Description

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

Proposal to amend Rule 4702 and Rule 4703 to introduce a new Midpoint Trade Now functionality

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 * Sean  Last Name * Bennett
Title * Principal Associate General Counsel
E-mail * sean.bennett@nasdaq.com
Telephone * (301) 978-8499  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 11/08/2018  Global Chief Legal and Policy Officer
By Edward S. Knight

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.
<table>
<thead>
<tr>
<th>Form 19b-4 Information *</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit 1 - Notice of Proposed Rule Change *</td>
<td>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).</td>
</tr>
<tr>
<td>Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</td>
<td>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).</td>
</tr>
<tr>
<td>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 3 - Form, Report, or Questionnaire</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 4 - Marked Copies</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 5 - Proposed Rule Text</td>
<td>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.</td>
</tr>
<tr>
<td>Partial Amendment</td>
<td>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.</td>
</tr>
</tbody>
</table>
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”)\(^1\) and Rule 19b-4 thereunder,\(^2\) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to introduce a new Midpoint Trade Now functionality.

   A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

   (b) Not applicable.

   (c) Not applicable.

2. **Procedures of the Self-Regulatory Organization**

   The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on September 26, 2018. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

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

   a. **Purpose**

   The Exchange proposes to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to introduce a new Midpoint Trade Now functionality.³ Midpoint Trade Now will be an Order Attribute⁴ that allows a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order⁵ to automatically execute against that Midpoint Peg Post-Only Order as a liquidity taker. Any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority. The Midpoint Trade Now Order Attribute may be enabled on a port level basis for all Order Types that support it and, for the Non-Displayed Order Type, also on an order-by-order basis.

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³ The term “Order” means an instruction to trade a specified number of shares in a specified System Security submitted to the Nasdaq Market Center by a Participant. An “Order Type” is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. An “Order Attribute” is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. The available Order Types and Order Attributes, and the Order Attributes that may be associated with particular Order Types, are described in Rules 4702 and 4703. One or more Order Attributes may be assigned to a single Order; provided, however, that if the use of multiple Order Attributes would provide contradictory instructions to an Order, the System will reject the Order or remove non-conforming Order Attributes. See Rule 4701(e).

⁴ Id.

⁵ A Midpoint Peg Post-Only Order is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. See Rule 4702(b)(5).
basis. Midpoint Trade Now will be available for all Order entry protocols except for QIX.⁶

The Exchange is proposing to offer the Midpoint Trade Now instruction for all Orders that have the Non-Displayed Order Attribute⁷ and are not otherwise subject to restrictions on execution. Accordingly, the Midpoint Trade Now instruction shall not be available for Price to Display Orders (Rule 4702(b)(2)), Market Maker Peg Orders (Rule 4702(b)(7)), Supplemental Orders (Rule 4702(b)(6)), Market On Open Orders (Rule 4702(b)(8)), Limit On Open Orders (Rule 4702(b)(9)), Opening Imbalance Only Orders (Rule 4702(b)(10)), Market On Close Orders (Rule 4702(b)(11)), Limit on Close Orders (Rule 4702(b)(12)), Imbalance Only Orders (Rule 4702(b)(13)), and Midpoint Extended Life Orders (Rule 4702(b)(14)). These order types are either: a) incapable of having a non-displayed price, hence the use of the Midpoint Trade Now instruction is not applicable, or b) subject to other Nasdaq rules regarding the display and execution of those orders, thus the use of the Midpoint Trade Now instruction would be inconsistent with those other Nasdaq rules.⁸ The Midpoint Trade-Now instruction will be available as

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⁶ Nasdaq notes that, although the QIX protocol can support the removing of liquidity, QIX is designed to provide two-sided quote messages to the trading system, unlike the OUCH, RASH, FLITE and FIX protocols, which are designed to facilitate Order submission. See Item 4 discussion, infra.

⁷ There is both a Non-Display Order Attribute (Rule 4703(k)) and a Non-Display Order (Rule 4702(b)(3)).

⁸ For example, a Supplemental Order is an order type with a Non-Display Order attribute that is held on the Nasdaq Book in order to provide liquidity at the NBBO through a special execution process described in Rule 4757(a)(1)(D). Rule 4757(a)(1)(D) provides that a Supplemental Order will be matched against an order only at the National Best Bid or Offer, and only if the size of the order is less than or equal to the aggregate size of Supplemental Order interest available at the price of the order. In addition, a Supplemental Order will not execute if the NBBO is locked or crossed. See Rule 4757(a)(1)(D). To the extent that a
a port-setting for all other Order Types, namely Price to Comply Orders (Rule 4702(b)(1)), Non-Displayed Orders (Rule 4702(b)(3)), Post Only Orders (Rule 4702(b)(4)) and Midpoint Peg Post-Only Orders (Rule 4702(b)(5)). In addition, Midpoint Trade Now will be available on an Order-by-Order basis\(^9\) for Non-Displayed Orders.\(^{10}\)

