



**Brett Kitt**  
AVP, Principal Associate General  
Counsel



October 25, 2021

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

Re: SR-NASDAQ-2021-040 Amendment # 1

Dear Ms. Countryman:

Nasdaq filed the above-referenced Amendment # 1 on 10/25/2021.

Sincerely,

A handwritten signature in black ink, appearing to be 'Brett Kitt', written in a cursive style.

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 51

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2021 - \* 040

Amendment No. (req. for Amendments \*) 1

Filing by The Nasdaq Stock Market LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

### Description

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

[Redacted description area]

### 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 \* Brett Last Name \* Kitt

Title \* AVP, Principal Associate General Counsel

E-mail \* [Redacted]

Telephone \* [Redacted] Fax [Redacted]

### Signature

Pursuant to the requirements of the Securities Exchange of 1934, The Nasdaq Stock Market LLC has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 10/25/2021


(Title \*)

By John Zecca

EVP and Chief Legal Officer

(Name \*)

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

 Date: 2021.10.25 16:12:12 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR-NASDAQ-2021-040 A-1 19b-4.do

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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SR-NASDAQ-2021-040 A-1 Exhibit 1

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 Advanced 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 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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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 Sent As Paper Document

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

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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 Sent As Paper Document

**Exhibit 4 - Marked Copies**

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SR-NASDAQ-2021-040 A-1 Exhibit 4

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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SR-NASDAQ-2021-040 A-1 Exhibit 5.

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item 1 and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Equity 4, Rule 4702 and Rule 4703, and add Rule 4755, to establish the “Extended Trading Close” and new “ETC Eligible LOC” and “Extended Trading Close” Order Types. 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.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the Exchange on August 21, 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:

Brett Kitt  
AVP, Principal Associate General Counsel  
Nasdaq, Inc.  
(301) 978-8132

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

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

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

a. Purpose

The Exchange proposes to adopt new Equity 4, Rule 4755<sup>3</sup> to establish the “Extended Trading Close.” The Extended Trading Close will allow Participants an additional opportunity to access liquidity in Nasdaq-listed securities at the Nasdaq Official Closing Price for a limited period of time after the Nasdaq Closing Cross<sup>4</sup> or the LULD Closing Cross,<sup>5</sup> (collectively, the “Closing Cross”) concludes. The Exchange also proposes to amend Rule 4702 and Rule 4703 to establish new “ETC Eligible LOC” and “Extended Trading Close” Order Types that may participate in the Extended Trading Close.

Extended Trading Close

As defined in proposed new Rule 4755(a)(5), the Extended Trading Close will be the process, described in new Rule 4755, during which ETC Eligible Orders<sup>6</sup> may match

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<sup>3</sup> References herein to Nasdaq Rules in the 4000 Series shall mean Rules in Nasdaq Equity 4.

<sup>4</sup> The “Nasdaq Closing Cross” refers to Nasdaq’s process for determining the price at which it will execute orders at the close and for executing those orders, as set forth in Rule 4754.

<sup>5</sup> The “LULD Closing Cross” refers to Nasdaq’s modified process for determining the price at which it will execute orders at the close, following a Trading Pause, as set forth in Rule 4120(a), which exists at or after 3:50 p.m. and before 4:00 p.m., as well as the process for executing those orders, as set forth in Rule 4754(b)(6).

<sup>6</sup> As discussed below, the Exchange proposes to define, in Rule 4755, an “ETC Eligible Order(s)” as an “ETC Order(s)” or an “ETC Eligible LOC Order(s).”

and execute at the Nasdaq Official Closing Price, as determined by the Closing Cross, for a five minute period immediately following the Closing Cross.

The Extended Trading Close will commence immediately upon the conclusion of the Closing Cross and it will continue until 4:05 P.M. ET on a regular trading day, or 1:05 P.M. ET on a day when Nasdaq closes early.<sup>7</sup> The Extended Trading Close will not occur for a security on any day when insufficient interest exists in the System to conduct the Closing Cross for that security or when the Exchange invokes contingency procedures due to a disruption that prevents execution of the Closing Cross.<sup>8</sup> Likewise, the Exchange will cancel executions in a security that occur in the Extended Trading Close to the extent that the Exchange nullifies the Closing Cross in that security pursuant to the rules governing clearly erroneous transactions, as set forth in Rule 11890.

On a continuous basis during the Extended Trading Close, the System will match orders in Nasdaq-listed securities<sup>9</sup> and execute them at the Nasdaq Official Closing price

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<sup>7</sup> The starting times for the Extended Trading Close are not exact insofar as the Closing Cross is not instantaneous and the System requires a brief period of time to complete the Closing Cross for each security. Typically, the processing of the Closing Cross begins at 4:00 p.m. ET, or at 1:00 p.m. ET on days when Nasdaq closes early.

<sup>8</sup> See Rule 4754(b)(7).

<sup>9</sup> Only orders in Nasdaq-listed securities will be eligible to participate in the Extended Trading Close. The Exchange proposes to exclude securities listed on other primary listing markets. As a primary listing market, Nasdaq is committed to investing in and enhancing the Closing Cross process for Nasdaq-listed issuers, their shareholders, investors, and all Participants involved in the robust price discovery and liquidity process that the Closing Cross serves. Moreover, Nasdaq notes that the vast majority of Participants looking to trade at the closing price participate in the primary listing market's closing auction and do not route orders to non-primary market listing destinations.

(as determined by the Closing Cross), except that the System will suspend executions during the Extended Trading Close in two scenarios.

First, the System will suspend executions of matched orders in a Nasdaq-listed security in the Extended Trading Close if and when it detects an order in the security resting on the Nasdaq Continuous Book in After Hours Trading<sup>10</sup> with an After Hours Trading bid (offer) price that is higher (lower) than the Nasdaq Official Closing Price. When this scenario occurs, the System will suspend executions of matched orders in the Extended Trading Close for that security unless or until the Nasdaq Continuous Book in After Hours Trading becomes clear of orders priced better than the Nasdaq Official Closing Price prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will prevent Nasdaq from trading through orders on its own Continuous Book in After Hours Trading which do not participate in the Extended Trading Close.

Second, the System will suspend executions of matched orders in a Nasdaq-listed security in the Extended Trading Close if and when the last sale price during After Hours Trading, or the best After Hours Trading bid (offer) price, of the security, other than on the Nasdaq Continuous Book, is higher (lower) than the Nasdaq Official Closing Price by the greater of 0.5% or \$0.01. When this scenario occurs, the System will suspend executions of matched orders in the Extended Trading Close for that security unless or until the After Hours Trading last sale prices or best After Hours Trading bid (offer) price

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<sup>10</sup> For purposes of this proposal, the term “After Hours Trading” refers to trading in a Nasdaq-listed security that commences immediately following the conclusion of the Nasdaq Closing Cross or the LULD Closing Cross, during Post-Market Hours, as that term is defined in Equity 1, Section 1(a)(9).

of the security returns to within the greater of the 0.5%/\$0.01 thresholds prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will help to mitigate the risk that orders in Nasdaq-listed securities which participate in the Extended Trading Close will execute at a price that is no longer reflective of the value of the security on trading venues other than Nasdaq.

