



**Sun Kim**  
Associate General Counsel



April 9, 2021

Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: SR-NASDAQ-2021-009 Amendment 1

Dear Ms. Countryman:

Nasdaq filed the above-referenced filing on April 9, 2021.

Sincerely,

/s Sun Kim

Sun Kim

Required fields are shown with yellow backgrounds and asterisks.

Filing by The Nasdaq Stock Market LLC  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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

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

**Description**

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

A proposal to amend Rule 4754 to introduce price protections for the Limit-Up Limit-Down Closing Cross

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*  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 EFFS website.

**Form 19b-4 Information \***

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

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

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

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, 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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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

**Exhibit 5 - Proposed Rule Text**

Add Remove View

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

**Partial Amendment**

Add Remove View

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

1. Text of the Proposed Rule Change

(a) The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Equity 4, Rule 4754<sup>3</sup> to introduce price protections for the Limit-Up Limit-Down (“LULD”) Closing Cross<sup>4</sup> that are similar to the protections currently employed by the standard Nasdaq Closing Cross,<sup>5</sup> and to make other changes related to the LULD 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 text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

---

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

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

<sup>3</sup> All of the Rule 4000 series referenced in this filing are within Equity 4.

<sup>4</sup> The LULD Closing Cross is the Exchange’s auction process for executing closing trades in Nasdaq-listed securities when a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m. ET. See Rule 4754(b)(6).

<sup>5</sup> “Nasdaq Closing Cross” shall mean the process for determining the price at which orders shall be executed at the close and for executing those orders. See Rule 4754(a).

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors (the “Board”) on November 5, 2020. No other action is necessary for the filing of the rule change.

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

Sun Kim  
Associate General Counsel  
Nasdaq, Inc.  
(646) 420-7816

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 amend Rule 4754 to introduce price protections for the LULD Closing Cross that are similar to the protections currently employed by the standard Nasdaq Closing Cross, and to make other changes related to the LULD Closing Cross. With the proposed changes, the Exchange’s LULD and standard Closing Cross processes will be more harmonized, which the Exchange believes will promote a more consistent experience for members and investors participating in the close and reduce any potential confusion regarding Nasdaq’s closing processes.

The Exchange intends to implement the proposed changes by the end of Q3 2021, and will provide prior notice in an Equity Trader Alert.

Background

The Nasdaq Closing Cross is a transparent auction process that determines a single price for the close. The price determined by the Closing Cross is also the Nasdaq Official Closing Price (“NOCP”) for securities that participate in the cross. Members can

submit Limit on Close (“LOC”) Orders,<sup>6</sup> Market on Close (“MOC”) Orders,<sup>7</sup> and Imbalance Only (“IO”) Orders<sup>8</sup> that are available to participate in the Closing Cross along with other Close Eligible Interest.<sup>9</sup> At 4:00 p.m. ET,<sup>10</sup> the Exchange will execute the Nasdaq Closing Cross at a price determined in accordance with Rule 4754(b)(2).

When the Closing Cross price is calculated as described in Rule 4754(b)(2), the Exchange applies a boundary within which the cross must execute to ensure that the closing price derived does not exceed a price reasonably tied to the prevailing market at the time. Specifically, the Exchange applies a threshold amount to a benchmark value that, when applied to an individual security, determines the threshold price range that a security may cross, outside of which the closing price of a security may not occur.<sup>11</sup> If the Closing Cross price of a security would otherwise be outside of this threshold range, the Exchange will adjust the Closing Cross price of the security to a price within the

---

<sup>6</sup> 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. See Rule 4702(b)(12).

<sup>7</sup> 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. See Rule 4702(b)(11).

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

<sup>9</sup> “Close Eligible Interest” shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of SDAY, SGTC, MDAY, MGTC, SHEX, or GTMC. See Rule 4754(a)(1).

<sup>10</sup> All times referenced in this filing are Eastern Time.

<sup>11</sup> See Rule 4754(b)(2)(E).

threshold range that best satisfies the normal process for determining the Closing Cross price.<sup>12</sup> This adjustment happens automatically prior to execution of the Closing Cross. All unexecuted shares designated to expire upon the conclusion of the Closing Cross,<sup>13</sup> including those that fall outside of the calculated threshold price range, are cancelled.

The threshold amounts and benchmarks are set by Nasdaq management in advance and communicated to market participants. Nasdaq may adjust the threshold amounts and benchmarks from time to time based on Nasdaq's experience with the Closing Cross. Nasdaq publishes this information publicly on its website, and sets the threshold amount so that repricing of a security is rare.<sup>14</sup> Currently, Nasdaq applies a threshold amount that is the greater of \$0.50 or 10%, which is applied to the Nasdaq Best Bid and Offer ("QBBO") midpoint and is added to the Nasdaq Offer and subtracted from the Nasdaq Bid to establish the threshold range. For example, if the QBBO is \$10.00 x \$11.00, then the midpoint is \$10.50 and the threshold amount is 10%, resulting in a threshold value of \$1.05 (10% of 10.50 = 1.05). This value is then added to the offer and subtracted from the bid to obtain the Closing Cross's threshold price range. In this example, it would result in a lower threshold of \$8.95 (10.00 – 1.05 = 8.95) and an upper

---

<sup>12</sup> See Rules 4754(b)(2)(A) – (D).

<sup>13</sup> These are: MOC, certain LOC, and IO Orders designated to participate in the Closing Cross. Prior to the Closing Cross, the Exchange maintains a continuous order book and a Closing Cross order book. Orders in the Closing Cross order book may execute only in the Closing Cross process, while Orders in the continuous book may execute in regular market hours or in the Closing Cross if the Order has a time-in-force that will allow it to remain active.

<sup>14</sup> See [http://www.nasdaqtrader.com/content/ProductsServices/Trading/Crosses/openclose\\_faqs.pdf](http://www.nasdaqtrader.com/content/ProductsServices/Trading/Crosses/openclose_faqs.pdf).

threshold of \$12.05 ( $11.00 + 1.05 = 12.05$ ), thus creating a range between \$8.95 to \$12.05, within which the Closing Cross can occur. This means \$8.95 is the lowest price at which the cross can occur, and \$12.05 is the highest price at which it can occur. The threshold range is dynamic; as the QBBO changes, the threshold price range changes. The Exchange believes that the foregoing price thresholds for the standard Closing Cross have been effective at facilitating price discovery and ensuring that the closing price of a security is reasonably based on current market conditions in the security, and therefore proposes to adopt similar thresholds for its LULD Closing Cross.

Today, in addition to the standard Nasdaq Closing Cross described above, the Exchange operates an LULD Closing Cross that provides an alternative process for executing closing trades on Nasdaq. The Exchange conducts this process (instead of the standard Closing Cross) for Nasdaq-listed securities when a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m. ET.<sup>15</sup> The LULD Closing Cross price will be the NOCP for Nasdaq-listed securities that participate in the LULD Closing Cross. Unlike the standard Closing Cross, the LULD Closing Cross currently occurs at 4:00 p.m. ET, with no price thresholds, and may be extended pursuant to Rule 4754(b)(6)(A)(iii) if there is an order imbalance. In this case, the Exchange would extend the time of the LULD Closing Cross in one minute increments until the

---

<sup>15</sup> See Rule 4754(b)(6). While the current language indicates that the “stock” will resume trading via the LULD Closing Cross, the Exchange will amend this Rule to make clear that the LULD Closing Cross will apply only for Nasdaq-listed securities. Today, Nasdaq conducts an LULD Closing Cross following a Trading Pause only in those securities for which it is the primary listing exchange, so the proposed change is intended to eliminate any potential confusion around current functionality. For non-Nasdaq listed securities, Nasdaq will resume trading upon receipt of the LULD Price Bands from the SIP after the primary listing exchanges have reopened those securities pursuant to their rules.



order imbalance no longer exists.<sup>16</sup> If this condition persists until 5:00 p.m., Nasdaq would not conduct a cross in that security and would instead use the last-sale on Nasdaq as the NOCP in that security for that trading day.

#### Price Thresholds

The Exchange now proposes to introduce price protections to the LULD Closing Cross that will be similar to the protections used today for the standard Closing Cross, and will ensure that the LULD Closing Cross price is reasonably related to current market conditions.

The proposed price thresholds will be calculated by applying a threshold amount set by Nasdaq management in advance and communicated to market participants (“LULD Price Thresholds”). The LULD Price Thresholds, like the thresholds presently used for the standard Closing Cross, will be published on Nasdaq’s public website. The LULD Price Thresholds will be applied to a benchmark associated with the LULD Band that triggered the Trading Pause, or the LULD Auction Collar for re-opening following a Trading Pause, to calculate the benchmark price range within which the LULD Closing Cross price must fall (“Benchmark Prices”). The Benchmark Prices will be published via the Nasdaq UTP SIP and Exchange proprietary data feeds. Nasdaq will initially set the LULD Price Thresholds at the greater of \$1.00 or 10% for securities with a reference price greater than \$1.00 (or \$0.50 for securities with a reference price equal to or less than \$1.00), which will be applied to the last disseminated LULD Auction Collar, or the

---

<sup>16</sup> Specifically, if the expected cross price moves the greater of 5% or 50 cents, or if all market orders will not be executed in the cross, Nasdaq will delay the execution of the LULD Closing Cross pursuant to Rule 4754(b)(6)(A)(iii). These volatility checks are governed by Rule 4120(c)(7)(C).

LULD Band that triggered the Trading Pause in the direction of the trading that invoked the Trading Pause.

To effect these changes, the Exchange proposes in new paragraph (E) of Rule 4754(b)(6)<sup>17</sup> to provide that the Benchmark Prices within which the LULD Closing Cross price must fall are established as follows:

(i) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper (or from the lower) Auction Collar that was last updated for any security that enters a Trading Pause that was extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar that was last updated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price;<sup>18</sup>

(ii) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper Auction Collar for a Limit Up triggered pause (or from the lower Auction Collar for a Limit Down triggered pause) for any security that entered a Trading Pause that was not extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar disseminated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price;<sup>19</sup> or

---

<sup>17</sup> With the proposed change, current paragraphs (C) and (D) will be renumbered as paragraphs (F) and (G).

<sup>18</sup> The Exchange would use the last updated/widened upper (or lower) Auction Collar in this instance because a security that goes into a Trading Pause prior to 3:50 p.m. ET would be subject to the halt re-opening process in Rule 4120(c)(10). Pursuant to this Rule, the Exchange would halt the security for an initial 5-minute period (“Initial Display Only Period”) following the Trading Pause and extend the halt in 5-minute increments if the specified re-opening criteria are not met, widening the relevant LULD Auction Collar at the start of each 5-minute extension.

<sup>19</sup> This scenario is meant to cover securities that enter a Trading Pause between 3:45 and 3:50 p.m. ET. Because the Exchange does not extend the halt re-opening process in Rule 4120(c)(10) past 3:50 p.m. ET, the Exchange would use the initial Auction Collar (i.e., upper Auction Collar for a Limit Up triggered pause (or lower Auction Collar for a Limit Down triggered pause)) instead of the last

(iii) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the Upper Band for a Limit Up triggered pause (or from the Lower Band for a Limit Down triggered pause) for any security that entered a Trading Pause at or after 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the Lower (Upper) Band in place at the time the Trading Pause was triggered.<sup>20</sup>

Nasdaq management shall set and modify such thresholds from time to time upon prior notice to market participants.