A resting Order that is entered with the Midpoint Trade Now Order Attribute will execute against locking interest automatically. As such, the availability of Midpoint Trade Now obviates the need for execution restrictions on incoming Orders because when a resting Order without the Midpoint Trade Now Order Attribute is being locked at its non-displayed price by a Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Order Attribute, as applicable) will be able to execute against the Midpoint Peg Post-Only Order at the locking price. Nasdaq also proposes to amend Rule 4702(b)(5)(A) to reflect this new functionality. Currently, if a Midpoint Peg Post-Only Order that posts to the Nasdaq Book is locking a preexisting Order, the Midpoint Peg Post-Only Order will execute against an incoming Order only if the price of the incoming sell (buy) Order is lower (higher) than the price of the preexisting Order. As an example, if the midpoint is at $11.03 and there is a Non-Displayed Order (or

Supplemental Order will only be matched at the National Best Bid or Offer, and the Midpoint Trade-Now instruction allows a locked resting order to execute at a price that is potentially better than the NBBO, the function of the Trade-Now instruction is inconsistent with the function of the Supplemental Order.

\(^9\) If a port is set to not use Midpoint Trade Now and a Non-Displayed Order is sent with a Midpoint Trade Now specification through the port, the Order’s instructions will override the port setting.

\(^{10}\) While the port-level setting applies to Orders with a Non-Displayed Order Attribute, order-by-order specification is available only for the Orders with the specific Non-Displayed Order Type.
another Order with a Non-Display Order Attribute) on the Nasdaq Book to sell at $11.03, and if the incoming buy Midpoint Peg Post-Only Order locks the preexisting Non-Displayed Order at $11.03, the Midpoint Peg Post-Only Order could execute only against an incoming Order to sell priced at less than $11.03.

However, under the proposed functionality, if there is a resting sell (buy) Order on the Nasdaq Book without the Midpoint Trade Now Attribute that is locked at its non-displayed price by a buy (sell) Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Order Attribute), entered at a price equal to or lower (higher) than the non-displayed price of the locked sell (buy) Order, will be able to execute against the Midpoint Peg Post-Only Order at the locking price. The resting Order will remain on the Nasdaq Book and will retain its priority after the subsequent Order has executed against the Midpoint Peg Post-Only Order. For example, the Best Bid is $11 and the Best Offer is $11.06, and a buy Midpoint Peg Post-Only Order is locking a preexisting sell Non-Displayed Order without the Midpoint Trade Now Attribute at $11.03. The Midpoint Peg Post-Only Order could execute against incoming Orders, with or without the Midpoint Trade Now Attribute, to sell priced equal to or less than $11.03.

The proposed functionality relating to Midpoint Peg Post-Only Orders that lock a pre-existing Order, is set forth in Rule 4703(n). This new text makes the current functionality described in Rule 4702(b)(5)(A) obsolete with respect to non-display orders. Accordingly, Nasdaq is revising language in Rule 4702(b)(5)(A) that once
applied to both displayed and non-displayed orders to now only apply to displayed orders.\textsuperscript{11}

\textbf{Implementation}

The Exchange will implement Midpoint Trade Now in the first quarter of 2019, and will announce the implementation date via an Equity Trader Alert. The Exchange will implement the proposed clarifying change to Rule 4702(b)(5)(A) at the earliest permissible time.\textsuperscript{12}

b. \textbf{Statutory Basis}

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\textsuperscript{13} in general, and furthers the objectives of Section 6(b)(5) of the Act,\textsuperscript{14} 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.

The proposed Midpoint Trade Now functionality will allow market participants to have their Orders executed as a taker of liquidity should that Order become locked at its non-displayed price by a contra-side Midpoint Peg Post-Only Order. This functionality will therefore promote an efficient and orderly market by allowing Orders in this scenario to execute and resolve a locked market. Similarly, allowing a subsequent Order to execute against a locking Midpoint Peg Post-Only Order if the Order that is locked by the

\begin{itemize}
  \item[\textsuperscript{11}] As part of this proposal, Nasdaq also proposes to include references in Rule 4702(b)(5)(A) “to buy,” where appropriate, to further clarify this rule language.
  \item[\textsuperscript{12}] \textbf{Id.}
  \item[\textsuperscript{13}] 15 U.S.C. 78f(b).
  \item[\textsuperscript{14}] 15 U.S.C. 78f(b)(5).
\end{itemize}
Midpoint Peg Post-Only Order has not enabled the Midpoint Trade-Now functionality will also promote an efficient and orderly market by allowing the incoming Order in that scenario to execute and resolve an instance where Orders with a non-displayed price on both the buy and sell side of the market are priced equally but not executing against each other. The Midpoint Trade Now functionality is an optional feature that is being offered at no additional charge, and is designed to reflect both the objectives of the Nasdaq market, and the order flow management practices of various market participants.