Furthermore, the Exchange proposes that at any time during the Extended Trading Close, Participants are free to modify or cancel their ETC Eligible Orders. For example, after the Closing Cross occurs, an issuer may release material news about a company that causes its After Hours Trading price for its stock to vary from the Closing Cross Price. In that instance, a Participant may no longer wish to participate in the Extended Trading Close and receive the Nasdaq Official Closing price for an ETC Eligible Order in that stock; accordingly, the Participant may cancel its ETC Eligible Order, to the extent that the Order has not already been fully matched and executed, and place an order for the stock in the After Hours market. Nonetheless, as stated previously, a move in the price of a security in After Hours Trading outside of the Nasdaq Official Closing Price will, under the scenarios described above, result in suspension of the Extended Trading Close.

The Exchange proposes to cancel any portion of an ETC Eligible Order that remains unexecuted at the conclusion of the Extended Trading Close, or for which the System has suspended execution, where that suspension remains active as of the conclusion of the Extended Trading Close.

All ETC Eligible Orders executed in the Extended Trading Close will be trade reported anonymously and disseminated via the consolidated tape.



Order Types Eligible to Participate in the Extended Trading Close

The Exchange proposes to allow two Order Types to participate in the Extended Trading Close: (1) Limit-on-Close (“LOC”) Orders; and (2) Extended Trading Close (“ETC”) Orders.<sup>11</sup>

*ETC Eligible LOC Orders*

First, the Exchange proposes to amend Rule 4702(b)(12) to provide for LOC Orders in Nasdaq-listed securities to participate in the Extended Trading Close to the extent that such LOC Orders are entered through RASH or FIX and remain unexecuted, in whole or part, in the Closing Cross (an “ETC Eligible LOC Order”).<sup>12</sup> The System

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<sup>11</sup> If short sale orders in securities subject to Regulation SHO are permitted to execute in the Closing Cross pursuant to Reg. SHO Rule 201, 17 CFR 242.201, then the System will also permit short sale executions in such securities to occur in the Extended Trading Close. Conversely, the System will reject short sale orders in securities if short sale orders in such securities were not permitted to execute in the Closing Cross. Moreover, the restrictions of Reg. SHO Rule 201 shall apply to the ETC to the extent that the current national best bid is being calculated, collected, and disseminated, for securities. See Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, at FAQ 2.1, available at <https://www.sec.gov/divisions/marketreg/rule201faq.htm>.

<sup>12</sup> By default, all LOC Orders in Nasdaq-listed securities will be set to participate in the Extended Trading Close in the event that the LOC Orders are not fully executed during the Closing Cross. However, a Participant may opt to exclude its LOC Orders from participating in the Extended Trading Close. When ETC eligibility is disabled, the System will simply cancel LOC Orders in Nasdaq-listed securities that remain unexecuted after the Closing Cross occurs. Also, if Participants select a time-in-force for their LOC Orders in Nasdaq-listed securities that continues after the Closing Cross occurs, then if such LOC Orders remain unexecuted after the Closing Cross, the Exchange will cause the remaining unexecuted shares to bypass the Extended Trading Close and participate in After Hours Trading.

will not include LOC Orders<sup>13</sup> in the Extended Trading Close that Participants did not duly submit prior to the Nasdaq Closing Cross or LULD Closing Cross, in accordance with Rule 4702(b)(12)(A), or which are unexecutable in the Extended Trading Close due to the fact that they have limit prices that fall outside of the Nasdaq Official Closing Price.<sup>14</sup>

ETC Eligible LOC Orders will match and execute in the Extended Trading Close in time priority against other ETC Eligible LOC Orders and ETC Orders, with ETC Eligible LOC Orders receiving new timestamps upon entry into the Extended Trading Close and prioritized amongst each other and ETC orders based on the time the system received each order into the Extended Trading Close.<sup>15</sup> For example, assume that the Closing Cross Price for a security is \$10.00 per share and that an ETC Eligible LOC

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<sup>13</sup> The Exchange proposes to amend the definition of a LOC Order in Rule 4702(b)(12)(A) to clarify that LOCs may execute in the LULD Closing Cross (in addition to the Nasdaq Closing Cross). The eligibility of LOC Orders to execute in the LULD Closing Cross is otherwise stated in Rule 4754(b)(6)(C)(i).

<sup>14</sup> A Post-Only Order, Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not operate as an ETC Eligible LOC Order, insofar as their respective underlying order characteristics are incompatible with participation in the ETC. That is, a Supplemental Order operates only during Market Hours and is ineligible to participate in the Closing Cross. A Market Maker Peg Order and Midpoint Peg Post-Only Order require periodic re-pricing, which does not occur during the ETC, where orders execute at a single price. An ETC Eligible LOC Order will be rejected if it has been assigned a Pegging Attribute due to the fact that the Pegging Order Attribute operates only during Market Hours.

<sup>15</sup> The system will submit ETC Eligible LOC Orders for participation in the ETC, and will assign them new timestamps, in random order. Thus, ETC Eligible LOC Orders may not necessarily enter the ETC with the same relative priority that they had prior to the ETC. Moreover, due to the time required for the system to process ETC Eligible LOC Orders for participation in the ETC, it is possible that an ETC Eligible LOC Order will enter the ETC with a lower time priority than an ETC Order entered after the Closing Cross concludes.

Order to buy 100 shares (Order 1) remains unexecuted as of the conclusion of the Closing Cross, such that it will be re-entered for participation in the ETC, receiving a new timestamp. When the ETC commences, the NBBO is \$9.95 x \$10.05. After the ETC begins, a second Participant enters Order 2, an ETC Order to buy 2,000 shares, with a minimum quantity condition of 500 shares. A third Participant then enters Order 3, an ETC Order to buy 500 shares. A fourth Participant then enters Order 4, an ETC Order to sell 200 shares. Order 4 will then execute against Orders 1 and 3 for 200 shares at \$10.00 per share (Order 1 is fully executed and Order 3 has 400 shares remaining). Order 4 does not execute against Order 2 because Order 4 does not satisfy the minimum quantity condition of Order 2. A fifth Participant enters Order 5, which is an ETC Order to sell 500 shares. Order 5 will then execute against Order 2 for 500 shares at \$10.00 per share, as Order 5 satisfies the minimum quantity condition of Order 2. Finally, a sixth Participant enters Order 6, an ETC order to sell 3,000 shares, with a minimum quantity condition of 3,000 shares. Order 6 posts as no resting ETC Eligible LOC Orders or ETC Orders satisfies the Order's minimum quantity condition.

As discussed above, during the Extended Trading Close, ETC Eligible LOC Orders will continuously match against other ETC Eligible LOC Orders and ETC Orders and execute at the Nasdaq Official Closing price, as determined by the Closing Cross, except that the System will suspend executions of ETC Eligible LOC Orders in two scenarios.

First, the System will suspend executions of matched ETC Eligible LOC Orders in a security whenever there is an Order resting on the Nasdaq Continuous Book in After Hours Trading with a bid (offer) that is greater than (less than) the Nasdaq Official

Closing Prices for that security. The System will resume executions during the Extended Trading Close in this scenario if and when the resting Orders priced better than the Nasdaq Official Closing Price are cleared from the Continuous Book.

