

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 14	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 004	Amendment No. (req. for Amendments *) 1
Filing by NASDAQ Stock Market Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(6)
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b>				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text"/>				
<b>Contact Information</b>				
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 *	Jeffrey	Last Name *	Davis	
Title *	VP and Deputy General Counsel			
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Telephone *	(301) 978-8484	Fax	(301) 978-8472	
<b>Signature</b>				
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	02/20/2014	Executive Vice President and General Counsel		
By	Edward S. Knight	<input type="text"/>		
(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.				
<b>Persona Not Validated - 1383935917270,</b>				

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

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

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

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

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

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

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

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

**Partial Amendment No.1 to SR-NASDAQ-2014-004**

The NASDAQ Stock Market LLC (“NASDAQ”) is filing this Partial Amendment No. 1 to SR-NASDAQ-2014-004 to make the following three changes to the pending 19b-4 and Exhibit 1:

*1. Additional Tie-Breaker.* In the original filing, NASDAQ failed to describe the fourth and final tie-breaker for selecting the execution price of the Limit Up Limit Down Closing Cross (“LULD Cross”). The filing properly described the first three criteria:

- (A) The Nasdaq Closing Cross will occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed;
- (B) If more than one price exists under subparagraph (A), the Nasdaq Closing Cross shall occur at the price that minimizes any Imbalance;
- (C) If more than one price exists under subparagraph (B), the Nasdaq Closing Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

The filing should also have described a fourth tie-breaker taken from the methodology currently set forth in NASDAQ Rule 4753 governing the NASDAQ Halt Cross:

- (D) If more than one price exists under subparagraph (C), the Nasdaq Closing Cross shall occur at:
  - In the case where a security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the LULD pause;
  - In the case where a security has not already traded during normal market hours on that trading day, the price that is closest to the previous NASDAQ Official Closing Price.

NASDAQ believes that the fourth tie-breaker will be used only rarely. However, when it is used, the final tie-breaker must be based on a fixed reference price such as the last transaction report from that day or, in the absence of trades that day, from the previous day on which trading occurred. A fixed tie-breaker is superior to a floating one,

such as a midpoint or an NBBO, when there is no continuous market just prior to the execution of a cross, as is the case prior to any halt.

**2. *Treatment of Imbalance Only (“IO”) Orders.*** In the original filing, NASDAQ described the treatment of IO Orders after the system determines the execution price of the LULD Closing Cross. However, NASDAQ neglected to describe their treatment prior to that determination, and their impact on the execution price. Specifically, in the case of an LULD pause just prior to the close of trading, prior to the determination of the execution price, IO Orders entered prior to the LULD Closing Cross will be re-priced to one penny above the LULD band price (for sell IOs) or one penny below the LULD price band (for buy IOs) or to the entered price if it is less aggressive than the LULD price band at the time of the LULD Trading Pause.

Currently, IO Orders do not participate in halt crosses – they are only accepted for the opening and closing crosses. However, since the LULD Closing Cross is a hybrid of the Halt and Closing Cross, IO orders are inevitably part of the auction process. IO orders in the normal Closing Cross aid in the price discovery process and serve to support stability by offsetting imbalances. The purpose of IO orders in the LULD Closing Cross will be no different and in a time of greater market volatility, as one would expect when the market is in a LULD pause, IO orders become all the more important as a stabilizing mechanism.

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 LULD pause status of the market, the LULD band price becomes a substitute reference price for the LULD Closing Cross IO Orders.

Additionally, buy and sell IO orders are not meant to trade against each other or cause imbalances and thus the IO orders in a LULD Closing Cross will be re-priced to \$0.01 below the LULD band for buys and \$0.01 above the LULD band for sells.

Due to the likelihood of increased volatility after an LULD pause and the importance of orderly trading at the close, NASDAQ has determined to treat IO Orders differently in this circumstance. NASDAQ believes that this treatment of IO Orders is appropriate and beneficial to investors and the market because, by definition, an LULD pause follows a period of unusual volatility and an LULD pause at the close of trading poses risks at a particularly important time of the trading day. Using the LULD band as the reference price upon which to base IO Order prices will foster stability in an otherwise unstable time in the market. NASDAQ considered various alternatives for the re-pricing of IO Orders, ranging from re-pricing at the LULD bands, at one penny away from those bands, and at multiple pennies away. NASDAQ believes that re-pricing at a penny away from the LULD bands properly balances the need for a buffer to protect investors from excessive volatility (which would militate 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.