The Exchange believes that the decision to offer the new functionality on an order-by-order basis only for one Order Type—and as a port setting for others—is consistent with the Act because it reflects the varying use cases of Nasdaq’s Order Types and the flexibility required by different market participants. Users of the Non-Displayed Order Type may be more or less sensitive to removing liquidity depending on market conditions and thus would prefer to decide on a case-by-case basis whether that order will trade with any available liquidity on the book. In contrast, Price to Comply Orders, Post Only Orders, and Midpoint Peg-Post Only Orders are generally entered with the expectation of joining a certain price level, executing only as an adder of liquidity.\(^{15}\)

Therefore, Nasdaq does not believe users of these Order Types would want or need flexibility on an order-by-order basis as it is generally inconsistent with the purpose of the Order Type. Nevertheless, Nasdaq recognizes that some market participants may

\(^{15}\) Price to Comply Orders and Post Only Orders are generally Orders with a Display Attribute, but may in certain circumstances also have a non-displayed price. For example, if the NBBO is 10.99 x 11.00, a Price to Comply Order to buy at 11.00 would be ranked at 11.00 but displayed at 10.99. If the National Best Offer subsequently moved to 11.01, and the Participant did not elect to have their order canceled back or otherwise adjusted in such circumstances, the Order would then be ranked at the new midpoint. In this case, an incoming Midpoint Peg-Post Only Order could lock the resting Price to Comply Order at its non-displayed price.
prefer to execute whenever possible and thus will make Midpoint Trade Now available for these Order Types as a port setting to provide blanket coverage.

Nasdaq believes that the proposed clarifying changes and revised rule text under Rule 4702(b)(5)(A) are consistent with the Act because they will help avoid investor confusion that may be caused by not making it clear that a Midpoint Peg Post-Only Order in the Rule’s example is an Order to buy, and by having text that refers to functionality that will no longer apply. As noted above, Nasdaq is revising language in Rule 4702(b)(5)(A) that once applied to both displayed and non-displayed orders to now only apply to displayed orders.

4. **Self-Regulatory Organization’s Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. This is an optional functionality that is being offered at no charge, and which may be used equally by similarly-situated participants. Moreover, the functionality may be replicated by other markets if deemed to be appropriate for their markets.

As noted above, Nasdaq will offer the Midpoint Trade Now functionality through the OUCH, RASH, FLITE, and FIX protocols. Nasdaq will not offer the Midpoint Trade Now functionality through the QIX protocol. Nasdaq notes that, although the QIX protocol can support the removing of liquidity, QIX is designed to provide two-sided quote messages to the trading system, unlike the OUCH, RASH, FLITE and FIX protocols, which are designed to facilitate Order submission. Nasdaq also notes that QIX

16 Although participants may use other protocols, such as DROP, those protocols are not related to Order entry, and so the Midpoint Trade Now functionality is not being offered for those protocols.
is an infrequently-used protocol,\textsuperscript{17} and that this protocol cannot support the expansion of fields that adopting the Midpoint Trade Now instruction would require. Nasdaq therefore believes that its decision to offer the Midpoint Trade Now instruction through the OUCH, RASH, FLITE, and FIX protocols will not impose any burden on competition that is not necessary or appropriate.

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

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)\textsuperscript{18} of the Act and Rule 19b-4(f)(6) thereunder\textsuperscript{19} in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that, while the proposal will offer participants an additional functionality that will result in additional order execution opportunities,

\textsuperscript{17} As of September 12, 2018, of the 4,855 customer ports for the various Nasdaq protocols, only 134 of those ports are QIX protocol.


\textsuperscript{19} 17 CFR 240.19b-4(f)(6).
thereby increasing the efficient functioning of the Nasdaq market, the overall impact of this functionality will not significantly affect the protection of investors or the public interest. The Exchange notes that the proposed functionality is similar to, and a natural extension of, that of the Exchange’s Trade Now Order Attribute,\(^{20}\) which allows a resting Order that becomes locked by an incoming Displayed Order to execute against the available size of the contra-side locking Order as a liquidity taker, and any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority. Thus, the proposed functionality, like the existing Trade Now functionality, will allow a member to execute against a locking incoming Order. Consequently, Nasdaq believes that the functionality is familiar to market participants, may be replicated by other markets, and facilitates efficient functioning of the Nasdaq market. As noted above, Nasdaq believes that the proposed clarifying changes and revised rule text under Rule 4702(b)(5)(A) do not significantly affect the protection of investors or the public interest because they will help avoid investor confusion that may be caused by not making it clear that a Midpoint Peg Post-Only Order in the Rule’s example is an Order to buy, and by having text that refers to functionality that will no longer apply. For the reasons described above in Item 4, Nasdaq does not believe that the proposed change will impose a significant burden on competition. As noted above, the Exchange intends to implement the proposed functionality in the first quarter of 2019 and will announce the