Second, the System will suspend executions of matched ETC Eligible LOC Orders in a Nasdaq-listed security in the Extended Trading Close if and when the last sale price during After Hours Trading, or the best After Hours Trading bid (offer) price, of the security, other than on the Nasdaq Continuous Book, is higher (lower) than the Nasdaq Official Closing Price by the greater of 0.5% or \$0.01. When this scenario occurs, the System will suspend executions of matched ETC Eligible LOC Orders in the Extended Trading Close for that security unless or until the After Hours Trading last sale prices or best After Hours Trading bid (offer) price of the security returns to within the greater of the 0.5%/\$0.01 thresholds prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will help to mitigate the risk that ETC Eligible LOC Orders in Nasdaq-listed securities which participate in the Extended Trading Close will execute at a price that is no longer reflective of the value of the security on trading venues other than Nasdaq.

When the Extended Trading Close ends, the System will cancel any unexecuted shares of ETC Eligible LOC Orders as well as any shares of ETC Eligible LOC Orders for which executions remain suspended as of that time, due to price deviations. A Participant may modify or cancel an ETC Eligible LOC Order (unless already executed) at any time during the Extended Trading Close.

#### *ETC Orders*

In addition to ETC Eligible LOC Orders, Nasdaq proposes to introduce a new Order Type – the Extended Trading Close or “ETC” Order – that will be eligible for entry and execution exclusively during the Extended Trading Close.<sup>16, 17</sup>

Like an ETC Eligible LOC Order, an ETC Order must be in a Nasdaq-listed security, and the Exchange will execute it at the Nasdaq Official Closing Price, as determined by the Closing Cross. A Participant may enter, cancel, or modify an ETC Order at any time during the Extended Trading Close. The System will execute an ETC Order only if the System is able to match it against another ETC Order or an ETC Eligible LOC Order during the Extended Trading Close. Moreover, as noted above, the System will suspend executions of matched ETC Orders during the Extended Trading Close in two scenarios.

First, the System will suspend executions of matched ETC Orders in a security whenever there is an Order resting on the Nasdaq Continuous Book in After Hours Trading with a bid (offer) that is greater than (less than) the Nasdaq Official Closing Price for the security. The System will resume executions during the Extended Trading Close in this scenario if and when the resting Orders priced better than the Nasdaq Official Closing Price are cleared from the Continuous Book.

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<sup>16</sup> On any day when no Extended Trading Close occurs, i.e., if there is insufficient interest to conduct a Closing Cross for a security or if the Exchange invokes contingency procedures, the System will not accept entry of an ETC Order.

<sup>17</sup> The Exchange proposes to amend Rule 4703(a) to add a new time-in-force applicable to ETC Orders. A time-in-force of “ETC” will mean that an order is designated to activate upon commencement of the Extended Trading Close and deactivate upon the conclusion of the Extended Trading Close.

Second, the System will suspend executions of matched ETC Orders in a Nasdaq-listed security in the Extended Trading Close if and when the last sale price during After Hours Trading, or the best After Hours Trading bid (offer) price, of the security, other than on the Nasdaq Continuous Book, is higher (lower) than the Nasdaq Official Closing Price by the greater of 0.5% or \$0.01. When this scenario occurs, the System will suspend executions of matched ETC Orders in the Extended Trading Close for that security unless or until the After Hours Trading last sale prices or best After Hours Trading bid (offer) price of the security returns to within the greater of the 0.5%/\$0.01 thresholds prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will help to mitigate the risk that ETC Orders in Nasdaq-listed securities which participate in the Extended Trading Close will execute at a price that is no longer reflective of the value of the security on trading venues other than Nasdaq.

If an ETC Order remains unmatched or its execution remains suspended when the Extended Trading Close concludes, then the System will cancel the ETC Order.

The System will match an ETC Order in time priority amongst other ETC Eligible LOC Orders and ETC Orders during the Extended Trading Close. Participants may modify or cancel unexecuted ETC Orders at any time after entry. A Participant may enter an ETC Order with a Minimum Quantity Attribute.<sup>18</sup>

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<sup>18</sup> Rule 4703(e) provides for two types of Minimum Quantity Attributes – one that provides for the minimum quantity requirement to be satisfied by a single order, and a second that allows for it to be satisfied by aggregating multiple orders. Only the first type of Minimum Quantity Attributes may be used with an ETC Order. Thus, a Participant that enters an ETC Order with a minimum quantity requirement of 500 shares may specify that its order match and execute in the

### The ETC Order Imbalance Indicator

To facilitate participation in the Extended Trading Close, Nasdaq proposes to disseminate electronically to Participants an “ETC Order Imbalance Indicator,” beginning at 4:00:05 p.m. (or 1:00:05 p.m. on a day when Nasdaq closes early), and continuing in 5 second intervals thereafter until the Extended Trading Close concludes at 4:05 p.m. (or 1:05 p.m. on a day when Nasdaq closes early). The ETC Order Imbalance Indicator will convey to Participants the symbol and total number of matched and executed shares in the Extended Trading Close (as of the time of dissemination of the ETC Order Imbalance Indicator), as well as total size of any ETC Imbalance (exclusive of Orders with Minimum Quantity instructions)<sup>19</sup> and the buy/sell direction of any ETC Imbalance.

### Implementation

The Exchange currently intends to introduce the Extended Trading Close, and begin accepting ETC Orders, during the Fourth Quarter of 2021. At least 30 days prior to launching the Extended Trading Close, and beginning to accept ETC Orders, the Exchange will publish a Nasdaq Trader Alert announcing the launch date.

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ETC against another ETC Eligible Order of 500 shares but not several ETC Eligible Orders of smaller sizes that, in aggregate, add up to 500 shares. Unlike Rule 4703(e), the proposal states that if no Orders in the ETC satisfy a minimum quantity condition for an ETC Order, then the ETC Order with a minimum quantity condition will rest on the Nasdaq Book in time priority unless and until there is an Order that can satisfy the minimum quantity condition to allow for execution of the ETC Order. If no such Order is present in the ETC at its conclusion, then the ETC Order will cancel.

<sup>19</sup> The Exchange proposes to exclude ETC Eligible Orders with Minimum Quantity instructions from this calculation of the size of the ETC Imbalance because the size of such Orders may be misleading to Participants, given that such Orders will not execute if the Minimum Quantity instruction is not satisfied.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>20</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>21</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 proposal is consistent with the Act because it would create an additional opportunity for Participants to execute orders in Nasdaq-listed securities at the Closing Cross price for a limited time period after the Closing Cross concludes. For Participants with LOC Orders that do not execute in full in the Closing Cross, the Extended Trading Close will give those LOC Orders another opportunity to execute at the Nasdaq Official Closing Price, as determined by the Closing Cross, before the After Market Trading price moves far away from it. Likewise, Participants will have an opportunity to access liquidity at the Nasdaq Official Closing Price (as determined by the Closing Cross) even if they did not participate in the Closing Cross. By increasing opportunities for Participant to execute their orders at the Nasdaq Official Closing Price (as determined by the Closing Cross), the Exchange will allow them to execute sizable orders without market impact as a complement to the Closing Cross and as an alternative to After Hours Trading that can be less liquid than Market Hours trading.

The Exchange believes it is consistent with the Act to provide for LOC Orders entered through the RASH and FIX protocols to roll over into the ETC automatically, if

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<sup>20</sup> 15 U.S.C. 78f(b).

