, Participants are generally free to submit additional on

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See note 27, supra.

close interest and/or cancel or modify on close interest already submitted. Furthermore, many Participants may wait until immediately prior to the Closing Cross Cutoff to enter their on close interest. Thus, the Exchange believes that any information disseminated before the Closing Cross Cutoff has the potential to be misleading to some market participants. As a result, the Exchange believes that it is consistent with the protection of investors and the public interest to continue to disseminate this information at the Closing Cross Cutoff, which will be moved to 3:55 p.m. ET, as proposed.

Finally, the Exchange believes that market participants will benefit from a more frequent dissemination of the Order Imbalance Indicator for the Nasdaq Closing Cross, LULD Closing Cross, Nasdaq Opening Cross, and Nasdaq Halt Cross. While the Exchange initially chose to disseminate this information once every five seconds, the Exchange believes that the increased automation and efficiency in the equities markets that spurred the changed cutoff times described above also justify increasing the frequency for disseminating information to the market. Arca similarly updates Auction Imbalance Information at least every second, unless there is no change to the information.<sup>33</sup> The Exchange believes that an increased frequency of data dissemination for each of the auctions described above will be helpful to Participants that will benefit from a more timely view of the market.

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 intermarket or intramarket competition not necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposed

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<sup>33</sup> See Arca Rule 7.35-E(a)(4)(A).

rule change is evidence of the competitive forces in the equities markets. The Exchange originally launched the Nasdaq Closing Cross in 2004 with a ten minute cutoff period where Participants would no longer have the ability to enter additional MOC/LOC Orders, and would have limited ability to interact with their already entered orders. While the Exchange launched functionality last year to accept LOC Orders up to five minutes before the execution of the Nasdaq Closing Cross, these orders are subject to conditions that may not appeal to all market participants. Meanwhile, exchanges that have launched closing auctions more recently have typically adopted them with shorter cutoff periods. The Exchange believes that the market participants that trade in the Nasdaq Closing Cross, which determines the Nasdaq Official Closing Price for all Nasdaq listed stocks, would similarly benefit from a shorter cutoff period. The proposed cutoff times would apply equally to all Participants and reflects the current market environment where trading is increasingly more automated and efficient, and where competing exchanges already offer later cutoff times than those currently in place on Nasdaq. The Exchange believes that the proposed changes to the Order Imbalance Indicator similarly reflect the current competitive environment as the Exchange's changes are designed to continue to provide complete and timely information to the market, to the benefit of Participants that trade on Nasdaq. The proposed changes to the Order Imbalance Indicator, like the changes being made to the cutoff times, will apply equally to all Participants.

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

No written comments were either solicited or received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<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-2018-068 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-2018-068. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The

Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 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-2018-068 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>34</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>34</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 4**

Exhibit 4 shows the changes proposed in this Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed new language in this Amendment No. 1 is underlined; proposed deletions in this Amendment No. 1 are in brackets.

**The Nasdaq Stock Market Rules**

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**4702. Order Types**

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(11) (A) A "Market On Close Order" or "MOC Order" is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. Subject to the qualifications provided below, MOC Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to 3:55 p.m. ET. Between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET, an MOC Order can be cancelled and/or modified 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). MOC Orders cannot be cancelled or modified at or after 3:58 p.m. ET for any reason. An MOC Order shall execute only at the price determined by the Nasdaq Closing Cross.

(B) The following Order Attributes may be assigned to a Market On Close Order:

- Price. An MOC Order is entered without a price and shall execute only at the price determined by the Nasdaq Closing Cross.
- Size.
- Time-in-Force. An MOC Order may execute only in the Nasdaq Closing Cross. However, a Participant may designate the Time-in-Force for an MOC Order either by designating a Time-in-Force of "On Close" or by entering a Time-in-Force of IOC and flagging the Order to participate in the Nasdaq Closing Cross. All MOC Orders entered at or after 3:55 p.m. ET will be rejected. Participation in the Nasdaq Closing Cross is required for this Order Type.

(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 3:55 p.m. ET. Between 3:55 p.m. ET and immediately prior to 3:58 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 3:55 p.m. ET and immediately prior to 3:58 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.