\(^{20}\) Although the Exchange believes that the proposed functionality is a natural extension to the Trade Now functionality, there are differences between the two. See Rule 4703(m). For example, unlike an Order with Midpoint Trade Now, an Order entered through OUCH or FLITE may not be assigned a Trade Now attribute upon entry, but rather the Participant that entered the Order must send a Trade Now instruction after the Order becomes locked. Notwithstanding, the Exchange believes that the proposed change does not raise novel issues.
implementation date via an Equity Trader Alert.

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

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

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**
   
   Not applicable.

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**
   
   Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**
    
    Not applicable.

11. **Exhibits**
    
    
    5. Text of the proposed rule change.
SECURITIES AND EXCHANGE COMMISSION  
(Release No.                  ; File No. SR-NASDAQ-2018-090)

November __, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to introduce new Midpoint Trade Now Functionality

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 9, 2018, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to introduce a new Midpoint Trade Now functionality.

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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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 Exchange proposes to amend Rule 4702 (Order Types) and Rule 4703 (Order Attributes) to introduce a new Midpoint Trade Now functionality. Midpoint Trade Now will be an Order Attribute that allows a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order to automatically execute.

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3 The term “Order” means an instruction to trade a specified number of shares in a specified System Security submitted to the Nasdaq Market Center by a Participant. An “Order Type” is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. An “Order Attribute” is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. The available Order Types and Order Attributes, and the Order Attributes that may be associated with particular Order Types, are described in Rules 4702 and 4703. One or more Order Attributes may be assigned to a single Order; provided, however, that if the use of multiple Order Attributes would provide contradictory instructions to an Order, the System will reject the Order or remove non-conforming Order Attributes. See Rule 4701(e).

4 Id.

5 A Midpoint Peg Post-Only Order is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. See Rule 4702(b)(5).
against that Midpoint Peg Post-Only Order as a liquidity taker. Any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority. The Midpoint Trade Now Order Attribute may be enabled on a port level basis for all Order Types that support it and, for the Non-Displayed Order Type, also on an order-by-order basis. Midpoint Trade Now will be available for all Order entry protocols except for QIX.\(^6\)

The Exchange is proposing to offer the Midpoint Trade Now instruction for all Orders that have the Non-Displayed Order Attribute\(^7\) and are not otherwise subject to restrictions on execution. Accordingly, the Midpoint Trade Now instruction shall not be available for Price to Display Orders (Rule 4702(b)(2)), Market Maker Peg Orders (Rule 4702(b)(7)), Supplemental Orders (Rule 4702(b)(6)), Market On Open Orders (Rule 4702(b)(8)), Limit On Open Orders (Rule 4702(b)(9)), Opening Imbalance Only Orders (Rule 4702(b)(10)), Market On Close Orders (Rule 4702(b)(11)), Limit on Close Orders (Rule 4702(b)(12)), Imbalance Only Orders (Rule 4702(b)(13)), and Midpoint Extended Life Orders (Rule 4702(b)(14)). These order types are either: a) incapable of having a non-displayed price, hence the use of the Midpoint Trade Now instruction is not applicable, or b) subject to other Nasdaq rules regarding the display and execution of those orders, thus the use of the Midpoint Trade Now instruction would be inconsistent.

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\(^6\) Nasdaq notes that, although the QIX protocol can support the removing of liquidity, QIX is designed to provide two-sided quote messages to the trading system, unlike the OUCH, RASH, FLITE and FIX protocols, which are designed to facilitate Order submission. See Item II.B. discussion, infra.