As applied, for securities that entered a Trading Pause prior to 3:50 p.m. ET and for which the Trading Pause was subsequently extended, the Exchange will calculate the lower and upper Benchmark Prices as follows:

- If the lower Auction Collar was the collar that was last widened for the security subject to the Trading Pause, the lower Benchmark Price will be calculated by subtracting 10% of the last updated lower Auction Collar price (or \$1.00 (or \$0.50 if the lower Auction Collar price is equal to or below \$1.00), whichever is greater) from the last updated lower Auction Collar price (rounded to the nearest minimum price increment). The upper Benchmark Price will be equal to the last updated upper Auction Collar price that was updated with the lower Auction Collar price used to calculate the lower Benchmark Price.
- If the upper Auction Collar was the collar that was last widened for the security subject to the Trading Pause, the upper Benchmark Price will be calculated by

---

updated Auction Collar as the security is still within the 5-minute Initial Display Only Period and the Auction Collars have not been updated/widened. See supra note 18.

<sup>20</sup> The Exchange would use the LULD Band that triggered the pause in this instance as there are no Auction Collars since the Exchange does not conduct an LULD halt re-opening process at or after 3:50 p.m. ET.

adding 10% of the last updated upper Auction Collar price (or \$1.00 (or \$0.50 if the upper Auction Collar price is equal to or below \$1.00), whichever is greater) to the last updated upper Auction Collar price (rounded to the nearest minimum price increment). The lower Benchmark Price will be equal to the last updated lower Auction Collar price that was updated with the upper Auction Collar price used to calculate the upper Benchmark Price.

For securities that entered a Trading Pause that was not extended prior to 3:50 p.m. ET, the Exchange will calculate the lower and upper Benchmark Prices as follows:

- For a Limit Down triggered pause, the lower Benchmark Price will be calculated by subtracting 10% of the lower Auction Collar price (or \$1.00 (or \$0.50 if the lower Auction Collar price is equal to or below \$1.00), whichever is greater) from the lower Auction Collar price (rounded to the nearest minimum price increment). The upper Benchmark Price will be equal to the upper Auction Collar price that was disseminated with the lower Auction Collar price used to calculate the lower Benchmark Price.
- For a Limit Up triggered pause, the upper Benchmark Price will be calculated by adding 10% of the upper Auction Collar price (or \$1.00 (or \$0.50 if the upper Auction Collar price is equal to or below \$1.00), whichever is greater) to the upper Auction Collar price (rounded to the nearest minimum price increment). The lower Benchmark Price will be equal to the lower Auction Collar price that was disseminated with the upper Auction Collar price used to calculate the upper Benchmark Price.

For securities that entered a Trading Pause at or after 3:50 p.m. ET, the Exchange will calculate the lower and upper Benchmark Prices as follows:

- For a Limit Down triggered pause, the lower Benchmark Price will be calculated by subtracting 10% of the Lower LULD Band (or \$1.00 (or \$0.50 if the Lower LULD Band is equal to or below \$1.00), whichever is greater) from the Lower LULD Band (rounded to the nearest minimum price increment). The upper Benchmark Price will be equal to Upper LULD Band in place at the time the Trading Pause was triggered.
- For a Limit Up triggered pause, the upper Benchmark Price will be calculated by adding 10% of the Upper LULD Band (or \$1.00 (or \$0.50 if the Upper LULD Band is equal to or below \$1.00), whichever is greater) to the Upper LULD Band (rounded to the nearest minimum price increment). The lower Benchmark Price will be equal to Lower LULD Band in place at the time the Trading Pause was triggered.

At 4:00 p.m. ET, Nasdaq will conduct the LULD Closing Cross, and if the cross price would fall outside of the Benchmark Prices as calculated above, the LULD Closing Cross will execute all available orders at a price within or equal to the Benchmark Prices. Any unexecuted orders intended for the Closing Cross (i.e., MOC, LOC, and IO Orders), including those that fall outside of the Benchmark Prices, will be cancelled. This will be similar to the current standard Closing Cross functionality as described above. All other orders not executed in the LULD Closing Cross will be processed according to the entering firm's instructions, consistent with the current LULD Closing Cross rule.

The following illustrate how the proposed Benchmark Prices will be calculated:

***Example 1: Security Enters Trading Pause prior to 3:50 p.m.***

Assume:

Symbol ABC is a Tier 1 security  
Last sale/reference price: \$100  
LULD price bands: \$95 X \$105

NBBO updates to \$94.50 X \$95

At 3:38 p.m., Symbol ABC enters a Trading Pause

LULD Auction Collars calculated:

Upper Collar: \$105  
Lower Collar: \$90.25

At 3:43 p.m., due to a market order imbalance, the LULD halt cross will not occur and the LULD Auction Collars (1<sup>st</sup> extension) are calculated:

Upper Collar: \$105  
Lower Collar: \$85.50

At 3:48 p.m., due to a market order imbalance, the LULD halt cross will not occur and the LULD Auction Collars (2<sup>nd</sup> extension) are calculated:

Upper Collar: \$105  
Lower Collar: \$80.75

At 3:50 p.m., the security enters an LULD Closing Cross and the Benchmark Prices will be calculated:

Upper Benchmark Price: \$105  
Lower Benchmark Price: \$72.68

Here, the lower Auction Collar is the collar that was widened in the last dissemination of the LULD Auction Collars message, so the Benchmark Prices will be calculated from the last updated lower Auction Collar (\$80.75). The threshold amount is 8.075 (10% of  $80.75 = 8.075$ ), which is subtracted from the last updated Auction Collar (rounded to the nearest price increment) to calculate the lower Benchmark Price of 72.68 ( $80.75 - 8.075 = 72.675$ ) (i.e., 72.68 when rounded to the nearest price increment (with midpoint prices being rounded up)). The upper Benchmark Price of \$105 is equal to the last updated upper Auction Collar price that was disseminated with the lower Auction Collar price used to calculate the lower Benchmark Price. Thus, \$72.68 is the lowest price at which the LULD Closing Cross can occur, and \$105 is the highest price at which the cross can occur.

***Example 2: Security Enters Trading Pause after 3:50 p.m.***

Assume:

Symbol ABC is a Tier 1 security  
Last sale/reference price: \$100  
LULD price bands: \$95 X \$105

NBBO updates to \$94.50 X \$95

At 3:53 p.m., Symbol ABC enters a Trading Pause and will go through an LULD Closing

Cross. The Benchmark Prices will be calculated:

Upper Benchmark Price: \$105  
Lower Benchmark Price: \$85.50

Here, the security entered a Limit Down triggered pause, so the Benchmark Prices will be calculated from the Lower LULD Band (\$95). The threshold amount is 9.50 (10% of  $95 = 9.50$ ), which is subtracted from the Lower LULD Band to calculate the lower Benchmark Price of 85.50 ( $95 - 9.50 = 85.50$ ). The upper Benchmark Price of \$105 is

equal to the Upper LULD Band in place at the time the Trading Pause was triggered.

Thus, \$85.50 is the lowest price at which the LULD Closing Cross can occur, and \$105 is the highest price at which the cross can occur.

#### Execution Processing

In connection with the changes proposed above to introduce price protections for the LULD Closing Cross, the Exchange proposes to amend the methodology for determining the LULD cross price. Specifically, the Exchange proposes the following in new paragraph (D) of Rule 4754(b)(6):

(D)(i) The LULD Closing Cross will occur at the price within the benchmark prices established pursuant to paragraph (E) below (“Benchmark Prices”) that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO orders in the Nasdaq Market Center to be executed.

(ii) If more than one price exists under subparagraph (i), the LULD Closing Cross shall occur at the price within the Benchmark Prices that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the LULD Closing Cross shall occur at the entered price within the Benchmark Prices at which shares will remain unexecuted in the cross.

(iv) If there is no price within the Benchmark Prices that satisfies the above conditions, then the LULD Closing Cross shall occur at:

(a) if an Imbalance exists, a price equal to the upper (lower) Benchmark Price for a buy (sell) Imbalance; or

(b) if no Imbalance exists, a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause.



Today, the LULD Closing Cross price is determined by the same execution algorithm as currently used by the standard Closing Cross.<sup>21</sup> As discussed below, the proposed execution algorithm retains many aspects of the standard cross methodology with certain intended differences.

The first tiebreaker in new paragraph (D)(i) will be substantially similar to the existing tiebreaker in Rule 4754(b)(2)(A) (i.e., maximizes the number of shares executed),<sup>22</sup> except that the proposed language will specify the LULD cross price must also fall within the proposed Benchmark Prices established pursuant to new paragraph (E) of Rule 4754(b)(6). In connection with this change, the Exchange also proposes to add a definition for “Eligible Interest,” which is currently undefined in this Rule. Specifically, the Exchange proposes to add in new paragraph (A)(i) of Rule 4754(b)(6) that for purposes of the LULD Closing Cross rule, Eligible Interest shall have the same meaning as “Close Eligible Interest” in Rule 4754(a), with the addition of any new orders, with an eligible underlying Order Type and Attribute, entered during the Trading Pause. The proposed change reflects current System behavior, and indicates that there is an additional category of orders that may participate in the LULD Closing Cross (i.e., new incoming orders, with an eligible underlying Order Type and Attribute, entered during the Trading Pause), which are not fully applicable in the context of the standard close. The Exchange therefore believes that using the proposed definition throughout the

---

<sup>21</sup> See Rule 4754(b)(2)(A) – (D).

<sup>22</sup> Rule 4754(b)(2)(A) currently provides that the Nasdaq Closing Cross will occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed. Eligible interest in the context of the standard Closing Cross tiebreaker includes MOC, LOC, and IO orders.

LULD Closing Cross rule (instead of “Close Eligible Interest” as currently used in the standard Closing Cross) will better align the rule to the current operation of the System.

The second tiebreaker in new paragraph (D)(ii) will be based on the same principle as the existing tiebreaker in Rule 4754(b)(2)(B) (i.e., to minimize the number of shares that cannot be matched in the cross).<sup>23</sup> However, the new tiebreaker will specify that the LULD Closing Cross price must be within the proposed Benchmark Prices and at the price that minimizes any Imbalance, which will be defined in new paragraph (A)(ii) of Rule 4754(b)(6) as the number of shares of buy or sell MOC or LOC orders or Eligible Interest that cannot be matched with other MOC, LOC, or IO order shares or Eligible Interest at a particular price at any given time. The Exchange notes that the proposed change to state that the LULD cross price must minimize any Imbalance within the second tiebreaker is a corrective change to more accurately reflect how the System in the LULD Closing Cross currently behaves. Specifically, the change addresses that during an LULD Closing Cross, the Exchange considers all orders when calculating the Imbalance, whereas the standard Closing Cross considers orders specifically designated for participation in the Closing Cross (i.e., MOC, LOC, or IO orders). This reflects current System behavior, which automatically designates all orders (whether resting on the book, or new incoming orders entered during the Trading Pause) for participation in LULD Closing Cross because unlike the standard Closing Cross, where the continuous book is still available for trading up until the execution of the standard cross, there is no

---

<sup>23</sup> Rule 4754(b)(2)(B) currently provides that if more than one price exists under subparagraph (A), the Nasdaq Closing Cross shall occur at the price that minimizes the number of shares of buy or sell MOC or LOC orders that cannot be matched with other MOC or LOC, Close Eligible interest, or IO order shares.

continuous market during the Trading Pause up until the execution of the LULD Closing Cross.

The third tiebreaker in new paragraph (D)(iii) will be substantially similar to the existing tiebreaker in Rule 4754(b)(2)(C),<sup>24</sup> except that the proposed language will specify the LULD cross price must also fall within the proposed Benchmark Prices.