<sup>21</sup> 15 U.S.C. 78f(b)(5).



unexecuted in full during the Closing Cross, because Nasdaq typically assumes a more active role in managing the order flow submitted by users of the RASH and FIX protocols. Allowing these Participants to have their remaining LOC orders automatically participate in the Extended Trading Close will provide these Participants an additional opportunity for execution at the Nasdaq Official Closing Price (as determined by the Closing Cross), and it reflects the order flow management practices of these Participants. In contrast, users of the OUCH and FLITE protocols generally assume a more active role in managing their order flow. Having unexecuted shares of LOC orders canceled and requiring that an ETC Order be sent after the Closing Cross in order to participate in the Extended Trading Close reflects the order flow management practices of these Participants.

The Exchange proposes to make participation in the Extended Trading Close optional for those Participants that wish to continue the current System practice of cancelling LOC Orders that remain unexecuted after the Closing Cross, or by designating LOC Orders to participate in After Hours Trading if they remain unexecuted after the Closing Cross. Therefore, as proposed, Participants can opt-out from having their ETC-Eligible LOC Orders participate in the Extended Trading Close, while their LOC Orders with a time-in-force that continues after the Closing Cross will automatically bypass the Extended Trading Close. Furthermore, the Exchange proposes to allow Participants to modify or cancel ETC Eligible LOC Orders and ETC Orders at any time after the Extended Trading Close begins, should they choose to do so. The System will automatically cancel any portion of ETC Eligible LOC Orders and ETC Orders that remain unexecuted at the conclusion of the Extended Trading Close.

Moreover, as a means of preventing Nasdaq from trading through orders on the Nasdaq Continuous Book in After Hours Trading which do not participate in the Extended Trading Close, the Exchange proposes to suspend executions of matched orders in a security in the Extended Trading Close whenever and for as long as there are Orders resting on the Nasdaq Continuous Book in After Hours Trading for that security with a bid (offer) which is greater than (less than) the Nasdaq Official Closing price for the security, as determined by the Closing Cross. If during the Extended Trading Close, the Nasdaq Continuous Book clears of Orders priced better than the Nasdaq Official Closing Price, then the System will resume execution of ETC Eligible Orders.

Likewise, as a means of mitigating the risk that the After Market Trading price of a Nasdaq-listed security on a trading venue other than Nasdaq will rapidly and substantially deviate from the Nasdaq Official Closing Price for the security (as determined by the Closing Cross), and thus cause orders in the Extended Trading Close to execute at prices that no longer reflect the value of the security, the Exchange proposes to suspend executions of matched orders in a security in the Extended Trading Close whenever and for as long as the After Hours Trading last sale price or best bid or offer of that security other than on Nasdaq deviates the greater of 0.5% or \$0.01 from the Nasdaq Official Closing price for the security, as determined by the Closing Cross. If during the Extended Trading Close, the After Market Hours Trading price or best bid or offer of a security returns to within the 0.5%/\$0.01 thresholds, then the System will resume execution of ETC Eligible Orders.

The System will cancel any shares of ETC Eligible Orders for which executions remain suspended as of the conclusion of the Extended Trading Close.

The Nasdaq Closing Cross (as well as the LULD Closing Cross) is a robust price discovery and liquidity mechanism in the national market system. The mechanism is used by a diverse set of Participants for a diverse set of reasons. The growth in participation over the years is testament to the value the Closing Cross provides to the market and the Participants in the market. As described above, the Extended Trading Close will be complementary to the Closing Cross and LULD Closing Cross and is not intended or expected to be a substitute for the Closing Cross or the LULD Closing Cross. Instead it will provide a simple additional mechanism for Participants who seek additional liquidity at the Nasdaq Official Closing Price, as determined by the Closing Cross, after regular market hours trading has completed. Nasdaq does not expect the Extended Trading Close to have an impact on the participation in the Nasdaq Closing Cross or the LULD Closing Cross. Nasdaq notes that a number of off-exchange trading venues already offer their participants the ability to receive the Nasdaq Official Closing Price for their orders after the Closing Cross occurs, and that such functionality has grown popular with certain Participants. Nasdaq intends for the Extended Trading Close to be an alternative to these off-exchange offerings, which will be available to all Nasdaq Participants.

Additionally, Nasdaq will also disseminate an ETC Imbalance Indicator to help inform participation in the Extended Trading Close, which is something that off-exchange venues do not provide. The proposed dissemination of an ETC Imbalance Indicator is consistent with the Act because it will provide for the Extended Trading Close to be transparent with respect to the liquidity that is available to match and execute in it. The Exchange believes it is consistent with the Act to exclude ETC Eligible Orders

with Minimum Quantity instructions from the calculation of the size of the ETC Imbalance because the size of such Orders may be misleading to Participants, given that such Orders will rest on the Book and will not execute if the Minimum Quantity instruction is not satisfied.<sup>22</sup>

As with the Closing Cross and any other facet of its market, Nasdaq will surveil the Extended Trading Close for any unfair or manipulative trading practices.

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. To the contrary, the proposal will promote competition among trading venues for on-close and post-close orders in Nasdaq-listed securities.

Nasdaq notes that participation in the Extended Trading Close is completely voluntary. Any Participant that does not wish for its unexecuted LOC Orders to participate in the Extended Trading Close will be able to avoid doing so by disabling this functionality for LOCs, which will cause the System to cancel the unexecuted LOC Orders after the Closing Cross concludes, or by also selecting a time-in-force of "Closing Cross/Extended Hours," which will cause the unexecuted LOC Orders to commence After Hours Trading immediately after the Closing Cross ends, and bypass the Extended

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<sup>22</sup> The Exchange believes that it is consistent with the Act to allow ETC Orders with minimum quantity instructions to rest on the Book when other Orders are not present in the ETC to satisfy the instruction fully, rather than to cancel the ETC Orders in such circumstance, because doing so will maximize opportunities for ETC Orders with minimum quantity instructions to execute if additional Orders that satisfy the instructions emerge during the course of the ETC.

Trading Close. Participants may also modify or cancel their ETC Eligible Orders during the Extended Trading Close.

Nasdaq believes that it is appropriate to limit participation in the Extended Trading Close to orders in Nasdaq-listed securities. As a primary listing market, Nasdaq is committed to investing in and enhancing the Closing Cross process for Nasdaq-listed issuers, their shareholders, investors, and all Participants involved in the robust price discovery and liquidity process that the Closing Cross serves. Moreover, the vast majority of Participants looking to trade at the closing price participate in the primary listing market's closing auction and do not route orders to non-primary market listing destinations.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

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

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

Not applicable.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
4. Amended rule text indicating additions to or deletions from the immediately preceding filing.
5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2021-040)

October \_\_, 2021

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Establish the “Extended Trading Close” and new “ETC Eligible LOC” and “Extended Trading Close” Order Types.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 25, 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 4702 and Rule 4703, and add Rule 4755, to establish the “Extended Trading Close” and new “ETC Eligible LOC” and “Extended Trading Close” Order Types, as is described further below.

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.

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

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

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

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

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

1. Purpose

The Exchange proposes to adopt new Equity 4, Rule 4755<sup>3</sup> to establish the “Extended Trading Close.” The Extended Trading Close will allow Participants an additional opportunity to access liquidity in Nasdaq-listed securities at the Nasdaq Official Closing Price for a limited period of time after the Nasdaq Closing Cross<sup>4</sup> or the LULD Closing Cross,<sup>5</sup> (collectively, the “Closing Cross”) concludes. The Exchange also proposes to amend Rule 4702 and Rule 4703 to establish new “ETC Eligible LOC” and “Extended Trading Close” Order Types that may participate in the Extended Trading Close.