\(^7\) There is both a Non-Display Order Attribute (Rule 4703(k)) and a Non-Display Order (Rule 4702(b)(3)).
with those other Nasdaq rules.\(^8\) The Midpoint Trade-Now instruction will be available as a port-setting for all other Order Types, namely Price to Comply Orders (Rule 4702(b)(1)), Non-Displayed Orders (Rule 4702(b)(3)), Post Only Orders (Rule 4702(b)(4)) and Midpoint Peg Post-Only Orders (Rule 4702(b)(5)). In addition, Midpoint Trade Now will be available on an Order-by-Order basis\(^9\) for Non-Displayed Orders.\(^10\)

A resting Order that is entered with the Midpoint Trade Now Order Attribute will execute against locking interest automatically. As such, the availability of Midpoint Trade Now obviates the need for execution restrictions on incoming Orders because when a resting Order without the Midpoint Trade Now Order Attribute is being locked at its non-displayed price by a Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Attribute, as applicable) will be able to execute against the Midpoint Peg Post-Only Order at the locking price. Nasdaq also proposes to

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\(^8\) For example, a Supplemental Order is an order type with a Non-Display Order attribute that is held on the Nasdaq Book in order to provide liquidity at the NBBO through a special execution process described in Rule 4757(a)(1)(D). Rule 4757(a)(1)(D) provides that a Supplemental Order will be matched against an order only at the National Best Bid or Offer, and only if the size of the order is less than or equal to the aggregate size of Supplemental Order interest available at the price of the order. In addition, a Supplemental Order will not execute if the NBBO is locked or crossed. See Rule 4757(a)(1)(D). To the extent that a Supplemental Order will only be matched at the National Best Bid or Offer, and the Midpoint Trade-Now instruction allows a locked resting order to execute at a price that is potentially better than the NBBO, the function of the Trade-Now instruction is inconsistent with the function of the Supplemental Order.

\(^9\) If a port is set to not use Midpoint Trade Now and a Non-Displayed Order is sent with a Midpoint Trade Now specification through the port, the Order’s instructions will override the port setting.

\(^10\) While the port-level setting applies to Orders with a Non-Displayed Order Attribute, order-by-order specification is available only for the Orders with the specific Non-Displayed Order Type.
amend Rule 4702(b)(5)(A) to reflect this new functionality. Currently, if a Midpoint Peg Post-Only Order that posts to the Nasdaq Book is locking a preexisting Order, the Midpoint Peg Post-Only Order will execute against an incoming Order only if the price of the incoming sell (buy) Order is lower (higher) than the price of the preexisting Order. As an example, if the midpoint is at $11.03 and there is a Non-Displayed Order (or another Order with a Non-Display Order Attribute) on the Nasdaq Book to sell at $11.03, and if the incoming buy Midpoint Peg Post-Only Order locks the preexisting Non-Displayed Order at $11.03, the Midpoint Peg Post-Only Order could execute only against an incoming Order to sell priced at less than $11.03.

However, under the proposed functionality, if there is a resting sell (buy) Order on the Nasdaq Book without the Midpoint Trade Now Attribute that is locked at its non-displayed price by a buy (sell) Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Order Attribute), entered at a price equal to or lower (higher) than the non-displayed price of the locked sell (buy) Order, will be able to execute against the Midpoint Peg Post-Only Order at the locking price. The resting Order will remain on the Nasdaq Book and will retain its priority after the subsequent Order has executed against the Midpoint Peg Post-Only Order. For example, the Best Bid is $11 and the Best Offer is $11.06, and a buy Midpoint Peg Post-Only Order is locking a preexisting sell Non-Displayed Order without the Midpoint Trade Now Attribute at $11.03. The Midpoint Peg Post-Only Order could execute against incoming Orders, with or without the Midpoint Trade Now Attribute, to sell priced equal to or less than $11.03.
The proposed functionality relating to Midpoint Peg Post-Only Orders that lock a pre-existing Order, is set forth in Rule 4703(n). This new text makes the current functionality described in Rule 4702(b)(5)(A) obsolete with respect to non-display orders. Accordingly, Nasdaq is revising language in Rule 4702(b)(5)(A) that once applied to both displayed and non-displayed orders to now only apply to displayed orders.\textsuperscript{11}

\textbf{Implementation}

The Exchange will implement Midpoint Trade Now in the first quarter of 2019, and will announce the implementation date via an Equity Trader Alert. The Exchange will implement the proposed clarifying change to Rule 4702(b)(5)(A) at the earliest permissible time.\textsuperscript{12}

\begin{enumerate}
\item \textbf{Statutory Basis}

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\textsuperscript{13} in general, and furthers the objectives of Section 6(b)(5) of the Act,\textsuperscript{14} 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.

The proposed Midpoint Trade Now functionality will allow market participants to have their Orders executed as a taker of liquidity should that Order become locked at its
\end{enumerate}

\textsuperscript{11} As part of this proposal, Nasdaq also proposes to include references in Rule 4702(b)(5)(A) “to buy,” where appropriate, to further clarify this rule language.

\textsuperscript{12} Id.

\textsuperscript{13} 15 U.S.C. 78f(b).