(B) The following Order Attributes may be assigned to a Limit On Close Order:

- Price.
- Size.
- Time-in-Force. In general, an LOC Order may execute only in the Nasdaq Closing Cross. However, a Participant may designate the Time-in-Force for an LOC Order either by designating a Time-in-Force of "On Close," in which case the Order will execute solely in the Nasdaq Closing Cross, or by entering another Order Type and Time-in-Force and flagging the Order to participate in the Nasdaq Closing Cross.

In the latter case, if the Participant designates a Time-in-Force of IOC, the Order will participate solely in the Nasdaq Closing Cross. A Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not be flagged to solely participate in the Nasdaq Closing Cross.

If the Participant enters a Time-in-Force that continues after the time of the Nasdaq Closing Cross, the Order will participate in the Nasdaq Closing Cross like an LOC Order, while operating thereafter in accordance with its designated Order Type and Order Attributes (if not executed in full in the Nasdaq Closing Cross). Such an Order may be referred to as a "Closing Cross/Extended Hours Order."

A Post-Only Order, Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not operate as a Closing Cross/Extend Hours Order. A Closing Cross/Extended Hours Order [that is entered between 3:50 p.m. and the time of the Nasdaq Closing Cross] will be rejected if it has been assigned a Pegging Attribute. A Closing Cross/Extended Hours Order entered through OUCH, FLITE, RASH, or FIX with a Time-in-Force other than IOC after the time of the Nasdaq Closing Cross will be accepted but the Nasdaq Closing Cross flag will be ignored. All other LOC Orders and Closing Cross/Extended Hours Orders entered at or after 3:58 p.m. ET will be rejected.

- Participation in the Nasdaq Closing Cross is required for this Order Type.

(13) (A) An "Imbalance Only Order" or "IO Order" is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. IO Orders may be entered between 4:00 a.m. ET until the time of execution of the Nasdaq Closing Cross, but may not be cancelled or modified at or after 3:55 p.m. ET. Between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET, however, an IO Order can be cancelled and/or modified 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). IO Orders cannot be cancelled or modified at or after 3:58 p.m. ET for any reason.

If the price of an IO Order to buy (sell) is higher than (lower than) the highest bid (lowest offer) on the Nasdaq Book, the price of the IO Order will be modified repeatedly to equal the highest bid (lowest offer) on the Nasdaq Book; provided, however, that the price of the Order will not be moved beyond its stated limit price. Thus, for example, if an IO Order to buy was entered with a price of \$11 and the current highest bid on the Nasdaq Book was \$10.99, the IO Order would be priced at \$10.99. If the highest bid subsequently became \$10.98, the IO Order would again be repriced. However, if the highest bid moved to \$11.01, the IO Order would not be repriced.

(B) The following Order Attributes may be assigned to an Imbalance Only Order:

- Price.
- Size.
- Time-in-Force. An IO Order may execute only in the Nasdaq Closing Cross. An IO Order entered after the time of the Nasdaq Closing Cross will be rejected.
- Participation in the Nasdaq Closing Cross is required for this Order Type.

\* \* \* \* \*

#### **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 second until market open.

(2) No change.

\* \* \* \* \*

#### **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 second.

(2) – (4) No change.

(c) – (d) No change.

\* \* \* \* \*

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

(a) Definitions. For the purposes of this rule the term:

(1) – (8) No change.

(9) "First Reference Price" shall mean the Current Reference Price in the first Order Imbalance Indicator disseminated at or after 3:55 p.m. ET.

(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 3:55 p.m., Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every second until market close.

(2) – (5) No change.

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

(A) No change.

(B) Nasdaq shall continue disseminating the NOII every second until After Hours Trading begins. The Near Price, Far Price, and Reference Prices contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

(C) – (D) No change.

(7) Primary Contingency Procedures. When a disruption occurs that prevents the execution of the Closing Cross as set forth above, Nasdaq shall apply either Primary Contingency Procedures pursuant to this paragraph (7) or Secondary Contingency Procedures pursuant to paragraph (8) below.

Nasdaq will employ the Primary Contingency Procedures if at all possible, and it will employ the Secondary Contingency Procedures only if it determines that both the standard procedures and the Primary Contingency Procedures are unavailable. The determination to employ Primary or Secondary Contingency Procedures will be based upon all available information, including the type of disruption, the system or sub-system disrupted, the availability of testing and diagnostic data, and observed member and market impact.