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<sup>3</sup> References herein to Nasdaq Rules in the 4000 Series shall mean Rules in Nasdaq Equity 4.

<sup>4</sup> The “Nasdaq Closing Cross” refers to Nasdaq’s process for determining the price at which it will execute orders at the close and for executing those orders, as set forth in Rule 4754.

<sup>5</sup> The “LULD Closing Cross” refers to Nasdaq’s modified process for determining the price at which it will execute orders at the close, following a Trading Pause, as set forth in Rule 4120(a), which exists at or after 3:50 p.m. and before 4:00 p.m., as well as the process for executing those orders, as set forth in Rule 4754(b)(6).



Extended Trading Close

As defined in proposed new Rule 4755(a)(5), the Extended Trading Close will be the process, described in new Rule 4755, during which ETC Eligible Orders<sup>6</sup> may match and execute at the Nasdaq Official Closing Price, as determined by the Closing Cross, for a five minute period immediately following the Closing Cross.

The Extended Trading Close will commence immediately upon the conclusion of the Closing Cross and it will continue until 4:05 P.M. ET on a regular trading day, or 1:05 P.M. ET on a day when Nasdaq closes early.<sup>7</sup> The Extended Trading Close will not occur for a security on any day when insufficient interest exists in the System to conduct the Closing Cross for that security or when the Exchange invokes contingency procedures due to a disruption that prevents execution of the Closing Cross.<sup>8</sup> Likewise, the Exchange will cancel executions in a security that occur in the Extended Trading Close to the extent that the Exchange nullifies the Closing Cross in that security pursuant to the rules governing clearly erroneous transactions, as set forth in Rule 11890.

On a continuous basis during the Extended Trading Close, the System will match orders in Nasdaq-listed securities<sup>9</sup> and execute them at the Nasdaq Official Closing price

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<sup>6</sup> As discussed below, the Exchange proposes to define, in Rule 4755, an “ETC Eligible Order(s)” as an “ETC Order(s)” or an “ETC Eligible LOC Order(s).”

<sup>7</sup> The starting times for the Extended Trading Close are not exact insofar as the Closing Cross is not instantaneous and the System requires a brief period of time to complete the Closing Cross for each security. Typically, the processing of the Closing Cross begins at 4:00 p.m. ET, or at 1:00 p.m. ET on days when Nasdaq closes early.

<sup>8</sup> See Rule 4754(b)(7).

<sup>9</sup> Only orders in Nasdaq-listed securities will be eligible to participate in the Extended Trading Close. The Exchange proposes to exclude securities listed on other primary listing markets. As a primary listing market, Nasdaq is committed

(as determined by the Closing Cross), except that the System will suspend executions during the Extended Trading Close in two scenarios.

First, the System will suspend executions of matched orders in a Nasdaq-listed security in the Extended Trading Close if and when it detects an order in the security resting on the Nasdaq Continuous Book in After Hours Trading<sup>10</sup> with an After Hours Trading bid (offer) price that is higher (lower) than the Nasdaq Official Closing Price. When this scenario occurs, the System will suspend executions of matched orders in the Extended Trading Close for that security unless or until the Nasdaq Continuous Book in After Hours Trading becomes clear of orders priced better than the Nasdaq Official Closing Price prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will prevent Nasdaq from trading through orders on its own Continuous Book in After Hours Trading which do not participate in the Extended Trading Close.

Second, the System will suspend executions of matched orders in a Nasdaq-listed security in the Extended Trading Close if and when the last sale price during After Hours Trading, or the best After Hours Trading bid (offer) price, of the security, other than on the Nasdaq Continuous Book, is higher (lower) than the Nasdaq Official Closing Price by

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to investing in and enhancing the Closing Cross process for Nasdaq-listed issuers, their shareholders, investors, and all Participants involved in the robust price discovery and liquidity process that the Closing Cross serves. Moreover, Nasdaq notes that the vast majority of Participants looking to trade at the closing price participate in the primary listing market's closing auction and do not route orders to non-primary market listing destinations.

<sup>10</sup> For purposes of this proposal, the term "After Hours Trading" refers to trading in a Nasdaq-listed security that commences immediately following the conclusion of the Nasdaq Closing Cross or the LULD Closing Cross, during Post-Market Hours, as that term is defined in Equity 1, Section 1(a)(9).

the greater of 0.5% or \$0.01. When this scenario occurs, the System will suspend executions of matched orders in the Extended Trading Close for that security unless or until the After Hours Trading last sale prices or best After Hours Trading bid (offer) price of the security returns to within the greater of the 0.5%/\$0.01 thresholds prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will help to mitigate the risk that orders in Nasdaq-listed securities which participate in the Extended Trading Close will execute at a price that is no longer reflective of the value of the security on trading venues other than Nasdaq.

Furthermore, the Exchange proposes that at any time during the Extended Trading Close, Participants are free to modify or cancel their ETC Eligible Orders. For example, after the Closing Cross occurs, an issuer may release material news about a company that causes its After Hours Trading price for its stock to vary from the Closing Cross Price. In that instance, a Participant may no longer wish to participate in the Extended Trading Close and receive the Nasdaq Official Closing price for an ETC Eligible Order in that stock; accordingly, the Participant may cancel its ETC Eligible Order, to the extent that the Order has not already been fully matched and executed, and place an order for the stock in the After Hours market. Nonetheless, as stated previously, a move in the price of a security in After Hours Trading outside of the Nasdaq Official Closing Price will, under the scenarios described above, result in suspension of the Extended Trading Close.

The Exchange proposes to cancel any portion of an ETC Eligible Order that remains unexecuted at the conclusion of the Extended Trading Close, or for which the System has suspended execution, where that suspension remains active as of the conclusion of the Extended Trading Close.

All ETC Eligible Orders executed in the Extended Trading Close will be trade reported anonymously and disseminated via the consolidated tape.

Order Types Eligible to Participate in the Extended Trading Close

The Exchange proposes to allow two Order Types to participate in the Extended Trading Close: (1) Limit-on-Close (“LOC”) Orders; and (2) Extended Trading Close (“ETC”) Orders.<sup>11</sup>

*ETC Eligible LOC Orders*

First, the Exchange proposes to amend Rule 4702(b)(12) to provide for LOC Orders in Nasdaq-listed securities to participate in the Extended Trading Close to the extent that such LOC Orders are entered through RASH or FIX and remain unexecuted, in whole or part, in the Closing Cross (an “ETC Eligible LOC Order”).<sup>12</sup> The System

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<sup>11</sup> If short sale orders in securities subject to Regulation SHO are permitted to execute in the Closing Cross pursuant to Reg. SHO Rule 201, 17 CFR 242.201, then the System will also permit short sale executions in such securities to occur in the Extended Trading Close. Conversely, the System will reject short sale orders in securities if short sale orders in such securities were not permitted to execute in the Closing Cross. Moreover, the restrictions of Reg. SHO Rule 201 shall apply to the ETC to the extent that the current national best bid is being calculated, collected, and disseminated, for securities. See Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, at FAQ 2.1, available at <https://www.sec.gov/divisions/marketreg/rule201faq.htm>.