\textsuperscript{14} 15 U.S.C. 78f(b)(5).
non-displayed price by a contra-side Midpoint Peg Post-Only Order. This functionality will therefore promote an efficient and orderly market by allowing Orders in this scenario to execute and resolve a locked market. Similarly, allowing a subsequent Order to execute against a locking Midpoint Peg Post-Only Order if the Order that is locked by the Midpoint Peg Post-Only Order has not enabled the Midpoint Trade-Now functionality will also promote an efficient and orderly market by allowing the incoming Order in that scenario to execute and resolve an instance where Orders with a non-displayed price on both the buy and sell side of the market are priced equally but not executing against each other. The Midpoint Trade Now functionality is an optional feature that is being offered at no additional charge, and is designed to reflect both the objectives of the Nasdaq market, and the order flow management practices of various market participants.

The Exchange believes that the decision to offer the new functionality on an order-by-order basis only for one Order Type—and as a port setting for others—is consistent with the Act because it reflects the varying use cases of Nasdaq’s Order Types and the flexibility required by different market participants. Users of the Non-Displayed Order Type may be more or less sensitive to removing liquidity depending on market conditions and thus would prefer to decide on a case-by-case basis whether that order will trade with any available liquidity on the book. In contrast, Price to Comply Orders, Post Only Orders, and Midpoint Peg-Post Only Orders are generally entered with the expectation of joining a certain price level, executing only as an adder of liquidity.15

15 Price to Comply Orders and Post Only Orders are generally Orders with a Display Attribute, but may in certain circumstances also have a non-displayed price. For example, if the NBBO is 10.99 x 11.00, a Price to Comply Order to buy at 11.00 would be ranked at 11.00 but displayed at 10.99. If the National Best Offer subsequently moved to 11.01, and the Participant did not elect to have their order...
Therefore, Nasdaq does not believe users of these Order Types would want or need flexibility on an order-by-order basis as it is generally inconsistent with the purpose of the Order Type. Nevertheless, Nasdaq recognizes that some market participants may prefer to execute whenever possible and thus will make Midpoint Trade Now available for these Order Types as a port setting to provide blanket coverage.

Nasdaq believes that the proposed clarifying changes and revised rule text under Rule 4702(b)(5)(A) are consistent with the Act because they will help avoid investor confusion that may be caused by not making it clear that a Midpoint Peg Post-Only Order in the Rule’s example is an Order to buy, and by having text that refers to functionality that will no longer apply. As noted above, Nasdaq is revising language in Rule 4702(b)(5)(A) that once applied to both displayed and non-displayed orders to now only apply to displayed orders.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. This is an optional functionality that is being offered at no charge, and which may be used equally by similarly-situated participants. Moreover, the functionality may be replicated by other markets if deemed to be appropriate for their markets.

As noted above, Nasdaq will offer the Midpoint Trade Now functionality through the OUCH, RASH, FLITE, and FIX protocols. Nasdaq will not offer the Midpoint Trade
Now functionality through the QIX protocol.  Nasdaq notes that, although the QIX protocol can support the removing of liquidity, QIX is designed to provide two-sided quote messages to the trading system, unlike the OUCH, RASH, FLITE and FIX protocols, which are designed to facilitate Order submission. Nasdaq also notes that QIX is an infrequently-used protocol, and that this protocol cannot support the expansion of fields that adopting the Midpoint Trade Now instruction would require. Nasdaq therefore believes that its decision to offer the Midpoint Trade Now instruction through the OUCH, RASH, FLITE, and FIX protocols will not impose any burden on competition that is not necessary or appropriate.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant

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16 Although participants may use other protocols, such as DROP, those protocols are not related to Order entry, and so the Midpoint Trade Now functionality is not being offered for those protocols.

17 As of September 12, 2018, of the 4,855 customer ports for the various Nasdaq protocols, only 134 of those ports are QIX protocol.
to Section 19(b)(3)(A)(iii) of the Act\textsuperscript{18} and subparagraph (f)(6) of Rule 19b-4 thereunder.\textsuperscript{19}

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2018-090 on the subject line.


\textsuperscript{19} 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
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-2018-090. 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-2018-090 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.\textsuperscript{20}

Eduardo A. Aleman  
Assistant Secretary

\textsuperscript{20} 17 CFR 200.30-3(a)(12).
4702. Order Types

(a) No change.

(b) Except where stated otherwise, the following Order Types are available to all Participants:

(1) (A) – (B) No change.

(C) The following Order Attributes may be assigned to a Price to Comply Order:

• Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.

• Size.

• Reserve Size (available through RASH, FIX and QIX only).

• A Time-in-Force other than IOC. (A Price to Comply Order entered with a Time-in-Force of IOC would be processed as a Non-Displayed Order with a Time-in-Force of IOC).

• Designation as an ISO. In accordance with Regulation NMS, a Price to Comply Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Price to Comply Order would lock or cross.