The fourth and final tiebreaker in new paragraph (D)(iv) will be used if there is no price within the proposed Benchmark Prices that satisfies the conditions described above in (D)(i) – (iii), and speaks to two possible outcomes. The first outcome is reached when an Imbalance exists, in which case the LULD cross price would be the upper (lower) Benchmark Price for a buy (sell) Imbalance. The Exchange believes that this outcome is the appropriate result in the presence of an Imbalance as it best reflects current market forces while also making it clear to market participants that the Imbalance exists. The second outcome is reached when there is no Imbalance, in which case the LULD Closing Cross would occur at a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause. This tiebreaker is similar to the existing tiebreaker in Rule 4754(b)(2)(D)<sup>25</sup> in that the last published Upper or Lower Band is effectively considered the midpoint price for the LULD Closing Cross. Unlike the existing tiebreaker, which uses the price that minimizes the distance from the

---

<sup>24</sup> Rule 4754(b)(2)(C) currently provides that if more than one price exists under subparagraph (B), the Nasdaq Closing Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

<sup>25</sup> Rule 4754(b)(2)(D) currently provides that if more than one price exists under subparagraph (C), the Nasdaq Closing Cross shall occur at: a price that minimizes the distance from the System bid-ask midpoint at the time of the Nasdaq Closing Cross.

System bid-ask midpoint, the proposed tiebreaker will use the relevant LULD Band. The Exchange believes this is the more appropriate result because unlike a standard Closing Cross, there is no continuous market just prior to the execution of the LULD Closing Cross, so using the relevant LULD Band more accurately reflects current market conditions as opposed to the System bid-ask midpoint.

#### Timing of LULD Closing Cross

The Exchange also proposes to amend the LULD Closing Cross Rule to remove all provisions relating to extending the cross past 4:00 p.m. ET as this language will no longer be necessary with the changes proposed herein. In particular, the Exchange proposes to delete Rule 4754(b)(6)(A)(iii) as this provision relates to how the Exchange would extend the time of the LULD Closing Cross. Further, the Exchange proposes to amend current Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii) under this proposal) to delete the last two sentences, which provide how certain new orders may be entered or modified after 4:00 p.m. ET.

#### MOC/LOC/IO Order Handling

The Exchange also proposes other aligning changes to the LULD Closing Cross that would more closely harmonize this process with the current standard Closing Cross. In Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii)), the Exchange proposes to remove the parenthetical that excludes MOC and LOC orders from being entered, modified, and cancelled in the Trading Pause leading up to the LULD Closing Cross. The Exchange proposes to allow MOC and LOC orders to participate in the LULD Closing Cross in order to align with the regular Closing Cross where such orders may participate pursuant to Rules 4702(b)(11) and 4702(b)(12). The Exchange similarly

proposes to allow IO orders to participate in the LULD Closing Cross in the same manner as in the regular Closing Cross (i.e., pursuant to Rule 4702(b)(13)). Accordingly, the Exchange will add that MOC, LOC and IO orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12) and 4702(b)(13).<sup>26</sup> The Exchange will also delete current Rule 4754(b)(6)(C)(i), which sets forth special handling instructions for MOC, LOC, and IO orders in an LULD Closing Cross. In particular, this Rule stipulates that in the event of an LULD Closing Cross, MOC, LOC and IO orders intended for the closing cross entered into the system and placed on the book prior to the Trading Pause will remain on the book to participate in the LULD Closing Cross, and that such orders may not be modified or cancelled. With the proposed changes to allow MOC, LOC, and IO orders to participate in the LULD Closing Cross in the same way as a standard Closing Cross, this provision is no longer necessary.

Furthermore, the Exchange proposes to add in new paragraph (F)(iii) of Rule 4754(b)(6) a description of how IO orders impact the LULD Closing Cross execution price today. While the current Rule describes the treatment of IO orders after the System determines the execution price of the LULD Closing Cross, the Rule is silent on their treatment prior to that determination, and their impact on the execution price.

Accordingly, the Exchange proposes to amend the Rule to better reflect current System behavior, and provide that for purposes of LULD Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the LULD Band that triggered the Trading Pause. In the standard Closing Cross, IO orders are re-priced

---

<sup>26</sup> The Exchange will also correct a typo in Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii)) to add a space between 4:00 and pm.

to a reference price that is the Nasdaq best bid for buys or the Nasdaq best offer for sells. Without a bid or offer based on continuous trading due to the Trading Pause status of the market, the LULD Band price becomes a substitute reference price for the LULD Closing Cross IO orders.

#### Net Order Imbalance Indicator

The Exchange proposes to amend Rule 4754(b)(6)(B), which governs the Net Order Imbalance Indicator (“NOII”) message for the LULD Closing Cross and disseminates information about MOC, LOC, IO, and Eligible Interest and the price at which those orders would execute at the time of dissemination. The Rule currently provides that Nasdaq shall continue disseminating the NOII every second until After Hours Trading begins. The Exchange notes, however, that it recently updated its Closing Cross to allow for the dissemination of abbreviated NOII data (i.e., Early Order Imbalance Indicator or “EOII”)<sup>27</sup> every 10 seconds between 3:50 p.m. ET and 3:55 p.m. ET, which would be followed by the dissemination of regular NOII data between 3:55 and market close.<sup>28</sup> This change should have been reflected in the LULD Closing Cross rule in Rule 4754(b)(6)(B) as well. Accordingly, the Exchange proposes to amend the Rule to more accurately reflect current System behavior, and provide that Nasdaq shall

---

<sup>27</sup> “Early Order Imbalance Indicator” shall mean a message disseminated by electronic means containing the same information as the Order Imbalance Indicator, except that it will exclude information about indicative prices, as set forth in subparagraph (a)(7)(E) of Rule 4754. See Rule 4754(a)(10).

<sup>28</sup> See Securities Exchange Act Release No. 85292 (March 12, 2019), 84 FR 9848 (March 18, 2019) (SR-NASDAQ-2019-010).

continue disseminating the EOII and the NOII pursuant to Rule 4754(b)(1) until After Hours Trading begins.<sup>29</sup>

The Rule also indicates that the NOII message displays the Near Price, Far Price, and Reference Prices, which all currently represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. The Exchange first proposes to amend all references to Near Price and Far Price to “Near Clearing Price” and “Far Clearing Price” to align with the terms used within this Rule. Further, with the proposed changes to implement the new Benchmark Prices, the Near Clearing Price and Reference Price will both represent the price at which the LULD Closing Cross would execute, bounded by the Benchmark Prices, at the time of dissemination. The Far Clearing Price will represent the price at which the LULD Closing Cross would execute if the cross were not bounded by the Benchmark Prices. The Far Clearing Price will be different from the Near Clearing Price and Reference Price to indicate that not all marketable orders can be filled within the Benchmark Prices. To effect this change, Rule 4754(b)(6)(B) will be amended to provide that the Near Clearing Price and Reference Prices contained in the EOII and the NOII, as applicable,<sup>30</sup> will represent the price at which the LULD Closing Cross would execute should the cross conclude at that time,

---

<sup>29</sup> As discussed above and pursuant to Rule 4754(b)(1), the EOII will begin disseminating at 3:50 p.m. every 10 seconds until the NOII begins to disseminate. The NOII will begin disseminating at 3:55 p.m. every second until market close. See Rule 4754(b)(1)(A) and (B).

<sup>30</sup> The Exchange is adding “as applicable” to indicate that certain indicative prices (e.g., the Near Clearing Price) are not included in the EOII, but are included in the NOII. See Rule 4754(a)(10).

and the Far Clearing Price will represent the price at which Eligible Interest, MOC, LOC, and IO orders would execute.

#### Corrective Changes

The Exchange proposes a corrective change in Rule 4754(b)(6)(A)(i), which currently contains language relating to Trading Pauses “triggered” at or after 3:50 and before 4:00 p.m. The Exchange previously amended paragraph (b)(6) of Rule 4754 in 2017 to provide that the cross is employed when a Trading Pause exists at or after 3:50 and before 4:00 p.m., but inadvertently did not make a similar change in paragraph (b)(6)(A)(i) of this Rule.<sup>31</sup> The Exchange now proposes to amend this provision accordingly.

Lastly, the Exchange proposes to update obsolete cross-cites to Rule 4751 within Rules 4756(c)(3)(B) and 4763(b). Rule 4751 was previously relocated as part of prior rule filings, so the proposed changes will update the obsolete references to their current locations in the Rulebook.<sup>32</sup>

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>33</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>34</sup> in particular,

---

<sup>31</sup> See Securities Exchange Act Release No. 79876 (January 25, 2017), 82 FR 8888 (January 31, 2017) (SR-NASDAQ-2016-131).

<sup>32</sup> See Securities Exchange Act Release Nos. 75252 (June 22, 2015), 80 FR 36865 (June 26, 2015) (SR-NASDAQ-2015-024); and 90577 (December 7, 2020), 85 FR 80202 (December 11, 2020) (SR-NASDAQ-2020-079).

<sup>33</sup> 15 U.S.C. 78f(b).

<sup>34</sup> 15 U.S.C. 78f(b)(5).



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 Exchange believes that its proposal will promote just and equitable principles of trade because it will implement price protections for the LULD Closing Cross that are similar to the protections used today for the standard Closing Cross. As explained above, the Exchange currently calculates and applies a price threshold to a benchmark value that, when applied to an individual security, determines the price threshold range within which the security must execute in the standard cross. The Exchange believes that this mechanism has been effective in facilitating a fair and orderly price discovery process at the close, and ensuring that the cross price derived does not exceed a price reasonably tied to the prevailing market at the time. The Exchange has therefore determined to apply similar protections for the LULD Closing Cross. Today, there is no mechanism for calculating the price threshold range within which the execution price of the LULD Closing Cross must fall. The Exchange therefore believes that its proposal will facilitate a fair and orderly close following a Trading Pause that is designed to reduce the potential for significant price disparity in the LULD cross. Additionally, the Exchange believes that the proposed enhancements to the LULD Closing Cross in the manner discussed above will benefit investors by further harmonizing the Exchange's LULD and standard Closing Cross processes, thereby promoting a more consistent experience for members and investors, and reducing any potential confusion regarding Nasdaq's closing processes. For example, the Exchange believes that allowing members to enter, modify and cancel new MOC, LOC and IO orders pursuant to Rules 4702(b)(11), 4702(b)(12),

and 4702(b)(13) during the Trading Pause leading up to the LULD Closing Cross will keep these close order type functionality consistent with the standard close behavior, and will facilitate a more efficient closing auction by allowing additional interest to participate in the close. Furthermore, the proposed change to no longer extend the LULD Closing Cross past 4:00 p.m. ET will more closely align the LULD Closing Cross process with the behavior currently implemented for the standard Closing Cross, which will promote consistency in how the Exchange conducts its closing crosses.

While the proposed price protections for the LULD Closing Cross will largely follow the current implementation of the protections in place today for the standard Closing Cross, there are certain notable differences. All of the differences are designed to ensure that the proposed price protections are reasonably based on current market conditions. For instance, the Exchange will use the last disseminated LULD Auction Collar or LULD Band to calculate the price range within which the LULD Closing Cross price must fall, instead of the QBBO midpoint that is used to calculate the price range for the standard Closing Cross. The Exchange believes that a different reference price is necessary in the context of an LULD Closing Cross because unlike a standard close, there is no continuous market (and therefore no QBBO based on continuous trading) during the Trading Pause leading up to the LULD Closing Cross. In this context, the last disseminated LULD Auction Collar or LULD Band is a more appropriate reference price for calculating the price range as it is more reflective of current market conditions. The Exchange also believes that calculating price ranges associated with the LULD Band that triggered the Trading Pause (or the LULD Auction Collar in the Trading Pause) as discussed above will ensure that the LULD Closing Cross executes at a reasonable level

relative to the last disseminated LULD Auction Collar, or the LULD Band itself, thereby mitigating price dislocations in the cross. The Exchange will also calculate the price range for the LULD Closing Cross by applying a specified percentage or dollar amount to the reference price in the direction of the trading that invoked the Trading Pause. For the standard Closing Cross, however, the Exchange calculates both upper and lower thresholds for the price range that are a specified percentage or dollar amount from the reference price. The Exchange believes this difference is appropriate as it is reflective of the current market for the halted security and accommodates security specific buy or sell pressure.