<sup>12</sup> By default, all LOC Orders in Nasdaq-listed securities will be set to participate in the Extended Trading Close in the event that the LOC Orders are not fully executed during the Closing Cross. However, a Participant may opt to exclude its LOC Orders from participating in the Extended Trading Close. When ETC eligibility is disabled, the System will simply cancel LOC Orders in Nasdaq-listed securities that remain unexecuted after the Closing Cross occurs. Also, if Participants select a time-in-force for their LOC Orders in Nasdaq-listed securities that continues after the Closing Cross occurs, then if such LOC Orders remain unexecuted after the Closing Cross, the Exchange will cause the remaining unexecuted shares to bypass the Extended Trading Close and participate in After Hours Trading.

will not include LOC Orders<sup>13</sup> in the Extended Trading Close that Participants did not duly submit prior to the Nasdaq Closing Cross or LULD Closing Cross, in accordance with Rule 4702(b)(12)(A), or which are unexecutable in the Extended Trading Close due to the fact that they have limit prices that fall outside of the Nasdaq Official Closing Price.<sup>14</sup>

ETC Eligible LOC Orders will match and execute in the Extended Trading Close in time priority against other ETC Eligible LOC Orders and ETC Orders, with ETC Eligible LOC Orders receiving new timestamps upon entry into the Extended Trading Close and prioritized amongst each other and ETC orders based on the time the system received each order into the Extended Trading Close.<sup>15</sup> For example, assume that the Closing Cross Price for a security is \$10.00 per share and that an ETC Eligible LOC

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<sup>13</sup> The Exchange proposes to amend the definition of a LOC Order in Rule 4702(b)(12)(A) to clarify that LOCs may execute in the LULD Closing Cross (in addition to the Nasdaq Closing Cross). The eligibility of LOC Orders to execute in the LULD Closing Cross is otherwise stated in Rule 4754(b)(6)(C)(i).

<sup>14</sup> A Post-Only Order, Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not operate as an ETC Eligible LOC Order, insofar as their respective underlying order characteristics are incompatible with participation in the ETC. That is, a Supplemental Order operates only during Market Hours and is ineligible to participate in the Closing Cross. A Market Maker Peg Order and Midpoint Peg Post-Only Order require periodic re-pricing, which does not occur during the ETC, where orders execute at a single price. An ETC Eligible LOC Order will be rejected if it has been assigned a Pegging Attribute due to the fact that the Pegging Order Attribute operates only during Market Hours.

<sup>15</sup> The system will submit ETC Eligible LOC Orders for participation in the ETC, and will assign them new timestamps, in random order. Thus, ETC Eligible LOC Orders may not necessarily enter the ETC with the same relative priority that they had prior to the ETC. Moreover, due to the time required for the system to process ETC Eligible LOC Orders for participation in the ETC, it is possible that an ETC Eligible LOC Order will enter the ETC with a lower time priority than an ETC Order entered after the Closing Cross concludes.

Order to buy 100 shares (Order 1) remains unexecuted as of the conclusion of the Closing Cross, such that it will be re-entered for participation in the ETC, receiving a new timestamp. When the ETC commences, the NBBO is \$9.95 x \$10.05. After the ETC begins, a second Participant enters Order 2, an ETC Order to buy 2,000 shares, with a minimum quantity condition of 500 shares. A third Participant then enters Order 3, an ETC Order to buy 500 shares. A fourth Participant then enters Order 4, an ETC Order to sell 200 shares. Order 4 will then execute against Orders 1 and 3 for 200 shares at \$10.00 per share (Order 1 is fully executed and Order 3 has 400 shares remaining). Order 4 does not execute against Order 2 because Order 4 does not satisfy the minimum quantity condition of Order 2. A fifth Participant enters Order 5, which is an ETC Order to sell 500 shares. Order 5 will then execute against Order 2 for 500 shares at \$10.00 per share, as Order 5 satisfies the minimum quantity condition of Order 2. Finally, a sixth Participant enters Order 6, an ETC order to sell 3,000 shares, with a minimum quantity condition of 3,000 shares. Order 6 posts as no resting ETC Eligible LOC Orders or ETC Orders satisfies the Order's minimum quantity condition.

As discussed above, during the Extended Trading Close, ETC Eligible LOC Orders will continuously match against other ETC Eligible LOC Orders and ETC Orders and execute at the Nasdaq Official Closing price, as determined by the Closing Cross, except that the System will suspend executions of ETC Eligible LOC Orders in two scenarios.

First, the System will suspend executions of matched ETC Eligible LOC Orders in a security whenever there is an Order resting on the Nasdaq Continuous Book in After Hours Trading with a bid (offer) that is greater than (less than) the Nasdaq Official

Closing Prices for that security. The System will resume executions during the Extended Trading Close in this scenario if and when the resting Orders priced better than the Nasdaq Official Closing Price are cleared from the Continuous Book.

Second, the System will suspend executions of matched ETC Eligible LOC Orders in a Nasdaq-listed security in the Extended Trading Close if and when the last sale price during After Hours Trading, or the best After Hours Trading bid (offer) price, of the security, other than on the Nasdaq Continuous Book, is higher (lower) than the Nasdaq Official Closing Price by the greater of 0.5% or \$0.01. When this scenario occurs, the System will suspend executions of matched ETC Eligible LOC Orders in the Extended Trading Close for that security unless or until the After Hours Trading last sale prices or best After Hours Trading bid (offer) price of the security returns to within the greater of the 0.5%/\$0.01 thresholds prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will help to mitigate the risk that ETC Eligible LOC Orders in Nasdaq-listed securities which participate in the Extended Trading Close will execute at a price that is no longer reflective of the value of the security on trading venues other than Nasdaq.

When the Extended Trading Close ends, the System will cancel any unexecuted shares of ETC Eligible LOC Orders as well as any shares of ETC Eligible LOC Orders for which executions remain suspended as of that time, due to price deviations. A Participant may modify or cancel an ETC Eligible LOC Order (unless already executed) at any time during the Extended Trading Close.

#### *ETC Orders*

In addition to ETC Eligible LOC Orders, Nasdaq proposes to introduce a new Order Type – the Extended Trading Close or “ETC” Order – that will be eligible for entry and execution exclusively during the Extended Trading Close.<sup>16, 17</sup>

Like an ETC Eligible LOC Order, an ETC Order must be in a Nasdaq-listed security, and the Exchange will execute it at the Nasdaq Official Closing Price, as determined by the Closing Cross. A Participant may enter, cancel, or modify an ETC Order at any time during the Extended Trading Close. The System will execute an ETC Order only if the System is able to match it against another ETC Order or an ETC Eligible LOC Order during the Extended Trading Close. Moreover, as noted above, the System will suspend executions of matched ETC Orders during the Extended Trading Close in two scenarios.

First, the System will suspend executions of matched ETC Orders in a security whenever there is an Order resting on the Nasdaq Continuous Book in After Hours Trading with a bid (offer) that is greater than (less than) the Nasdaq Official Closing Price for the security. The System will resume executions during the Extended Trading Close in this scenario if and when the resting Orders priced better than the Nasdaq Official Closing Price are cleared from the Continuous Book.