The determination to implement Primary or Secondary Contingency Procedures shall be made by the President of Nasdaq or any Senior Executive designated by the President. If such disruption occurs, Nasdaq shall publicly announce at the earliest possible time the initiation of Primary or Secondary Contingency Procedures via system status alerts, Equity Trader Alerts, and email notification directories. If Nasdaq determines to initiate Primary Contingency Procedures, the following provisions shall apply.

(A) No change.

(B) Nasdaq shall identify and segregate all MOC Orders entered prior to 3:55 p.m., all LOC Orders entered prior to 3:58 p.m., and all Imbalance Only orders entered prior to 4:00 p.m. Only these MOC, LOC, and Imbalance Only Orders shall be eligible to participate in the Contingency Closing Cross.

(C) – (E) No change.

(8) No change.

\* \* \* \* \*

### **7018. Nasdaq Market Center Order Execution and Routing**

(a) The following charges shall apply to the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more

that it trades. For purposes of determining a member's shares of liquidity routed, TFTY, MOPB, MOPP, SAVE, SOLV, CART, QDRK, QCST and directed orders are not counted. As used in this rule, the term "Consolidated Volume" shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity.

**(1) Fees for Execution and Routing of Orders in Nasdaq-Listed Securities**

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

member with shares of liquidity provided in the Opening and Closing Crosses, excluding Market-on-Close, Limit-on-Close (other than an Limit-on-Close Order entered between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET), Market-on-Open, Limit-on-Open, Good-til-Cancelled, and Immediate-or-Cancel orders, through one or more of its Nasdaq Market Center MPIDs that represent more than 0.01% of Consolidated Volume during the month: \$0.0028 per share executed

\* \* \* \* \*

**(2) Fees for Execution and Routing of Securities Listed on NYSE**

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

member with shares of liquidity provided in the Opening and Closing Crosses, excluding Market-on-Close, Limit-on-Close (other than an Limit-on-Close Order entered between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET), Market-on-Open, Limit-on-Open, Good-til-Cancelled, and Immediate-or-Cancel orders, through one or more of its Nasdaq Market Center MPIDs that represent more than 0.01% of Consolidated \$0.0028 per share executed

Volume during the month:

\* \* \* \* \*

**(3) Fees for Execution and Routing of Orders in Securities Listed on Exchanges other than Nasdaq and NYSE (“Tape B Securities”)**

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

member with shares of liquidity provided in the Opening and Closing Crosses, excluding Market-on-Close, Limit-on-Close (other than an Limit-on- Close Order entered between 3:55[50] p.m. ET and immediately prior to 3:58[55] p.m. ET), Market-on-Open, Limit-on-Open, Good-til-Cancelled, and Immediate-or-Cancel orders, through one or more of its Nasdaq Market Center MPIDs that represent more than 0.01% of Consolidated Volume during the month: \$0.0028 per share executed

\* \* \* \* \*

**(b) – (m)** No change.

\* \* \* \* \*

**EXHIBIT 5**

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

**The Nasdaq Stock Market Rules**

\* \* \* \* \*

**4702. Order Types**

\* \* \* \* \*

(11) (A) A "Market On Close Order" or "MOC Order" is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. Subject to the qualifications provided below, MOC Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to [3:50]3:55 p.m. ET. Between [3:50]3:55 p.m. ET and immediately prior to [3:55]3:58 p.m. ET, an MOC Order can be cancelled and/or modified 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). MOC Orders cannot be cancelled or modified at or after [3:55]3:58 p.m. ET for any reason. An MOC Order shall execute only at the price determined by the Nasdaq Closing Cross.

(B) The following Order Attributes may be assigned to a Market On Close Order:

- Price. An MOC Order is entered without a price and shall execute only at the price determined by the Nasdaq Closing Cross.
- Size.
- Time-in-Force. An MOC Order may execute only in the Nasdaq Closing Cross. However, a Participant may designate the Time-in-Force for an MOC Order either by designating a Time-in-Force of "On Close" or by entering a Time-in-Force of IOC and flagging the Order to participate in the Nasdaq Closing Cross. All MOC Orders entered at or after [3:50]3:55 p.m. ET will be rejected. Participation in the Nasdaq Closing Cross is required for this Order Type.