• Routing (available through RASH, FIX and QIX only).

• Primary Pegging and Market Pegging (available through RASH, FIX, and QIX only).

• Discretion (available through RASH, FIX and QIX only).

• Participation in the Nasdaq Opening Cross and/or the Nasdaq Closing Cross.
• Display. A Price to Comply Order is always displayed, although, as provided above, it may also have a non-displayed price and/or Reserve Size.

• Trade Now (available through OUCH, RASH, FLITE and FIX).

• Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).

(2) No change.

(3)(A) – (B) No change.

(C) The following Order Attributes may be assigned to a Non-Displayed Order:

• Price. As described above, the price of the Order may be adjusted to avoid crossing a Protected Quotation.

• Size.

• Minimum Quantity.

• Time-in-Force.

• Designation as an ISO. In accordance with Regulation NMS, a Non-Displayed Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Non-Displayed Order would cross. As discussed above, a Non-Displayed Order would be accepted at a price that locked a Protected Quotation, even if the Order was not designated as an ISO, because the non-displayed nature of the Order allows it to lock a Protected Quotation under Regulation NMS. Accordingly, the System would not interpret receipt of a Non-Displayed Order marked ISO that locked a Protected Quotation as the basis for determining that the Protected Quotation had been executed for purposes of accepting additional Orders at that price level.

• Routing (available through RASH, FIX and QIX only).

• Primary Pegging and Market Pegging (available through RASH, FIX, and QIX only).

• Pegging to the Midpoint (see Rule 4703(d) with respect to differences between OUCH and FLITE and RASH, FIX, and QIX).

• Discretion (available through RASH, FIX and QIX only).

• Participation in the Nasdaq Opening Cross and/or the Nasdaq Closing Cross.
• Trade Now (available through OUCH, RASH, FLITE and FIX).

• Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).

(4) (A) – (B) No change.

(C) The following Order Attributes may be assigned to a Post-Only Order:

• Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.

• Size.

• Time-in-Force; provided, however, that a Post-Only Order with a Time-in-Force of IOC may not be entered through RASH, QIX, or FIX.

• Designation as an ISO. In accordance with Regulation NMS, a Post-Only Order designated as an ISO that locked or crossed a Protected Quotation would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Post-Only Order would lock or cross. However, as described above, a Post-Only Order designated as an ISO that locked or crossed an Order on the Nasdaq Book would either execute at time of entry, post at its limit price, or would have its price adjusted prior to posting. Accordingly, the System would not interpret receipt of a Post-Only Order marked ISO that had its price adjusted prior to posting as the basis for determining that any Protected Quotation at the Order's original entered limit price level had been executed for purposes of accepting additional Orders at that price level. However, if the Post-Only Order is ranked and displayed at its adjusted price, the System would consider the adjusted price level to be open for purposes of accepting additional Orders at that price level. For example, assume that there is a Protected Offer at $11 and a Participant enters a Post-Only Order marked ISO to buy at $11. If there are no Orders to sell at $11 on the Nasdaq Book, the Order to buy will be displayed and ranked at $11, since the designation of the Order as an ISO reflects the Participant's representation that it has routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Post-Only Order would lock or cross. However, if there was also a displayed Order to sell at $11 on the Nasdaq Book, the Post-Only Order will be repriced, ranked, and displayed at $10.99. In that case, the mere fact that the Post-Only Order was designated as an ISO would not allow Nasdaq to conclude that the $11 price level was "open" for receiving orders to buy at that price; the $11 price level would be considered open only if market data received by the System demonstrated that the Protected Offer at $11 had been removed or if a subsequent Displayed Order marked ISO was received and ranked at that price.
• Attribution.

• Participation in the Nasdaq Opening Cross and/or the Nasdaq Closing Cross (available through OUCH and FLITE only).

• Display. A Post-Only Order is always displayed, although as provided above, may also have a non-displayed price.

• Trade Now (available through OUCH, RASH, FLITE and FIX).

• Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).

(5)(A) A “Midpoint Peg Post-Only Order” is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will execute upon entry only in circumstances where economically beneficial to the party entering the Order. The Midpoint Peg Post-Only Order is available during Market Hours only.