In addition, the Exchange will initially set the price thresholds for the LULD Closing Cross at the greater of \$1.00 or 10% for securities with a reference price greater than \$1.00 (or \$0.50 for securities with a reference price equal to or less than \$1.00) whereas today for the standard close, the price thresholds are the greater of 10% or \$0.50 for securities of any price. As a result, the Exchange may apply wider price thresholds under certain conditions for the LULD Closing Cross. The Exchange made this determination because of the likelihood of increased volatility after a Trading Pause and the importance of orderly trading at the close. By definition, a Trading Pause follows a period of unusual volatility and a Trading Pause at the close of trading poses risks at a particularly important time of the trading day. Applying the price thresholds in the manner described above for the LULD cross will foster stability in an otherwise unstable time in the market. Furthermore, the Exchange believes that it is important to have a closing price that is representative of all orders eligible to participate in the cross. The LULD Closing Cross price thresholds of \$1.00 or 10% for securities greater than \$1.00

are reasonably designed to ensure the cross price does not deviate too far away from the price at which the security was last trading, but is also not so restrictive as to prevent effective price discovery and preventing a cross price from being established during a time of unusual volatility. Nasdaq believes that the price thresholds appropriately balance the need to provide investor protections against excessive volatility alongside a price discovery process that is robust and reflects the supply and demand forces of orders that are entered to participate in the closing cross process.

While the price thresholds will initially be set at the greater of \$1.00 or 10% for securities with a reference price greater than \$1.00 (or \$0.50 for securities with a reference price equal to or less than \$1.00), Nasdaq management may modify such thresholds from time to time. The Exchange believes it is appropriate to have this flexibility based on market conditions and experience with the LULD Closing Cross. The Exchange would announce any changes the thresholds and provide prior notice of such changes to market participants pursuant to the proposed Rule.

The Exchange believes that the amended execution algorithm for the LULD Closing Cross is consistent with the Act because it is substantially similar to the execution logic that is used for the cross today, with certain intended differences. The proposed tiebreakers in new paragraphs (D)(i) – (iii) of Rule 4754(b)(6) are designed to preserve to the extent possible the current tiebreakers in paragraphs (B)(2)(A) – (C) of Rule 4754(b)(2) while accommodating the proposed Benchmark Prices. The proposed changes to add the definitions of Eligible Interest and Imbalance as used in the proposed first and second tiebreakers are consistent with the protection of investors and the public interest because these changes will more accurately describe how the LULD Closing

Cross price will be determined pursuant to the tiebreakers in proposed Rule 4754(b)(6)(D)(i) and (ii). As it relates to the fourth tiebreaker proposed in new paragraph (D)(iv) of Rule 4754(b)(6), the Exchange believes that using the Benchmark Price in the presence of an Imbalance is appropriate and best reflects current market forces while also making it clear to market participants that the Imbalance exists. The Exchange also believes that using the price that minimizes the distance from the last published LULD Band more accurately reflects current market conditions as opposed to using the existing tiebreaker based on the System bid-ask midpoint as there is no continuous market just prior to the execution of the LULD Closing Cross.

With respect to not extending an LULD Closing Cross past 4:00 p.m. ET, the Exchange believes that the clarity that comes from requiring that the LULD Closing Cross occur at 4:00 p.m. ET will help reduce uncertainty for members participating in the cross. While the Exchange recognizes the reasons for extending the LULD Closing Cross may exist where there are unmatched market orders or dramatic price movements during the cross, the Exchange believes based on its experience with the cross that these concerns are outweighed by the importance of providing members and the investing public with a definitive market close and a NOCP at 4:00 p.m. ET. Taken together with the proposed price thresholds, the Exchange believes that the LULD Closing Cross process, as amended, will reduce unnecessary confusion by providing certainty that the LULD Closing Cross will occur at a specified time, and will occur at a price that is reasonably based on current market conditions. In light of the foregoing changes, the Exchange also believes that it is appropriate to delete all provisions relating to extending the cross past 4:00 p.m. ET. As discussed above, the Exchange will delete Rule

4754(b)(6)(A)(iii) and the last two sentences of Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii)). Removing these provisions will bring greater transparency and reduce any potential confusion as to the operation of the Rule.

The Exchange also believes that it is appropriate to amend Rule 4754(b)(6)(B) to specify that it will continue disseminating the EOII and NOII pursuant to Rule 4754(b)(1), and to specify the contents of the EOII and NOII messages for LULD Closing Cross. The proposed changes will bring greater transparency around what information is disseminated for the LULD Closing Cross, and is therefore consistent with the public interest and the protection of investors.

Lastly, the Exchange believes that the proposed language in new paragraph (F)(iii) of Rule 4754(b)(6) governing how the System currently handles IO orders for purposes of LULD Closing Cross price selection will promote greater Rule transparency and reduce potential confusion as it codifies current System behavior that re-prices buy (sell) IO orders one increment below (above) the LULD Band that triggered the Trading Pause. Using the LULD Band as the reference price upon which to base IO order prices is appropriate in the absence of a continuous market where there is no bid or offer based on continuous trading due to the Trading Pause status of the market. The Exchange further believes that re-pricing an increment away from the LULD Bands properly balances the need for a buffer to protect investors from excessive volatility (which would lean towards a narrower banding) and the need for unfettered price discovery (which would push towards wider banding). This balance, in Nasdaq's view, is the best way to protect investors and maintain a fair and orderly 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 competition not necessary or appropriate in furtherance of the purposes of the Act. Today, the standard Nasdaq Closing Cross provides a transparent auction process for executing member interest at the close. The proposed rule change is designed to further align the Exchange's LULD Closing Cross with the standard Closing Cross to promote a more consistent experience for members and investors, and reducing any potential confusion regarding Nasdaq's closing processes. Further, the proposed changes will allow additional interest (i.e. new MOC, LOC, and IO orders) to participate in the LULD Closing Cross, and thereby provide a more efficient process for executing closing interest, and enhancing price discovery during the close.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

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



**EXHIBIT 1**

## SECURITIES AND EXCHANGE COMMISSION

(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2021-009 A-1)

April \_\_, 2021

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Amend Equity 4, Rule 4754 to Introduce Price Protections for the Limit-Up Limit-Down Closing Cross that are Similar to the Protections Currently Employed by the Standard 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 April 9, 2021, 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 Equity 4, Rule 4754<sup>3</sup> to introduce price protections for the Limit-Up Limit-Down (“LULD”) Closing Cross<sup>4</sup> that are similar to

---

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

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

<sup>3</sup> All of the Rule 4000 series referenced in this filing are within Equity 4.

<sup>4</sup> The LULD Closing Cross is the Exchange’s auction process for executing closing trades in Nasdaq-listed securities when a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m. ET. See Rule 4754(b)(6).

the protections currently employed by the standard Nasdaq Closing Cross,<sup>5</sup> and to make other changes related to the LULD 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 <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend Rule 4754 to introduce price protections for the LULD Closing Cross that are similar to the protections currently employed by the standard Nasdaq Closing Cross, and to make other changes related to the LULD Closing Cross. With the proposed changes, the Exchange's LULD and standard Closing Cross processes will be more harmonized, which the Exchange believes

---

<sup>5</sup> "Nasdaq Closing Cross" shall mean the process for determining the price at which orders shall be executed at the close and for executing those orders. See Rule 4754(a).

will promote a more consistent experience for members and investors participating in the close and reduce any potential confusion regarding Nasdaq's closing processes.

The Exchange intends to implement the proposed changes by the end of Q3 2021, and will provide prior notice in an Equity Trader Alert.

### Background

The Nasdaq Closing Cross is a transparent auction process that determines a single price for the close. The price determined by the Closing Cross is also the Nasdaq Official Closing Price ("NOCP") for securities that participate in the cross. Members can submit Limit on Close ("LOC") Orders,<sup>6</sup> Market on Close ("MOC") Orders,<sup>7</sup> and Imbalance Only ("IO") Orders<sup>8</sup> that are available to participate in the Closing Cross along with other Close Eligible Interest.<sup>9</sup> At 4:00 p.m. ET,<sup>10</sup> the Exchange will execute the Nasdaq Closing Cross at a price determined in accordance with Rule 4754(b)(2).

When the Closing Cross price is calculated as described in Rule 4754(b)(2), the Exchange applies a boundary within which the cross must execute to ensure that the

---

<sup>6</sup> 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. See Rule 4702(b)(12).

<sup>7</sup> 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. See Rule 4702(b)(11).

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

<sup>9</sup> "Close Eligible Interest" shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of SDAY, SGTC, MDAY, MGTC, SHEX, or GTMC. See Rule 4754(a)(1).

<sup>10</sup> All times referenced in this filing are Eastern Time.

closing price derived does not exceed a price reasonably tied to the prevailing market at the time. Specifically, the Exchange applies a threshold amount to a benchmark value that, when applied to an individual security, determines the threshold price range that a security may cross, outside of which the closing price of a security may not occur.<sup>11</sup> If the Closing Cross price of a security would otherwise be outside of this threshold range, the Exchange will adjust the Closing Cross price of the security to a price within the threshold range that best satisfies the normal process for determining the Closing Cross price.<sup>12</sup> This adjustment happens automatically prior to execution of the Closing Cross. All unexecuted shares designated to expire upon the conclusion of the Closing Cross,<sup>13</sup> including those that fall outside of the calculated threshold price range, are cancelled.

The threshold amounts and benchmarks are set by Nasdaq management in advance and communicated to market participants. Nasdaq may adjust the threshold amounts and benchmarks from time to time based on Nasdaq's experience with the Closing Cross. Nasdaq publishes this information publicly on its website, and sets the threshold amount so that repricing of a security is rare.<sup>14</sup> Currently, Nasdaq applies a threshold amount that is the greater of \$0.50 or 10%, which is applied to the Nasdaq Best

---

<sup>11</sup> See Rule 4754(b)(2)(E).

<sup>12</sup> See Rules 4754(b)(2)(A) – (D).

<sup>13</sup> These are: MOC, certain LOC, and IO Orders designated to participate in the Closing Cross. Prior to the Closing Cross, the Exchange maintains a continuous order book and a Closing Cross order book. Orders in the Closing Cross order book may execute only in the Closing Cross process, while Orders in the continuous book may execute in regular market hours or in the Closing Cross if the Order has a time-in-force that will allow it to remain active.

<sup>14</sup> See [http://www.nasdaqtrader.com/content/ProductsServices/Trading/Crosses/open\\_close\\_faqs.pdf](http://www.nasdaqtrader.com/content/ProductsServices/Trading/Crosses/open_close_faqs.pdf).