(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]3:55 p.m. ET. Between [3:50]3:55 p.m. ET and immediately prior to [3:55]3:58 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]3:55 p.m. ET and immediately prior to [3:55]3:58 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.

(B) The following Order Attributes may be assigned to a Limit On Close Order:

- Price.
- Size.
- Time-in-Force. In general, an LOC Order may execute only in the Nasdaq Closing Cross. However, a Participant may designate the Time-in-Force for an LOC Order either by designating a Time-in-Force of "On Close," in which case the Order will execute solely in the Nasdaq Closing Cross, or by entering another Order Type and Time-in-Force and flagging the Order to participate in the Nasdaq Closing Cross.

In the latter case, if the Participant designates a Time-in-Force of IOC, the Order will participate solely in the Nasdaq Closing Cross. A Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not be flagged to solely participate in the Nasdaq Closing Cross.

If the Participant enters a Time-in-Force that continues after the time of the Nasdaq Closing Cross, the Order will participate in the Nasdaq Closing Cross like an LOC Order, while operating thereafter in accordance with its designated Order Type and Order Attributes (if not executed in full in the Nasdaq Closing Cross). Such an Order may be referred to as a "Closing Cross/Extended Hours Order."

A Post-Only Order, Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not operate as a Closing Cross/Extend Hours Order. A Closing Cross/Extended Hours Order [that is entered between 3:50 p.m. and the time of the Nasdaq Closing Cross ]will be rejected if it has been assigned a Pegging Attribute. A Closing Cross/Extended Hours Order entered through OUCH, FLITE, RASH, or FIX with a Time-in-Force other than IOC after the time of the Nasdaq Closing Cross will be accepted but the Nasdaq Closing Cross flag will be ignored. All other LOC Orders and Closing Cross/Extended Hours Orders entered at or after [3:55]3:58 p.m. ET will be rejected.

- Participation in the Nasdaq Closing Cross is required for this Order Type.

(13) (A) An "Imbalance Only Order" or "IO Order" is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. IO Orders may be entered between 4:00 a.m. ET until the time of execution of the Nasdaq Closing Cross, but may not be cancelled or modified at or after [3:50]3:55 p.m. ET. Between [3:50]3:55 p.m. ET and immediately prior to [3:55]3:58 p.m. ET, however, an IO Order can be cancelled and/or modified 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). IO Orders cannot be cancelled or modified at or after [3:55]3:58 p.m. ET for any reason.

If the price of an IO Order to buy (sell) is higher than (lower than) the highest bid (lowest offer) on the Nasdaq Book, the price of the IO Order will be modified repeatedly to equal the highest bid (lowest offer) on the Nasdaq Book; provided, however, that the price of the Order will not be moved beyond its stated limit price. Thus, for example, if an IO Order to buy was entered with a price of \$11 and the current highest bid on the Nasdaq Book was \$10.99, the IO Order would be priced at \$10.99. If the highest bid subsequently became \$10.98, the IO Order would again be repriced. However, if the highest bid moved to \$11.01, the IO Order would not be repriced.

(B) The following Order Attributes may be assigned to an Imbalance Only Order:

- Price.
- Size.
- Time-in-Force. An IO Order may execute only in the Nasdaq Closing Cross. An IO Order entered after the time of the Nasdaq Closing Cross will be rejected.
- Participation in the Nasdaq Closing Cross is required for this Order Type.

\* \* \* \* \*

#### **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] second[s] until market open.

(2) No change.

\* \* \* \* \*

**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] second[s].

(2) – (4) No change.

(c) – (d) No change.

\* \* \* \* \*

**4754. Nasdaq Closing Cross**

(a) Definitions. For the purposes of this rule the term:

(1) – (8) No change.

(9) "First Reference Price" shall mean the Current Reference Price in the first Order Imbalance Indicator disseminated at or after [3:50]3:55 p.m. ET.

(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]3:55 p.m., Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every [5] second[s] until market close.

(2) – (5) No change.

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

(A) No change.