Once the system determines the correct execution price, IO Orders will be treated as described in the original filing:

Once the algorithm determines the proper closing price, the LULD Closing Cross will execute all orders at the determined price in strict price/time priority, rather than the complex priority currently set forth in NASDAQ Rule 4754(b)(3). Excess interest at the closing price will be available for execution against available imbalance only orders on the opposite side of the market. Aggressive IO orders opposite the side of the imbalance that were

entered prior to other orders at exactly the crossing price will be re-priced to the crossing price and have priority over those orders. The LULD Closing Cross price will be the Nasdaq Official Closing Price for stocks that participate in the LULD Closing Cross (footnote omitted).

As stated in the original filing, once the algorithm determines the proper closing price, eligible IO orders priced more aggressively than the closing price will be re-priced to the closing price and sorted in time priority. Therefore, aggressive IO orders that were entered prior to other orders at exactly the crossing price will have priority over those orders. The LULD Closing Cross price will be the Nasdaq Official Closing Price for stocks that participate in the LULD Closing Cross.

3. ***Information Dissemination.*** NASDAQ proposes to change one aspect of the Net Order Imbalance Information (“NOII”) disseminated during an LULD Trading Pause just prior to the close. In the original filing NASDAQ stated that the NOII would “include Imbalance Size and Side information representing the share not currently paired at the reference price.” However, NASDAQ plans instead to disseminate an indicator for “market buy” or “market sell” if marketable buy or sell shares would remain unexecuted above or below the Near or Far Clearing Price for the expected LULD Closing Cross. This process is in line with what is currently done in the NASDAQ Halt and IPO Crosses.

As a result of this modification, the proposed rule language governing information dissemination must be modified slightly. Specifically, NASDAQ proposes to modify proposed Rule 4754(b)(6)(B) as follows:

NASDAQ shall continue disseminating the NOII every five seconds until the execution of the LULD Closing Cross or until 5:00 p.m. whichever is later. The Near Price, Far Price, and Reference Prices contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. [The NOII will also include Imbalance Size and Side information representing the shares not currently paired at the reference price.] 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".

This language conforms to the dissemination of indicative pricing information currently set forth in Rule 4753(a)(2)(E)(iii) and 4754(a)(7)(E)(ii) governing the NASDAQ Halt/IPO Cross and the NASDAQ Closing Cross.

4. **Execution priority.** NASDAQ wishes to clarify one additional matter set forth in the original rule filing. With regard to execution priority, that NASDAQ selected the time-based priority method currently employed in the case of a trading halt rather than the more complex method used in the case of a standard closing cross. NASDAQ chose this method for determining execution priority because it believes that trading behavior during an LULD Trading Pause immediately prior to the close of trading will more closely resemble behavior during a trading halt than trading just prior to the close. This is likely to be the case due to the absence of a continuous market during the LULD Trading Pause, as opposed to the presence of a continuous market just prior to the standard close of trading.

5. **Entry of Market Orders.** NASDAQ proposes to clarify that new market orders may be entered during an LULD Trading Pause, but only until 4:00pm. NASDAQ does not currently permit the entry of market orders after 4:00pm; only limit orders may be entered after 4:00pm. Therefore, if an LULD Trading Pause is extended beyond 4:00pm due to continuing volatility, entry of new market orders will be prohibited after 4:00pm. As a result, proposed Rule 4754(b)(6)(C)(iii) will be modified as follows:

(iii) During the pause and prior to 4:00pm, new market and limit orders of any order type and any time in force may be entered, modified, and cancelled and may participate in the LULD Closing Cross. After 4:00pm, entry of market 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.

\* \* \*

The proposed clarifications and modifications are minor and should have a small and beneficial impact on the operation of the proposed LULD Closing Cross. NASDAQ believes that none of the described changes is material to the operation of the proposed LULD Closing Cross. NASDAQ further believes that members will view these proposed changes as non-controversial.

Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b) of the Act<sup>1</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>2</sup> in particular, in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed amendments are consistent with this provision in that they will ensure that the Exchange continues to comply with the LULD Plan, and simultaneously provide for an effective pricing mechanism for the critical period of the market close. The proposed LULD Closing Cross is designed to balance the need for transparency and liquidity with the need to move quickly from a Trading Pause to a closing price. NASDAQ believes that it has accomplished these goals to the maximum extent possible.