Bid and Offer (“QBBO”) midpoint and is added to the Nasdaq Offer and subtracted from the Nasdaq Bid to establish the threshold range. For example, if the QBBO is \$10.00 x \$11.00, then the midpoint is \$10.50 and the threshold amount is 10%, resulting in a threshold value of \$1.05 (10% of 10.50 = 1.05). This value is then added to the offer and subtracted from the bid to obtain the Closing Cross’s threshold price range. In this example, it would result in a lower threshold of \$8.95 (10.00 – 1.05 = 8.95) and an upper threshold of \$12.05 (11.00 + 1.05 = 12.05), thus creating a range between \$8.95 to \$12.05, within which the Closing Cross can occur. This means \$8.95 is the lowest price at which the cross can occur, and \$12.05 is the highest price at which it can occur. The threshold range is dynamic; as the QBBO changes, the threshold price range changes. The Exchange believes that the foregoing price thresholds for the standard Closing Cross have been effective at facilitating price discovery and ensuring that the closing price of a security is reasonably based on current market conditions in the security, and therefore proposes to adopt similar thresholds for its LULD Closing Cross.

Today, in addition to the standard Nasdaq Closing Cross described above, the Exchange operates an LULD Closing Cross that provides an alternative process for executing closing trades on Nasdaq. The Exchange conducts this process (instead of the standard Closing Cross) for Nasdaq-listed securities when a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m. ET.<sup>15</sup> The LULD

---

<sup>15</sup> See Rule 4754(b)(6). While the current language indicates that the “stock” will resume trading via the LULD Closing Cross, the Exchange will amend this Rule to make clear that the LULD Closing Cross will apply only for Nasdaq-listed securities. Today, Nasdaq conducts an LULD Closing Cross following a Trading Pause only in those securities for which it is the primary listing exchange, so the proposed change is intended to eliminate any potential confusion around current functionality. For non-Nasdaq listed securities, Nasdaq will resume trading upon

Closing Cross price will be the NOCP for Nasdaq-listed securities that participate in the LULD Closing Cross. Unlike the standard Closing Cross, the LULD Closing Cross currently occurs at 4:00 p.m. ET, with no price thresholds, and may be extended pursuant to Rule 4754(b)(6)(A)(iii) if there is an order imbalance. In this case, the Exchange would extend the time of the LULD Closing Cross in one minute increments until the order imbalance no longer exists.<sup>16</sup> If this condition persists until 5:00 p.m., Nasdaq would not conduct a cross in that security and would instead use the last-sale on Nasdaq as the NOCP in that security for that trading day.

#### Price Thresholds

The Exchange now proposes to introduce price protections to the LULD Closing Cross that will be similar to the protections used today for the standard Closing Cross, and will ensure that the LULD Closing Cross price is reasonably related to current market conditions.

The proposed price thresholds will be calculated by applying a threshold amount set by Nasdaq management in advance and communicated to market participants (“LULD Price Thresholds”). The LULD Price Thresholds, like the thresholds presently used for the standard Closing Cross, will be published on Nasdaq’s public website. The LULD Price Thresholds will be applied to a benchmark associated with the LULD Band that triggered the Trading Pause, or the LULD Auction Collar for re-opening following a

---

receipt of the LULD Price Bands from the SIP after the primary listing exchanges have reopened those securities pursuant to their rules.

<sup>16</sup> Specifically, if the expected cross price moves the greater of 5% or 50 cents, or if all market orders will not be executed in the cross, Nasdaq will delay the execution of the LULD Closing Cross pursuant to Rule 4754(b)(6)(A)(iii). These volatility checks are governed by Rule 4120(c)(7)(C).

Trading Pause, to calculate the benchmark price range within which the LULD Closing Cross price must fall (“Benchmark Prices”). The Benchmark Prices will be published via the Nasdaq UTP SIP and Exchange proprietary data feeds. Nasdaq will initially set the LULD Price Thresholds at the greater of \$1.00 or 10% for securities with a reference price greater than \$1.00 (or \$0.50 for securities with a reference price equal to or less than \$1.00), which will be applied to the last disseminated LULD Auction Collar, or the LULD Band that triggered the Trading Pause in the direction of the trading that invoked the Trading Pause.

To effect these changes, the Exchange proposes in new paragraph (E) of Rule 4754(b)(6)<sup>17</sup> to provide that the Benchmark Prices within which the LULD Closing Cross price must fall are established as follows:

(i) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper (or from the lower) Auction Collar that was last updated for any security that enters a Trading Pause that was extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar that was last updated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price;<sup>18</sup>

(ii) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper Auction Collar for a Limit Up triggered pause (or from the lower Auction Collar for a Limit Down triggered pause) for any

---

<sup>17</sup> With the proposed change, current paragraphs (C) and (D) will be renumbered as paragraphs (F) and (G).

<sup>18</sup> The Exchange would use the last updated/widened upper (or lower) Auction Collar in this instance because a security that goes into a Trading Pause prior to 3:50 p.m. ET would be subject to the halt re-opening process in Rule 4120(c)(10). Pursuant to this Rule, the Exchange would halt the security for an initial 5-minute period (“Initial Display Only Period”) following the Trading Pause and extend the halt in 5-minute increments if the specified re-opening criteria are not met, widening the relevant LULD Auction Collar at the start of each 5-minute extension.

security that entered a Trading Pause that was not extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar disseminated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price;<sup>19</sup> or

(iii) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the Upper Band for a Limit Up triggered pause (or from the Lower Band for a Limit Down triggered pause) for any security that entered a Trading Pause at or after 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the Lower (Upper) Band in place at the time the Trading Pause was triggered.<sup>20</sup>

Nasdaq management shall set and modify such thresholds from time to time upon prior notice to market participants.

As applied, for securities that entered a Trading Pause prior to 3:50 p.m. ET and for which the Trading Pause was subsequently extended, the Exchange will calculate the lower and upper Benchmark Prices as follows:

- If the lower Auction Collar was the collar that was last widened for the security subject to the Trading Pause, the lower Benchmark Price will be calculated by subtracting 10% of the last updated lower Auction Collar price (or \$1.00 (or \$0.50 if the lower Auction Collar price is equal to or below \$1.00), whichever is greater) from the last updated lower Auction Collar price (rounded to the nearest

---

<sup>19</sup> This scenario is meant to cover securities that enter a Trading Pause between 3:45 and 3:50 p.m. ET. Because the Exchange does not extend the halt re-opening process in Rule 4120(c)(10) past 3:50 p.m. ET, the Exchange would use the initial Auction Collar (i.e., upper Auction Collar for a Limit Up triggered pause (or lower Auction Collar for a Limit Down triggered pause)) instead of the last updated Auction Collar as the security is still within the 5-minute Initial Display Only Period and the Auction Collars have not been updated/widened. See supra note 18.

<sup>20</sup> The Exchange would use the LULD Band that triggered the pause in this instance as there are no Auction Collars since the Exchange does not conduct an LULD halt re-opening process at or after 3:50 p.m. ET.



minimum price increment). The upper Benchmark Price will be equal to the last updated upper Auction Collar price that was updated with the lower Auction Collar price used to calculate the lower Benchmark Price.

- If the upper Auction Collar was the collar that was last widened for the security subject to the Trading Pause, the upper Benchmark Price will be calculated by adding 10% of the last updated upper Auction Collar price (or \$1.00 (or \$0.50 if the upper Auction Collar price is equal to or below \$1.00), whichever is greater) to the last updated upper Auction Collar price (rounded to the nearest minimum price increment). The lower Benchmark Price will be equal to the last updated lower Auction Collar price that was updated with the upper Auction Collar price used to calculate the upper Benchmark Price.

For securities that entered a Trading Pause that was not extended prior to 3:50 p.m. ET, the Exchange will calculate the lower and upper Benchmark Prices as follows:

- For a Limit Down triggered pause, the lower Benchmark Price will be calculated by subtracting 10% of the lower Auction Collar price (or \$1.00 (or \$0.50 if the lower Auction Collar price is equal to or below \$1.00), whichever is greater) from the lower Auction Collar price (rounded to the nearest minimum price increment). The upper Benchmark Price will be equal to the upper Auction Collar price that was disseminated with the lower Auction Collar price used to calculate the lower Benchmark Price.
- For a Limit Up triggered pause, the upper Benchmark Price will be calculated by adding 10% of the upper Auction Collar price (or \$1.00 (or \$0.50 if the upper Auction Collar price is equal to or below \$1.00), whichever is greater) to the

upper Auction Collar price (rounded to the nearest minimum price increment).

The lower Benchmark Price will be equal to the lower Auction Collar price that was disseminated with the upper Auction Collar price used to calculate the upper Benchmark Price.

For securities that entered a Trading Pause at or after 3:50 p.m. ET, the Exchange will calculate the lower and upper Benchmark Prices as follows:

- For a Limit Down triggered pause, the lower Benchmark Price will be calculated by subtracting 10% of the Lower LULD Band (or \$1.00 (or \$0.50 if the Lower LULD Band is equal to or below \$1.00), whichever is greater) from the Lower LULD Band (rounded to the nearest minimum price increment). The upper Benchmark Price will be equal to Upper LULD Band in place at the time the Trading Pause was triggered.
- For a Limit Up triggered pause, the upper Benchmark Price will be calculated by adding 10% of the Upper LULD Band (or \$1.00 (or \$0.50 if the Upper LULD Band is equal to or below \$1.00), whichever is greater) to the Upper LULD Band (rounded to the nearest minimum price increment). The lower Benchmark Price will be equal to Lower LULD Band in place at the time the Trading Pause was triggered.

At 4:00 p.m. ET, Nasdaq will conduct the LULD Closing Cross, and if the cross price would fall outside of the Benchmark Prices as calculated above, the LULD Closing Cross will execute all available orders at a price within or equal to the Benchmark Prices. Any unexecuted orders intended for the Closing Cross (i.e., MOC, LOC, and IO Orders), including those that fall outside of the Benchmark Prices, will be cancelled. This will be

similar to the current standard Closing Cross functionality as described above. All other orders not executed in the LULD Closing Cross will be processed according to the entering firm's instructions, consistent with the current LULD Closing Cross rule.

The following illustrate how the proposed Benchmark Prices will be calculated:

***Example 1: Security Enters Trading Pause prior to 3:50 p.m.***

Assume:

Symbol ABC is a Tier 1 security  
Last sale/reference price: \$100  
LULD price bands: \$95 X \$105

NBBO updates to \$94.50 X \$95

At 3:38 p.m., Symbol ABC enters a Trading Pause

LULD Auction Collars calculated:

Upper Collar: \$105  
Lower Collar: \$90.25

At 3:43 p.m., due to a market order imbalance, the LULD halt cross will not occur and the LULD Auction Collars (1<sup>st</sup> extension) are calculated:

Upper Collar: \$105  
Lower Collar: \$85.50

At 3:48 p.m., due to a market order imbalance, the LULD halt cross will not occur and the LULD Auction Collars (2<sup>nd</sup> extension) are calculated:

Upper Collar: \$105  
Lower Collar: \$80.75

At 3:50 p.m., the security enters an LULD Closing Cross and the Benchmark Prices will be calculated:

Upper Benchmark Price: \$105  
Lower Benchmark Price: \$72.68

Here, the lower Auction Collar is the collar that was widened in the last dissemination of the LULD Auction Collars message, so the Benchmark Prices will be calculated from the last updated lower Auction Collar (\$80.75). The threshold amount is 8.075 (10% of  $80.75 = 8.075$ ), which is subtracted from the last updated Auction Collar (rounded to the nearest price increment) to calculate the lower Benchmark Price of 72.68 ( $80.75 - 8.075 = 72.675$ ) (i.e., 72.68 when rounded to the nearest price increment (with midpoint prices being rounded up)). The upper Benchmark Price of \$105 is equal to the last updated upper Auction Collar price that was disseminated with the lower Auction Collar price used to calculate the lower Benchmark Price. Thus, \$72.68 is the lowest price at which the LULD Closing Cross can occur, and \$105 is the highest price at which the cross can occur.