(B) Nasdaq shall continue disseminating the NOII every [five] second[s] until After Hours Trading begins. The Near Price, Far Price, and Reference Prices contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

(C) – (D) No change.

(7) Primary Contingency Procedures. When a disruption occurs that prevents the execution of the Closing Cross as set forth above, Nasdaq shall apply either Primary Contingency Procedures pursuant to this paragraph (7) or Secondary Contingency Procedures pursuant to paragraph (8) below.

Nasdaq will employ the Primary Contingency Procedures if at all possible, and it will employ the Secondary Contingency Procedures only if it determines that both the standard procedures and the Primary Contingency Procedures are unavailable. The determination to employ Primary or Secondary Contingency Procedures will be based upon all available information, including the type of disruption, the system or sub-system disrupted, the availability of testing and diagnostic data, and observed member and market impact.

The determination to implement Primary or Secondary Contingency Procedures shall be made by the President of Nasdaq or any Senior Executive designated by the President. If such disruption occurs, Nasdaq shall publicly announce at the earliest possible time the initiation of Primary or Secondary Contingency Procedures via system status alerts, Equity Trader Alerts, and email notification directories. If Nasdaq determines to initiate Primary Contingency Procedures, the following provisions shall apply.

(A) No change.

(B) Nasdaq shall identify and segregate all MOC Orders entered prior to [3:50]3:55 p.m., all LOC Orders entered prior to [3:55]3:58 p.m., and all Imbalance Only orders entered prior to 4:00 p.m. Only these MOC, LOC, and Imbalance Only Orders shall be eligible to participate in the Contingency Closing Cross.

(C) – (E) No change.

(8) No change.

\* \* \* \* \*

### **7018. Nasdaq Market Center Order Execution and Routing**

(a) The following charges shall apply to the use of the order execution and routing services of the Nasdaq Market Center by members for all securities priced at \$1 or more

that it trades. For purposes of determining a member's shares of liquidity routed, TFTY, MOPB, MOPP, SAVE, SOLV, CART, QDRK, QCST and directed orders are not counted. As used in this rule, the term "Consolidated Volume" shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity.

**(1) Fees for Execution and Routing of Orders in Nasdaq-Listed Securities**

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

|  |                             |
|--|-----------------------------|
| member with shares of liquidity provided in the Opening and Closing Crosses, excluding Market-on-Close, Limit-on-Close (other than an Limit-on-Close Order entered between 3:55[50] p.m. ET and immediately prior to 3:58[55] p.m. ET), Market-on-Open, Limit-on-Open, Good-til-Cancelled, and Immediate-or-Cancel orders, through one or more of its Nasdaq Market Center MPIDs that represent more than 0.01% of Consolidated Volume during the month: | \$0.0028 per share executed |
|--|-----------------------------|

\* \* \* \* \*

**(2) Fees for Execution and Routing of Securities Listed on NYSE**

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

|   |                             |
|---|-----------------------------|
| member with shares of liquidity provided in the Opening and Closing Crosses, excluding Market-on-Close, Limit-on-Close (other than an Limit-on-Close Order entered between 3:55[50] p.m. ET and immediately prior to 3:58[55] p.m. ET), Market-on-Open, Limit-on-Open, Good-til-Cancelled, and Immediate-or-Cancel orders, through one or more of its Nasdaq Market Center MPIDs that represent more than 0.01% of Consolidated | \$0.0028 per share executed |
|---|-----------------------------|

Volume during the month:

\* \* \* \* \*

**(3) Fees for Execution and Routing of Orders in Securities Listed on Exchanges other than Nasdaq and NYSE (“Tape B Securities”)**

\* \* \* \* \*

Credit to member for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity:

\* \* \* \* \*

member with shares of liquidity provided in the Opening and Closing Crosses, excluding Market-on-Close, Limit-on-Close (other than an Limit-on- Close Order entered between 3:55[50] p.m. ET and immediately prior to 3:58[55] p.m. ET), Market-on-Open, Limit-on-Open, Good-til-Cancelled, and Immediate-or-Cancel orders, through one or more of its Nasdaq Market Center MPIDs that represent more than 0.01% of Consolidated Volume during the month: \$0.0028 per share executed

\* \* \* \* \*

**(b) – (m)** No change.

\* \* \* \* \*