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

<sup>2</sup> 15 U.S.C. 78f(b)(5).

**EXHIBIT 4**

Language from the original proposal is underlined. Language added by this proposed amendment is double underlined. Language deleted by this proposed amendment is in [brackets].

\* \* \* \* \*

NASDAQ Equity Rules

\* \* \*

**4120. Limit Up-Limit-Down Plan and Trading Halts**

(a)

(1) – (11) **No change.**

(12) Limit-Up-Limit-Down Mechanism

(A) – (G) **No change.**

(H) Re-opening of Trading following a Trading Pause. At the end of the Trading Pause, the Exchange shall re-open the security in a manner similar to the procedures set forth in Rule 4753, provided that following a Trading Pause that is triggered at or after 3:50 p.m. a stock shall re-open via a LULD Closing Cross pursuant to Rule 4754(b)(6).

(b) – (c) **No change.**

\* \* \*

**Rule 4754. Nasdaq Closing Cross**

(a) No change.

(b)

(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) is triggered at or after 3:50 p.m. and before 4:00 p.m., the stock shall open 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) (i) For Trading Pauses triggered 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 which case there will After Hours Trading will begin at 5:00 p.m.
- (B) NASDAQ shall continue disseminating the NOII every five seconds until the execution of the LULD Closing Cross or until 5:00 p.m. whichever is later. The Near Price, Far Price, and Reference Prices contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. [The NOII will also include Imbalance Size and Side information representing the shares not currently paired at the reference price.] 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) 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 3:50 p.m. 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 the LULD Closing Cross.

(iii) During the pause and prior to 4:00pm, new market and limit orders of any order type and any time in force may be entered, modified, and cancelled and may participate in the LULD Closing Cross. After 4:00pm, entry of market 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.

(D) 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.

**[(6)7] Contingency Procedures.** When a disruption occurs at or near the close of Market hours that prevents the execution of the Closing Cross as set forth above, Nasdaq shall apply the following contingency procedures for the Closing Cross rather than procedures set forth above. The determination to implement contingency procedures for the Closing Cross shall be made by the President of Nasdaq or any Executive Vice President designated by the President.

(A) – (F) No Change.

\* \* \* \* \*

**EXHIBIT 5**

Proposed new language is underlined. Proposed deletions are in [brackets].

\* \* \* \* \*

NASDAQ Equity Rules

\* \* \*

**4120. Limit Up-Limit-Down Plan and Trading Halts**

(a)

(1) – (11) **No change.**

(12) Limit-Up-Limit-Down Mechanism

(A) – (G) **No change.**

(H) Re-opening of Trading following a Trading Pause. At the end of the Trading Pause, the Exchange shall re-open the security in a manner similar to the procedures set forth in Rule 4753, provided that following a Trading Pause that is triggered at or after 3:50 p.m. a stock shall re-open via a LULD Closing Cross pursuant to Rule 4754(b)(6).

(b) – (c) **No change.**

\* \* \*

**Rule 4754. Nasdaq Closing Cross**

(a) No change.

(b)

(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) is triggered at or after 3:50 p.m. and before 4:00 p.m., the stock shall open 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) (i) For Trading Pauses triggered 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 which case there will After Hours Trading will begin at 5:00 p.m.
- (B) NASDAQ shall continue disseminating the NOII every five seconds until the execution of the LULD Closing Cross or until 5:00 p.m. whichever is later. The Near Price, Far Price, and Reference Prices contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".
- (C) 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 3:50 p.m. 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 the LULD Closing Cross.

(iii) During the pause and prior to 4:00pm, new market and limit orders of any order type and any time in force may be entered, modified, and cancelled and may participate in the LULD Closing Cross. After 4:00pm, entry of market 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.

(D) 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.

**([6]7) Contingency Procedures.** When a disruption occurs at or near the close of Market hours that prevents the execution of the Closing Cross as set forth above, Nasdaq shall apply the following contingency procedures for the Closing Cross rather than procedures set forth above. The determination to implement contingency procedures for the Closing Cross shall be made by the President of Nasdaq or any Executive Vice President designated by the President.

(A) – (F) No Change.

\* \* \* \* \*