***Example 2: Security Enters Trading Pause after 3:50 p.m.***

Assume:

Symbol ABC is a Tier 1 security  
Last sale/reference price: \$100  
LULD price bands: \$95 X \$105

NBBO updates to \$94.50 X \$95

At 3:53 p.m., Symbol ABC enters a Trading Pause and will go through an LULD Closing Cross. The Benchmark Prices will be calculated:

Upper Benchmark Price: \$105  
Lower Benchmark Price: \$85.50

Here, the security entered a Limit Down triggered pause, so the Benchmark Prices will be calculated from the Lower LULD Band (\$95). The threshold amount is 9.50 (10% of 95

= 9.50), which is subtracted from the Lower LULD Band to calculate the lower Benchmark Price of 85.50 ( $95 - 9.50 = 85.50$ ). The upper Benchmark Price of \$105 is equal to the Upper LULD Band in place at the time the Trading Pause was triggered. Thus, \$85.50 is the lowest price at which the LULD Closing Cross can occur, and \$105 is the highest price at which the cross can occur.

#### Execution Processing

In connection with the changes proposed above to introduce price protections for the LULD Closing Cross, the Exchange proposes to amend the methodology for determining the LULD cross price. Specifically, the Exchange proposes the following in new paragraph (D) of Rule 4754(b)(6):

(D)(i) The LULD Closing Cross will occur at the price within the benchmark prices established pursuant to paragraph (E) below (“Benchmark Prices”) that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO orders in the Nasdaq Market Center to be executed.

(ii) If more than one price exists under subparagraph (i), the LULD Closing Cross shall occur at the price within the Benchmark Prices that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the LULD Closing Cross shall occur at the entered price within the Benchmark Prices at which shares will remain unexecuted in the cross.

(iv) If there is no price within the Benchmark Prices that satisfies the above conditions, then the LULD Closing Cross shall occur at:

(a) if an Imbalance exists, a price equal to the upper (lower) Benchmark Price for a buy (sell) Imbalance; or

(b) if no Imbalance exists, a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause.

Today, the LULD Closing Cross price is determined by the same execution algorithm as currently used by the standard Closing Cross.<sup>21</sup> As discussed below, the proposed execution algorithm retains many aspects of the standard cross methodology with certain intended differences.

The first tiebreaker in new paragraph (D)(i) will be substantially similar to the existing tiebreaker in Rule 4754(b)(2)(A) (i.e., maximizes the number of shares executed),<sup>22</sup> except that the proposed language will specify the LULD cross price must also fall within the proposed Benchmark Prices established pursuant to new paragraph (E) of Rule 4754(b)(6). In connection with this change, the Exchange also proposes to add a definition for “Eligible Interest,” which is currently undefined in this Rule. Specifically, the Exchange proposes to add in new paragraph (A)(i) of Rule 4754(b)(6) that for purposes of the LULD Closing Cross rule, Eligible Interest shall have the same meaning as “Close Eligible Interest” in Rule 4754(a), with the addition of any new orders, with an eligible underlying Order Type and Attribute, entered during the Trading Pause. The proposed change reflects current System behavior, and indicates that there is an additional category of orders that may participate in the LULD Closing Cross (i.e., new incoming orders, with an eligible underlying Order Type and Attribute, entered during the Trading Pause), which are not fully applicable in the context of the standard close. The Exchange therefore believes that using the proposed definition throughout the

---

<sup>21</sup> See Rule 4754(b)(2)(A) – (D).

<sup>22</sup> Rule 4754(b)(2)(A) currently provides that the Nasdaq Closing Cross will occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed. Eligible interest in the context of the standard Closing Cross tiebreaker includes MOC, LOC, and IO orders.

LULD Closing Cross rule (instead of “Close Eligible Interest” as currently used in the standard Closing Cross) will better align the rule to the current operation of the System.

The second tiebreaker in new paragraph (D)(ii) will be based on the same principle as the existing tiebreaker in Rule 4754(b)(2)(B) (i.e., to minimize the number of shares that cannot be matched in the cross).<sup>23</sup> However, the new tiebreaker will specify that the LULD Closing Cross price must be within the proposed Benchmark Prices and at the price that minimizes any Imbalance, which will be defined in new paragraph (A)(ii) of Rule 4754(b)(6) as the number of shares of buy or sell MOC or LOC orders or Eligible Interest that cannot be matched with other MOC, LOC, or IO order shares or Eligible Interest at a particular price at any given time. The Exchange notes that the proposed change to state that the LULD cross price must minimize any Imbalance within the second tiebreaker is a corrective change to more accurately reflect how the System in the LULD Closing Cross currently behaves. Specifically, the change addresses that during an LULD Closing Cross, the Exchange considers all orders when calculating the Imbalance, whereas the standard Closing Cross considers orders specifically designated for participation in the Closing Cross (i.e., MOC, LOC, or IO orders). This reflects current System behavior, which automatically designates all orders (whether resting on the book, or new incoming orders entered during the Trading Pause) for participation in LULD Closing Cross because unlike the standard Closing Cross, where the continuous book is still available for trading up until the execution of the standard cross, there is no

---

<sup>23</sup> Rule 4754(b)(2)(B) currently provides that if more than one price exists under subparagraph (A), the Nasdaq Closing Cross shall occur at the price that minimizes the number of shares of buy or sell MOC or LOC orders that cannot be matched with other MOC or LOC, Close Eligible interest, or IO order shares.

continuous market during the Trading Pause up until the execution of the LULD Closing Cross.

The third tiebreaker in new paragraph (D)(iii) will be substantially similar to the existing tiebreaker in Rule 4754(b)(2)(C),<sup>24</sup> except that the proposed language will specify the LULD cross price must also fall within the proposed Benchmark Prices.

The fourth and final tiebreaker in new paragraph (D)(iv) will be used if there is no price within the proposed Benchmark Prices that satisfies the conditions described above in (D)(i) – (iii), and speaks to two possible outcomes. The first outcome is reached when an Imbalance exists, in which case the LULD cross price would be the upper (lower) Benchmark Price for a buy (sell) Imbalance. The Exchange believes that this outcome is the appropriate result in the presence of an Imbalance as it best reflects current market forces while also making it clear to market participants that the Imbalance exists. The second outcome is reached when there is no Imbalance, in which case the LULD Closing Cross would occur at a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause. This tiebreaker is similar to the existing tiebreaker in Rule 4754(b)(2)(D)<sup>25</sup> in that the last published Upper or Lower Band is effectively considered the midpoint price for the LULD Closing Cross. Unlike the existing tiebreaker, which uses the price that minimizes the distance from the System bid-ask midpoint, the proposed tiebreaker will use the relevant LULD Band. The

---

<sup>24</sup> Rule 4754(b)(2)(C) currently provides that if more than one price exists under subparagraph (B), the Nasdaq Closing Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

<sup>25</sup> Rule 4754(b)(2)(D) currently provides that if more than one price exists under subparagraph (C), the Nasdaq Closing Cross shall occur at: a price that minimizes the distance from the System bid-ask midpoint at the time of the Nasdaq Closing Cross.



Exchange believes this is the more appropriate result because unlike a standard Closing Cross, there is no continuous market just prior to the execution of the LULD Closing Cross, so using the relevant LULD Band more accurately reflects current market conditions as opposed to the System bid-ask midpoint.

#### Timing of LULD Closing Cross

The Exchange also proposes to amend the LULD Closing Cross Rule to remove all provisions relating to extending the cross past 4:00 p.m. ET as this language will no longer be necessary with the changes proposed herein. In particular, the Exchange proposes to delete Rule 4754(b)(6)(A)(iii) as this provision relates to how the Exchange would extend the time of the LULD Closing Cross. Further, the Exchange proposes to amend current Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii) under this proposal) to delete the last two sentences, which provide how certain new orders may be entered or modified after 4:00 p.m. ET.

#### MOC/LOC/IO Order Handling

The Exchange also proposes other aligning changes to the LULD Closing Cross that would more closely harmonize this process with the current standard Closing Cross. In Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii)), the Exchange proposes to remove the parenthetical that excludes MOC and LOC orders from being entered, modified, and cancelled in the Trading Pause leading up to the LULD Closing Cross. The Exchange proposes to allow MOC and LOC orders to participate in the LULD Closing Cross in order to align with the regular Closing Cross where such orders may participate pursuant to Rules 4702(b)(11) and 4702(b)(12). The Exchange similarly proposes to allow IO orders to participate in the LULD Closing Cross in the same manner

as in the regular Closing Cross (i.e., pursuant to Rule 4702(b)(13)). Accordingly, the Exchange will add that MOC, LOC and IO orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12) and 4702(b)(13).<sup>26</sup> The Exchange will also delete current Rule 4754(b)(6)(C)(i), which sets forth special handling instructions for MOC, LOC, and IO orders in an LULD Closing Cross. In particular, this Rule stipulates that in the event of an LULD Closing Cross, MOC, LOC and IO orders intended for the closing cross entered into the system and placed on the book prior to the Trading Pause will remain on the book to participate in the LULD Closing Cross, and that such orders may not be modified or cancelled. With the proposed changes to allow MOC, LOC, and IO orders to participate in the LULD Closing Cross in the same way as a standard Closing Cross, this provision is no longer necessary.

Furthermore, the Exchange proposes to add in new paragraph (F)(iii) of Rule 4754(b)(6) a description of how IO orders impact the LULD Closing Cross execution price today. While the current Rule describes the treatment of IO orders after the System determines the execution price of the LULD Closing Cross, the Rule is silent on their treatment prior to that determination, and their impact on the execution price. Accordingly, the Exchange proposes to amend the Rule to better reflect current System behavior, and provide that for purposes of LULD Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the LULD Band that triggered the Trading Pause. In the standard Closing Cross, IO orders are re-priced to a reference price that is the Nasdaq best bid for buys or the Nasdaq best offer for sells. Without a bid or offer based on continuous trading due to the Trading Pause status of the

---

<sup>26</sup> The Exchange will also correct a typo in Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii)) to add a space between 4:00 and pm.

market, the LULD Band price becomes a substitute reference price for the LULD Closing Cross IO orders.

#### Net Order Imbalance Indicator

The Exchange proposes to amend Rule 4754(b)(6)(B), which governs the Net Order Imbalance Indicator (“NOII”) message for the LULD Closing Cross and disseminates information about MOC, LOC, IO, and Eligible Interest and the price at which those orders would execute at the time of dissemination. The Rule currently provides that Nasdaq shall continue disseminating the NOII every second until After Hours Trading begins. The Exchange notes, however, that it recently updated its Closing Cross to allow for the dissemination of abbreviated NOII data (i.e., Early Order Imbalance Indicator or “EOII”)<sup>27</sup> every 10 seconds between 3:50 p.m. ET and 3:55 p.m. ET, which would be followed by the dissemination of regular NOII data between 3:55 and market close.<sup>28</sup> This change should have been reflected in the LULD Closing Cross rule in Rule 4754(b)(6)(B) as well. Accordingly, the Exchange proposes to amend the Rule to more accurately reflect current System behavior, and provide that Nasdaq shall continue disseminating the EOII and the NOII pursuant to Rule 4754(b)(1) until After Hours Trading begins.<sup>29</sup>

---

<sup>27</sup> “Early Order Imbalance Indicator” shall mean a message disseminated by electronic means containing the same information as the Order Imbalance Indicator, except that it will exclude information about indicative prices, as set forth in subparagraph (a)(7)(E) of Rule 4754. See Rule 4754(a)(10).

<sup>28</sup> See Securities Exchange Act Release No. 85292 (March 12, 2019), 84 FR 9848 (March 18, 2019) (SR-NASDAQ-2019-010).