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<sup>16</sup> On any day when no Extended Trading Close occurs, i.e., if there is insufficient interest to conduct a Closing Cross for a security or if the Exchange invokes contingency procedures, the System will not accept entry of an ETC Order.

<sup>17</sup> The Exchange proposes to amend Rule 4703(a) to add a new time-in-force applicable to ETC Orders. A time-in-force of “ETC” will mean that an order is designated to activate upon commencement of the Extended Trading Close and deactivate upon the conclusion of the Extended Trading Close.



Second, the System will suspend executions of matched ETC Orders in a Nasdaq-listed security in the Extended Trading Close if and when the last sale price during After Hours Trading, or the best After Hours Trading bid (offer) price, of the security, other than on the Nasdaq Continuous Book, is higher (lower) than the Nasdaq Official Closing Price by the greater of 0.5% or \$0.01. When this scenario occurs, the System will suspend executions of matched ETC Orders in the Extended Trading Close for that security unless or until the After Hours Trading last sale prices or best After Hours Trading bid (offer) price of the security returns to within the greater of the 0.5%/\$0.01 thresholds prior to the conclusion of the Extended Trading Close (at which point executions would resume). This limitation will help to mitigate the risk that ETC Orders in Nasdaq-listed securities which participate in the Extended Trading Close will execute at a price that is no longer reflective of the value of the security on trading venues other than Nasdaq.

If an ETC Order remains unmatched or its execution remains suspended when the Extended Trading Close concludes, then the System will cancel the ETC Order.

The System will match an ETC Order in time priority amongst other ETC Eligible LOC Orders and ETC Orders during the Extended Trading Close. Participants may modify or cancel unexecuted ETC Orders at any time after entry. A Participant may enter an ETC Order with a Minimum Quantity Attribute.<sup>18</sup>

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<sup>18</sup> Rule 4703(e) provides for two types of Minimum Quantity Attributes – one that provides for the minimum quantity requirement to be satisfied by a single order, and a second that allows for it to be satisfied by aggregating multiple orders. Only the first type of Minimum Quantity Attributes may be used with an ETC Order. Thus, a Participant that enters an ETC Order with a minimum quantity requirement of 500 shares may specify that its order match and execute in the ETC against another ETC Eligible Order of 500 shares but not several ETC

### The ETC Order Imbalance Indicator

To facilitate participation in the Extended Trading Close, Nasdaq proposes to disseminate electronically to Participants an “ETC Order Imbalance Indicator,” beginning at 4:00:05 p.m. (or 1:00:05 p.m. on a day when Nasdaq closes early), and continuing in 5 second intervals thereafter until the Extended Trading Close concludes at 4:05 p.m. (or 1:05 p.m. on a day when Nasdaq closes early). The ETC Order Imbalance Indicator will convey to Participants the symbol and total number of matched and executed shares in the Extended Trading Close (as of the time of dissemination of the ETC Order Imbalance Indicator), as well as total size of any ETC Imbalance (exclusive of Orders with Minimum Quantity instructions)<sup>19</sup> and the buy/sell direction of any ETC Imbalance.

### Implementation

The Exchange currently intends to introduce the Extended Trading Close, and begin accepting ETC Orders, during the Fourth Quarter of 2021. At least 30 days prior to launching the Extended Trading Close, and beginning to accept ETC Orders, the Exchange will publish a Nasdaq Trader Alert announcing the launch date.

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Eligible Orders of smaller sizes that, in aggregate, add up to 500 shares. Unlike Rule 4703(e), the proposal states that if no Orders in the ETC satisfy a minimum quantity condition for an ETC Order, then the ETC Order with a minimum quantity condition will rest on the Nasdaq Book in time priority unless and until there is an Order that can satisfy the minimum quantity condition to allow for execution of the ETC Order. If no such Order is present in the ETC at its conclusion, then the ETC Order will cancel.

<sup>19</sup> The Exchange proposes to exclude ETC Eligible Orders with Minimum Quantity instructions from this calculation of the size of the ETC Imbalance because the size of such Orders may be misleading to Participants, given that such Orders will not execute if the Minimum Quantity instruction is not satisfied.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>20</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>21</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 proposal is consistent with the Act because it would create an additional opportunity for Participants to execute orders in Nasdaq-listed securities at the Closing Cross price for a limited time period after the Closing Cross concludes. For Participants with LOC Orders that do not execute in full in the Closing Cross, the Extended Trading Close will give those LOC Orders another opportunity to execute at the Nasdaq Official Closing Price, as determined by the Closing Cross, before the After Market Trading price moves far away from it. Likewise, Participants will have an opportunity to access liquidity at the Nasdaq Official Closing Price (as determined by the Closing Cross) even if they did not participate in the Closing Cross. By increasing opportunities for Participant to execute their orders at the Nasdaq Official Closing Price (as determined by the Closing Cross), the Exchange will allow them to execute sizable orders without market impact as a complement to the Closing Cross and as an alternative to After Hours Trading that can be less liquid than Market Hours trading.

The Exchange believes it is consistent with the Act to provide for LOC Orders entered through the RASH and FIX protocols to roll over into the ETC automatically, if

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<sup>20</sup> 15 U.S.C. 78f(b).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

unexecuted in full during the Closing Cross, because Nasdaq typically assumes a more active role in managing the order flow submitted by users of the RASH and FIX protocols. Allowing these Participants to have their remaining LOC orders automatically participate in the Extended Trading Close will provide these Participants an additional opportunity for execution at the Nasdaq Official Closing Price (as determined by the Closing Cross), and it reflects the order flow management practices of these Participants. In contrast, users of the OUCH and FLITE protocols generally assume a more active role in managing their order flow. Having unexecuted shares of LOC orders canceled and requiring that an ETC Order be sent after the Closing Cross in order to participate in the Extended Trading Close reflects the order flow management practices of these Participants.

The Exchange proposes to make participation in the Extended Trading Close optional for those Participants that wish to continue the current System practice of cancelling LOC Orders that remain unexecuted after the Closing Cross, or by designating LOC Orders to participate in After Hours Trading if they remain unexecuted after the Closing Cross. Therefore, as proposed, Participants can opt-out from having their ETC-Eligible LOC Orders participate in the Extended Trading Close, while their LOC Orders with a time-in-force that continues after the Closing Cross will automatically bypass the Extended Trading Close. Furthermore, the Exchange proposes to allow Participants to modify or cancel ETC Eligible LOC Orders and ETC Orders at any time after the Extended Trading Close begins, should they choose to do so. The System will automatically cancel any portion of ETC Eligible LOC Orders and ETC Orders that remain unexecuted at the conclusion of the Extended Trading Close.

Moreover, as a means of preventing Nasdaq from trading through orders on the Nasdaq Continuous Book in After Hours Trading which do not participate in the Extended Trading Close, the Exchange proposes to suspend executions of matched orders in a security in the Extended Trading Close whenever and for as long as there are Orders resting on the Nasdaq Continuous Book in After Hours Trading for that security with a bid (offer) which is greater than (less than) the Nasdaq Official Closing price for the security, as determined by the Closing Cross. If during the Extended Trading Close, the Nasdaq Continuous Book clears of Orders priced better than the Nasdaq Official Closing Price, then the System will resume execution of ETC Eligible Orders.