A Midpoint Peg Post-Only Order must be assigned a limit price. When a Midpoint Peg Post-Only Order is entered, it will be priced at the midpoint between the NBBO, unless such midpoint is higher than (lower than) the limit price of an Order to buy (sell), in which case the Order will be priced at its limit price. If the NBBO is locked, the Midpoint Peg Post-Only Order will be priced at the locking price, if the NBBO is crossed or if there is no NBBO, the Order will not be accepted. The Midpoint Peg Post-Only Order will post to the Nasdaq Book unless it is a buy (sell) Order that is priced higher than (lower than) a sell (buy) Order on the Nasdaq Book, in which case it will execute at the price of the Order on the Nasdaq Book; provided, however, that if the Order has a Time-in-Force of IOC, the Order will be cancelled after determining whether it can be executed. For example, if the Best Bid was $11 and the Best Offer was $11.06, the price of the Midpoint Peg Post-Only Order would be $11.03. If there was a Non-Displayed Order (or another Order with a Non-Display Order Attribute) on the Nasdaq Book to sell at $11.02, the incoming Midpoint Peg Post-Only Order to buy would execute against it at $11.02. However, if there was a Non-Displayed Order (or another Order with a Non-Display Order Attribute) to sell at $11.03, the Midpoint Peg Post-Only Order to buy would post at $11.03. While a Midpoint Peg Post-Only Order that posts to the Nasdaq Book is locking a preexisting Order at its displayed price, the Midpoint Peg Post-Only Order will execute against an incoming Order only if the price of the incoming sell (buy) Order is lower (higher) than the displayed price of the preexisting Order. [Thus, in the previous example, if the NBBO is locked at $11.03 and a Midpoint Peg Post-Only Order locked the preexisting Non-Displayed Order to buy at $11.03 locks a displayed Order to sell at $11.03, the Midpoint Peg Post-Only Order could execute only against an incoming Order to sell priced at less than $11.03.

A Midpoint Peg Post-Only Order that would be assigned a price of $1 or less per share will not be accepted.
(B) No change.

(C) The following Order Attributes may be assigned to a Midpoint Peg Post-Only Order:

- Price of more than $1 per share.

- Size.

- Time-in-Force; provided, however, that a Midpoint Peg Post-Only Order with a Time-in-Force of IOC may not be entered through RASH, QIX or FIX, and provided further that regardless of the Time-in-Force entered, a Midpoint Post-Only Order may not be active outside of Market Hours. Midpoint Peg Post-Only Orders may not participate in the Nasdaq Opening Cross, Nasdaq Halt Cross, or the Nasdaq Closing Cross. A Midpoint Peg Post-Only Order entered prior to the beginning of Market Hours will be rejected. Midpoint Peg Post-Only Orders will be cancelled by the System when a trading halt is declared, and any Midpoint Peg Post-Only Orders entered during a trading halt will be rejected. A Midpoint Peg Post-Only Order remaining on the Nasdaq Book at 4:00 p.m. ET will be cancelled by the System.

- Pegging to the midpoint is required for Midpoint Peg Post-Only Orders entered through RASH, QIX or FIX. As discussed above, the price of a Midpoint Peg Post-Only Order entered through OUCH or FLITE will be pegged to the midpoint upon entry and not adjusted thereafter.

- Minimum Quantity.

- Non-Display. All Midpoint Peg Post-Only Orders are Non-Displayed.

- Trade Now (available through OUCH, RASH, FLITE and FIX).

- Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).

(6) – (14) No change.

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4703. Order Attributes

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

(a) – (l) No change.

(m) Trade Now. Trade Now is an Order Attribute that allows a resting Order that becomes locked by an incoming Displayed Order to execute against the available size of the contra-side locking Order as a liquidity taker, and any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority.
• An Order entered through RASH or FIX protocol with a Trade Now Order Attribute will execute against locking interest automatically. When entered through RASH or FIX protocol, the Trade Now Order Attribute may be enabled on an order-by-order or a port-level basis.

• An Order entered through OUCH or FLITE may not be assigned a Trade Now attribute upon entry, but rather the Participant that entered the Order must send a Trade Now instruction after the Order becomes locked. If a Trade Now instruction is given when there is no locking interest, the instruction will be ignored by the System and the Order will remain on the Nasdaq Book with the same priority. When entered through OUCH or FLITE protocol, the Trade Now instruction must be sent on an order-by-order basis.

(n) Midpoint Trade Now. Midpoint Trade Now is an Order Attribute that allows a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order to execute against that Midpoint Peg Post-Only Order as a liquidity taker. Any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority.

• The Midpoint Trade Now Order Attribute may be enabled on a port-level basis for all Order Types that support it, and for the Non-Displayed Order Type, also on an order-by-order basis.

• A resting Order that is entered with the Midpoint Trade Now Order Attribute will execute against locking interest automatically.

• If there is a resting Order on the Nasdaq Book without the Midpoint Trade Now Attribute that is locked at its non-displayed price by a Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Attribute, as applicable) will be able to execute against the Midpoint Peg Post-Only Order at the locking price. The resting Order will remain on the Nasdaq Book and will retain its priority relative to other resting orders on the same side of the market after the subsequent Order has executed against the Midpoint Peg Post-Only Order.

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