<sup>29</sup> As discussed above and pursuant to Rule 4754(b)(1), the EOII will begin disseminating at 3:50 p.m. every 10 seconds until the NOII begins to disseminate. The NOII will begin disseminating at 3:55 p.m. every second until market close. See Rule 4754(b)(1)(A) and (B).

The Rule also indicates that the NOII message displays the Near Price, Far Price, and Reference Prices, which all currently represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. The Exchange first proposes to amend all references to Near Price and Far Price to “Near Clearing Price” and “Far Clearing Price” to align with the terms used within this Rule. Further, with the proposed changes to implement the new Benchmark Prices, the Near Clearing Price and Reference Price will both represent the price at which the LULD Closing Cross would execute, bounded by the Benchmark Prices, at the time of dissemination. The Far Clearing Price will represent the price at which the LULD Closing Cross would execute if the cross were not bounded by the Benchmark Prices. The Far Clearing Price will be different from the Near Clearing Price and Reference Price to indicate that not all marketable orders can be filled within the Benchmark Prices. To effect this change, Rule 4754(b)(6)(B) will be amended to provide that the Near Clearing Price and Reference Prices contained in the EOII and the NOII, as applicable,<sup>30</sup> will represent the price at which the LULD Closing Cross would execute should the cross conclude at that time, and the Far Clearing Price will represent the price at which Eligible Interest, MOC, LOC, and IO orders would execute.

#### Corrective Changes

The Exchange proposes a corrective change in Rule 4754(b)(6)(A)(i), which currently contains language relating to Trading Pauses “triggered” at or after 3:50 and before 4:00 p.m. The Exchange previously amended paragraph (b)(6) of Rule 4754 in

---

<sup>30</sup> The Exchange is adding “as applicable” to indicate that certain indicative prices (e.g., the Near Clearing Price) are not included in the EOII, but are included in the NOII. See Rule 4754(a)(10).

2017 to provide that the cross is employed when a Trading Pause exists at or after 3:50 and before 4:00 p.m., but inadvertently did not make a similar change in paragraph (b)(6)(A)(i) of this Rule.<sup>31</sup> The Exchange now proposes to amend this provision accordingly.

Lastly, the Exchange proposes to update obsolete cross-cites to Rule 4751 within Rules 4756(c)(3)(B) and 4763(b). Rule 4751 was previously relocated as part of prior rule filings, so the proposed changes will update the obsolete references to their current locations in the Rulebook.<sup>32</sup>

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>33</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>34</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.

The Exchange believes that its proposal will promote just and equitable principles of trade because it will implement price protections for the LULD Closing Cross that are similar to the protections used today for the standard Closing Cross. As explained above, the Exchange currently calculates and applies a price threshold to a benchmark value that,

---

<sup>31</sup> See Securities Exchange Act Release No. 79876 (January 25, 2017), 82 FR 8888 (January 31, 2017) (SR-NASDAQ-2016-131).

<sup>32</sup> See Securities Exchange Act Release Nos. 75252 (June 22, 2015), 80 FR 36865 (June 26, 2015) (SR-NASDAQ-2015-024); and 90577 (December 7, 2020), 85 FR 80202 (December 11, 2020) (SR-NASDAQ-2020-079).

<sup>33</sup> 15 U.S.C. 78f(b).

<sup>34</sup> 15 U.S.C. 78f(b)(5).

when applied to an individual security, determines the price threshold range within which the security must execute in the standard cross. The Exchange believes that this mechanism has been effective in facilitating a fair and orderly price discovery process at the close, and ensuring that the cross price derived does not exceed a price reasonably tied to the prevailing market at the time. The Exchange has therefore determined to apply similar protections for the LULD Closing Cross. Today, there is no mechanism for calculating the price threshold range within which the execution price of the LULD Closing Cross must fall. The Exchange therefore believes that its proposal will facilitate a fair and orderly close following a Trading Pause that is designed to reduce the potential for significant price disparity in the LULD cross. Additionally, the Exchange believes that the proposed enhancements to the LULD Closing Cross in the manner discussed above will benefit investors by further harmonizing the Exchange's LULD and standard Closing Cross processes, thereby promoting a more consistent experience for members and investors, and reducing any potential confusion regarding Nasdaq's closing processes. For example, the Exchange believes that allowing members to enter, modify and cancel new MOC, LOC and IO orders pursuant to Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13) during the Trading Pause leading up to the LULD Closing Cross will keep these close order type functionality consistent with the standard close behavior, and will facilitate a more efficient closing auction by allowing additional interest to participate in the close. Furthermore, the proposed change to no longer extend the LULD Closing Cross past 4:00 p.m. ET will more closely align the LULD Closing Cross process with the behavior currently implemented for the standard Closing Cross, which will promote consistency in how the Exchange conducts its closing crosses.

While the proposed price protections for the LULD Closing Cross will largely follow the current implementation of the protections in place today for the standard Closing Cross, there are certain notable differences. All of the differences are designed to ensure that the proposed price protections are reasonably based on current market conditions. For instance, the Exchange will use the last disseminated LULD Auction Collar or LULD Band to calculate the price range within which the LULD Closing Cross price must fall, instead of the QBBO midpoint that is used to calculate the price range for the standard Closing Cross. The Exchange believes that a different reference price is necessary in the context of an LULD Closing Cross because unlike a standard close, there is no continuous market (and therefore no QBBO based on continuous trading) during the Trading Pause leading up to the LULD Closing Cross. In this context, the last disseminated LULD Auction Collar or LULD Band is a more appropriate reference price for calculating the price range as it is more reflective of current market conditions. The Exchange also believes that calculating price ranges associated with the LULD Band that triggered the Trading Pause (or the LULD Auction Collar in the Trading Pause) as discussed above will ensure that the LULD Closing Cross executes at a reasonable level relative to the last disseminated LULD Auction Collar, or the LULD Band itself, thereby mitigating price dislocations in the cross. The Exchange will also calculate the price range for the LULD Closing Cross by applying a specified percentage or dollar amount to the reference price in the direction of the trading that invoked the Trading Pause. For the standard Closing Cross, however, the Exchange calculates both upper and lower thresholds for the price range that are a specified percentage or dollar amount from the reference price. The Exchange believes this difference is appropriate as it is reflective of

the current market for the halted security and accommodates security specific buy or sell pressure.

In addition, the Exchange will initially set the price thresholds for the LULD Closing Cross at the greater of \$1.00 or 10% for securities with a reference price greater than \$1.00 (or \$0.50 for securities with a reference price equal to or less than \$1.00) whereas today for the standard close, the price thresholds are the greater of 10% or \$0.50 for securities of any price. As a result, the Exchange may apply wider price thresholds under certain conditions for the LULD Closing Cross. The Exchange made this determination because of the likelihood of increased volatility after a Trading Pause and the importance of orderly trading at the close. By definition, a Trading Pause follows a period of unusual volatility and a Trading Pause at the close of trading poses risks at a particularly important time of the trading day. Applying the price thresholds in the manner described above for the LULD cross will foster stability in an otherwise unstable time in the market. Furthermore, the Exchange believes that it is important to have a closing price that is representative of all orders eligible to participate in the cross. The LULD Closing Cross price thresholds of \$1.00 or 10% for securities greater than \$1.00 are reasonably designed to ensure the cross price does not deviate too far away from the price at which the security was last trading, but is also not so restrictive as to prevent effective price discovery and preventing a cross price from being established during a time of unusual volatility. Nasdaq believes that the price thresholds appropriately balance the need to provide investor protections against excessive volatility alongside a price discovery process that is robust and reflects the supply and demand forces of orders that are entered to participate in the closing cross process.



While the price thresholds will initially be set at the greater of \$1.00 or 10% for securities with a reference price greater than \$1.00 (or \$0.50 for securities with a reference price equal to or less than \$1.00), Nasdaq management may modify such thresholds from time to time. The Exchange believes it is appropriate to have this flexibility based on market conditions and experience with the LULD Closing Cross. The Exchange would announce any changes the thresholds and provide prior notice of such changes to market participants pursuant to the proposed Rule.

The Exchange believes that the amended execution algorithm for the LULD Closing Cross is consistent with the Act because it is substantially similar to the execution logic that is used for the cross today, with certain intended differences. The proposed tiebreakers in new paragraphs (D)(i) – (iii) of Rule 4754(b)(6) are designed to preserve to the extent possible the current tiebreakers in paragraphs (B)(2)(A) – (C) of Rule 4754(b)(2) while accommodating the proposed Benchmark Prices. The proposed changes to add the definitions of Eligible Interest and Imbalance as used in the proposed first and second tiebreakers are consistent with the protection of investors and the public interest because these changes will more accurately describe how the LULD Closing Cross price will be determined pursuant to the tiebreakers in proposed Rule 4754(b)(6)(D)(i) and (ii). As it relates to the fourth tiebreaker proposed in new paragraph (D)(iv) of Rule 4754(b)(6), the Exchange believes that using the Benchmark Price in the presence of an Imbalance is appropriate and best reflects current market forces while also making it clear to market participants that the Imbalance exists. The Exchange also believes that using the price that minimizes the distance from the last published LULD Band more accurately reflects current market conditions as opposed to using the existing

tiebreaker based on the System bid-ask midpoint as there is no continuous market just prior to the execution of the LULD Closing Cross.

With respect to not extending an LULD Closing Cross past 4:00 p.m. ET, the Exchange believes that the clarity that comes from requiring that the LULD Closing Cross occur at 4:00 p.m. ET will help reduce uncertainty for members participating in the cross. While the Exchange recognizes the reasons for extending the LULD Closing Cross may exist where there are unmatched market orders or dramatic price movements during the cross, the Exchange believes based on its experience with the cross that these concerns are outweighed by the importance of providing members and the investing public with a definitive market close and a NOCP at 4:00 p.m. ET. Taken together with the proposed price thresholds, the Exchange believes that the LULD Closing Cross process, as amended, will reduce unnecessary confusion by providing certainty that the LULD Closing Cross will occur at a specified time, and will occur at a price that is reasonably based on current market conditions. In light of the foregoing changes, the Exchange also believes that it is appropriate to delete all provisions relating to extending the cross past 4:00 p.m. ET. As discussed above, the Exchange will delete Rule 4754(b)(6)(A)(iii) and the last two sentences of Rule 4754(b)(6)(C)(iii) (renumbered to Rule 4754(b)(6)(F)(ii)). Removing these provisions will bring greater transparency and reduce any potential confusion as to the operation of the Rule.

The Exchange also believes that it is appropriate to amend Rule 4754(b)(6)(B) to specify that it will continue disseminating the EOII and NOII pursuant to Rule 4754(b)(1), and to specify the contents of the EOII and NOII messages for LULD Closing Cross. The proposed changes will bring greater transparency around what

information is disseminated for the LULD Closing Cross, and is therefore consistent with the public interest and the protection of investors.

Lastly, the Exchange believes that the proposed language in new paragraph (F)(iii) of Rule 4754(b)(6) governing how the System currently handles IO orders for purposes of LULD Closing Cross price selection will promote greater Rule transparency and reduce potential confusion as it codifies current System behavior that re-prices buy (sell) IO orders one increment below (above) the LULD Band that triggered the Trading Pause. Using the LULD Band as the reference price upon which to base IO order prices is appropriate in the absence of a continuous market where there is no bid or offer based on continuous trading due to the Trading Pause status of the market. The Exchange further believes that re-pricing an increment away from the LULD Bands properly balances the need for a buffer to protect investors from excessive volatility (which would lean towards a narrower banding) and the need for unfettered price discovery (which would push towards wider banding). This balance, in Nasdaq's view, is the best way to protect investors and maintain a fair and orderly 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 competition not necessary or appropriate in furtherance of the purposes of the Act. Today, the standard Nasdaq Closing Cross provides a transparent auction process for executing member interest at the close. The proposed rule change is designed to further align the Exchange's LULD Closing Cross with the standard Closing Cross to promote a more consistent experience for members and investors, and reducing any potential confusion regarding Nasdaq's closing processes. Further, the proposed changes will allow additional interest (i.e. new MOC, LOC, and IO orders) to participate in the

LULD Closing Cross, and thereby provide a more efficient process for executing closing interest, and enhancing price discovery during the close.

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-2021-009 A-1 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-2021-009 A-1. 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-2021-009 A-1 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>35</sup>

J. Matthew DeLesDernier  
Assistant Secretary

---

<sup>35</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 additions in this Amendment No. 1 appear underlined; proposed deletions are bracketed.

**The Nasdaq Stock Market LLC Rules**

\* \* \* \* \*

**Equity Rules**

\* \* \* \* \*

**Equity 4 Equity Trading Rules**

\* \* \* \* \*

**4754. Nasdaq Closing Cross**

(a) No change.

(b) No change.

(1) – (5) No change.

(6) **LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause.** When a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m., the Nasdaq-listed security 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) **Definitions.** For purposes of this Rule 4754(b)(6), the term:

(i) **"Eligible Interest"** shall have the same meaning as "Close Eligible Interest" in Rule 4754(a), with the addition of any new orders, with an eligible underlying Order Type and Attribute, entered during the Trading Pause.

(ii) **"Imbalance"** shall mean the number of shares of buy or sell MOC or LOC orders or Eligible Interest that cannot be matched with other MOC, LOC, or IO order shares or Eligible Interest at a particular price at any given time.

(B)(i) For Trading Pauses existing at or after 3:50 and before 4:00 p.m., the LULD Closing Cross shall occur at 4:00 p.m. After Hours Trading shall commence after the LULD Closing Cross executes.

(ii) If there is insufficient trading interest in the Nasdaq system to execute a LULD Closing Cross, Nasdaq will not conduct a Cross in that security and shall instead use the last sale on Nasdaq as the Nasdaq Official Closing Price in that security for that trading day. After Hours Trading shall commence after Nasdaq publishes the Nasdaq Official Closing Price.

(C) Nasdaq shall continue disseminating the EOII and the NOII pursuant to Rule 4754(b)(1) until After Hours Trading begins. The Near Clearing Price and Reference Prices contained in the EOII and the NOII, as applicable, will represent the price at which the LULD Closing Cross would execute should the cross conclude at that time, and the Far Clearing Price will represent the price at which Eligible Interest, MOC, LOC, and IO orders would execute. 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".

(D)(i) The LULD Closing Cross will occur at the price within the benchmark prices established pursuant to paragraph (E) below ("Benchmark Prices") that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO orders in the Nasdaq Market Center to be executed.

(ii) If more than one price exists under subparagraph (i), the LULD Closing Cross shall occur at the price within the Benchmark Prices that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the LULD Closing Cross shall occur at the entered price within the Benchmark Prices at which shares will remain unexecuted in the cross.

(iv) If there is no price within the Benchmark Prices that satisfies the above conditions, then the LULD Closing Cross shall occur at:

(a) if an Imbalance exists, a price equal to the upper (lower) Benchmark Price for a buy (sell) Imbalance; or

(b) if no Imbalance exists, a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause.

(E) The Benchmark Prices within which the LULD Closing Cross price must fall [is]are established as follows[by adding (or subtracting) a threshold amount from the]:

(i) The [U]pper ([or ]lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper (or from the lower) Auction Collar that was last updated for any security that entered a Trading Pause that was extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar that was last updated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price;

(ii) The [U]pper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper Auction Collar for a Limit Up triggered pause (or from the lower Auction Collar for a Limit Down triggered pause) for any security that entered a Trading Pause that was not extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar disseminated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price; or

(iii) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the Upper Band for a Limit Up triggered pause (or from the Lower Band for a Limit Down triggered pause) for any security that entered a Trading Pause at or after 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the Lower (Upper) Band in place at the time the Trading Pause was triggered.

Nasdaq management shall set and modify such thresholds from time to time upon prior notice to market participants.

(F) Orders eligible to participate:

(i) All orders entered into the system and placed on the continuous book prior to the LULD pause will remain on the book to participate in the LULD Closing Cross. Such orders may be modified or cancelled up until the time of the LULD Closing Cross.

(ii) During the pause and prior to 4:00 pm, new orders may be entered, modified, and cancelled and may participate in the LULD Closing Cross. MOC, LOC and IO orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13).

(iii) For purposes of LULD Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the LULD Band that triggered the Trading Pause.

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

(7) No change.

#### **4756. Entry and Display of Quotes and Orders**



(a) – (c) No change.

(1) – (3) No change.

(A) No change.

**(B) Discretionary Orders**—The discretionary portion of Discretionary Orders shall not be displayed but shall be made available for execution only upon the appearance of contra-side marketable trading interest, and shall be executed pursuant to Rule 4703(g) and Rule 4757.

\* \* \* \* \*

**4763. Short Sale Price Test Pursuant to Rule 201 of Regulation SHO**

(a) No change.

(b) **Short Sale Price Test.** The System (as defined in Equity 1, Section (1)(a)(3)) shall not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the security, from the security's closing price on the listing market as of the end of regular trading hours on the prior day ("Trigger Price").

\* \* \* \* \*

**EXHIBIT 5**

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

**The Nasdaq Stock Market LLC Rules**

\* \* \* \* \*

**Equity Rules**

\* \* \* \* \*

**Equity 4 Equity Trading Rules**

\* \* \* \* \*

**4754. Nasdaq Closing Cross**

(a) No change.

(b) No change.

(1) – (5) No change.

(6) **LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause.** When a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m., the [stock]Nasdaq-listed security 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) **Definitions.** For purposes of this Rule 4754(b)(6), the term:

(i) “**Eligible Interest**” shall have the same meaning as “Close Eligible Interest” in Rule 4754(a), with the addition of any new orders, with an eligible underlying Order Type and Attribute, entered during the Trading Pause.

(ii) “**Imbalance**” shall mean the number of shares of buy or sell MOC or LOC orders or Eligible Interest that cannot be matched with other MOC, LOC, or IO order shares or Eligible Interest at a particular price at any given time.

([A]B)(i) For Trading Pauses [triggered]existing at or after 3:50 and before 4:00 p.m., the LULD Closing Cross shall occur at 4:00 p.m. After Hours Trading shall commence after the LULD Closing Cross executes.

(ii) If there is insufficient trading interest in the Nasdaq system to execute a LULD Closing Cross, Nasdaq will not conduct a Cross in that security and

shall instead use the last sale on Nasdaq as the Nasdaq Official Closing Price in that security for that trading day. After Hours Trading shall commence after Nasdaq publishes the Nasdaq Official Closing Price.

[(iii) If an order imbalance as defined in Rule 4120(c)(7)(C) (1) and (3) exists at the time designated for the LULD Closing Cross to occur, Nasdaq shall extend the time of the LULD Closing Cross by one minute until the order imbalance no longer exists. If this condition persists until 5:00 p.m., Nasdaq will not conduct a Cross in that security and shall instead use the last-sale on Nasdaq as the Nasdaq Official Closing Price in that security for that trading day. After Hours Trading shall commence after the LULD Closing Cross executes, unless the volatility condition persists until 5:00 p.m. In that case, Nasdaq will commence a process of cancelling all orders (other than orders with a time-in-force of good-till-cancelled), and After Hours Trading will commence upon the completion of that process.]

[(B)C] Nasdaq shall continue disseminating the EOII and the NOII [every second] pursuant to Rule 4754(b)(1) until After Hours Trading begins. The Near Clearing Price [, Far Price,] and Reference Prices contained in the EOII and the NOII, as applicable, will [all] represent the price at which the LULD Closing Cross would execute should the cross conclude at that time[.], and the Far Clearing Price will represent the price at which Eligible Interest, MOC, LOC, and IO orders would execute. 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](i) The LULD Closing Cross will occur at the price within the benchmark prices established pursuant to paragraph (E) below ("Benchmark Prices") that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO orders in the Nasdaq Market Center to be executed.

(ii) If more than one price exists under subparagraph (i), the LULD Closing Cross shall occur at the price within the Benchmark Prices that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the LULD Closing Cross shall occur at the entered price within the Benchmark Prices at which shares will remain unexecuted in the cross.

(iv) If there is no price within the Benchmark Prices that satisfies the above conditions, then the LULD Closing Cross shall occur at:

(a) if an Imbalance exists, a price equal to the upper (lower) Benchmark Price for a buy (sell) Imbalance; or

(b) if no Imbalance exists, a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause.

(E) The Benchmark Prices within which the LULD Closing Cross price must fall are established as follows:

(i) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper (or from the lower) Auction Collar that was last updated for any security that entered a Trading Pause that was extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar that was last updated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price;

(ii) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the upper Auction Collar for a Limit Up triggered pause (or from the lower Auction Collar for a Limit Down triggered pause) for any security that entered a Trading Pause that was not extended prior to 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the lower (upper) Auction Collar disseminated with the upper (lower) Auction Collar used to calculate the upper (lower) Benchmark Price; or

(iii) The upper (lower) Benchmark Price is established by adding (subtracting) a threshold amount to the Upper Band for a Limit Up triggered pause (or from the Lower Band for a Limit Down triggered pause) for any security that entered a Trading Pause at or after 3:50 p.m. ET, rounded to the nearest minimum price increment (with midpoint prices being rounded up), and the lower (upper) Benchmark Price is the Lower (Upper) Band in place at the time the Trading Pause was triggered.

Nasdaq management shall set and modify such thresholds from time to time upon prior notice to market participants.

(F) Orders eligible to participate:

(i) [In the event of an LULD Closing Cross, MOC, LOC and IO orders intended for the closing cross entered into the system and placed on the book prior to the Trading Pause will remain on the book to participate in the LULD Closing Cross. Such orders may not be modified or cancelled.

(ii) ]All orders entered into the system and placed on the continuous book prior to the LULD pause will remain on the book to participate in the LULD Closing Cross. Such orders may be modified or cancelled up until the time of the LULD Closing Cross.

(ii[i]) During the pause and prior to 4:00 pm, new orders [(other than MOC or LOC orders) ]may be entered, modified, and cancelled and may participate in the LULD Closing Cross. MOC, LOC and IO orders may be entered, modified, and cancelled pursuant to Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13)[After 4:00pm, entry of market pegged orders is prohibited. New Imbalance Only Orders may also be entered and modified to increase shares represented, but can't be cancelled during the pause].

(iii) For purposes of LULD Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the LULD Band that triggered the Trading Pause.

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

(7) No change.

#### **4756. Entry and Display of Quotes and Orders**

(a) – (c) No change.

(1) – (3) No change.

(A) No change.

(B) **Discretionary Orders**—The discretionary portion of Discretionary Orders shall not be displayed but shall be made available for execution only upon the appearance of contra-side marketable trading interest, and shall be executed pursuant to Rule 4703(g)[4751(f)] and Rule 4757.

\* \* \* \* \*

#### **4763. Short Sale Price Test Pursuant to Rule 201 of Regulation SHO**

(a) No change.

(b) **Short Sale Price Test.** The System (as defined in Equity 1, Section (1)(a)(3)[Nasdaq Rule 4751(a)]) shall not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the security, from the security's closing price on

the listing market as of the end of regular trading hours on the prior day ("Trigger Price").

\* \* \* \* \*