Likewise, as a means of mitigating the risk that the After Market Trading price of a Nasdaq-listed security on a trading venue other than Nasdaq will rapidly and substantially deviate from the Nasdaq Official Closing Price for the security (as determined by the Closing Cross), and thus cause orders in the Extended Trading Close to execute at prices that no longer reflect the value of the security, the Exchange proposes to suspend executions of matched orders in a security in the Extended Trading Close whenever and for as long as the After Hours Trading last sale price or best bid or offer of that security other than on Nasdaq deviates the greater of 0.5% or \$0.01 from the Nasdaq Official Closing price for the security, as determined by the Closing Cross. If during the Extended Trading Close, the After Market Hours Trading price or best bid or offer of a security returns to within the 0.5%/\$0.01 thresholds, then the System will resume execution of ETC Eligible Orders.

The System will cancel any shares of ETC Eligible Orders for which executions remain suspended as of the conclusion of the Extended Trading Close.

The Nasdaq Closing Cross (as well as the LULD Closing Cross) is a robust price discovery and liquidity mechanism in the national market system. The mechanism is used by a diverse set of Participants for a diverse set of reasons. The growth in participation over the years is testament to the value the Closing Cross provides to the market and the Participants in the market. As described above, the Extended Trading Close will be complementary to the Closing Cross and LULD Closing Cross and is not intended or expected to be a substitute for the Closing Cross or the LULD Closing Cross. Instead it will provide a simple additional mechanism for Participants who seek additional liquidity at the Nasdaq Official Closing Price, as determined by the Closing Cross, after regular market hours trading has completed. Nasdaq does not expect the Extended Trading Close to have an impact on the participation in the Nasdaq Closing Cross or the LULD Closing Cross. Nasdaq notes that a number of off-exchange trading venues already offer their participants the ability to receive the Nasdaq Official Closing Price for their orders after the Closing Cross occurs, and that such functionality has grown popular with certain Participants. Nasdaq intends for the Extended Trading Close to be an alternative to these off-exchange offerings, which will be available to all Nasdaq Participants.

Additionally, Nasdaq will also disseminate an ETC Imbalance Indicator to help inform participation in the Extended Trading Close, which is something that off-exchange venues do not provide. The proposed dissemination of an ETC Imbalance Indicator is consistent with the Act because it will provide for the Extended Trading Close to be transparent with respect to the liquidity that is available to match and execute in it. The Exchange believes it is consistent with the Act to exclude ETC Eligible Orders

with Minimum Quantity instructions from the calculation of the size of the ETC Imbalance because the size of such Orders may be misleading to Participants, given that such Orders will rest on the Book and will not execute if the Minimum Quantity instruction is not satisfied.<sup>22</sup>

As with the Closing Cross and any other facet of its market, Nasdaq will surveil the Extended Trading Close for any unfair or manipulative trading practices.

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. To the contrary, the proposal will promote competition among trading venues for on-close and post-close orders in Nasdaq-listed securities.

Nasdaq notes that participation in the Extended Trading Close is completely voluntary. Any Participant that does not wish for its unexecuted LOC Orders to participate in the Extended Trading Close will be able to avoid doing so by disabling this functionality for LOCs, which will cause the System to cancel the unexecuted LOC Orders after the Closing Cross concludes, or by also selecting a time-in-force of "Closing Cross/Extended Hours," which will cause the unexecuted LOC Orders to commence After Hours Trading immediately after the Closing Cross ends, and bypass the Extended

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<sup>22</sup> The Exchange believes that it is consistent with the Act to allow ETC Orders with minimum quantity instructions to rest on the Book when other Orders are not present in the ETC to satisfy the instruction fully, rather than to cancel the ETC Orders in such circumstance, because doing so will maximize opportunities for ETC Orders with minimum quantity instructions to execute if additional Orders that satisfy the instructions emerge during the course of the ETC.

Trading Close. Participants may also modify or cancel their ETC Eligible Orders during the Extended Trading Close.

Nasdaq believes that it is appropriate to limit participation in the Extended Trading Close to orders in Nasdaq-listed securities. As a primary listing market, Nasdaq is committed to investing in and enhancing the Closing Cross process for Nasdaq-listed issuers, their shareholders, investors, and all Participants involved in the robust price discovery and liquidity process that the Closing Cross serves. Moreover, the vast majority of Participants looking to trade at the closing price participate in the primary listing market's closing auction and do not route orders to non-primary market listing destinations.

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-2021-040 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-2021-040. 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-2021-040 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>23</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>23</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 Rules**

\* \* \* \* \*

**EQUITY 4 EQUITY TRADING RULES**

\* \* \* \* \*

**4702. Order Types**

...

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

...

(12) (A) No change.

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

- Price.
- Size.
- Time-in-Force. In general, an LOC Order may execute only in the Nasdaq Closing Cross or LULD Closing Cross and, depending upon a Participant's choice, in the Extended Trading Close, to the extent that it is an ETC Eligible LOC Order. A Participant may designate the Time-in-Force for an LOC Order either by designating a Time-in-Force of "On Close," in which case the Order will execute solely in the Nasdaq Closing Cross or the LULD Closing Cross (and/or in the Extended Trading Close if it is an ETC Eligible LOC Order entered through RASH or FIX, and provided that the Participant has not opted to disable ETC eligibility for the Order), or by entering another Order Type and Time-in-Force and flagging the Order to participate in the Nasdaq Closing Cross or the LULD Closing Cross, or the Extended Trading Close.

...

(13) – (16) No change.

(17) (A) No change.

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

- **Minimum Quantity.** For an ETC Order, a minimum quantity condition may be satisfied only by execution against one or more Orders, each of which must have a size that satisfies the minimum quantity condition. If no Orders in the ETC satisfy a minimum quantity condition for an ETC Order, then the ETC Order with a minimum quantity condition will rest on the Nasdaq Book in time priority unless and until there is an Order that can satisfy the minimum quantity condition to allow for execution of the ETC Order. If no such Order is present in the ETC at its conclusion, then the ETC Order will cancel.
- **Price.** The price of an ETC Order shall be the Nasdaq Official Closing price, as determined by the Nasdaq Closing Cross or the LULD Closing Cross.
- **Size.**
- **Time-in-Force** is ETC.

\* \* \* \* \*

#### **4755. Extended Trading Close**

(a) No change.

(b) Processing of the Extended Trading Close. The Extended Trading Close will commence upon the conclusion of the Nasdaq Closing Cross or the LULD Closing Cross and it will end at 4:05 PM (or 1:05 PM on a day when Nasdaq closes early). The Extended Trading Close will not occur on any day when insufficient interest exists in the System to conduct a Closing Cross for that security or when the Exchange invokes contingency procedures due to a disruption that prevents execution of the Closing Cross. The Exchange will cancel executions in a security that occur in the Extended Trading Close to the extent that the Exchange nullifies the Closing Cross in that security pursuant to the rules governing clearly erroneous transactions, as set forth in Rule 11890.

(1) – (2) No change.

(3) During the Extended Trading Close, the System will suspend execution of an ETC Eligible Order in a security whenever it detects: (i) an Order in that same security resting on the Nasdaq Continuous Book in After Hours Trading with a bid (offer) price that is higher than (lower than) the Nasdaq Official Closing Price for that security, as determined by the Nasdaq Closing Cross or the LULD Closing Cross; or (ii) the After Hours Trading last sale price, or the best After Hours Trading bid (offer) price of the security[ subject to the ETC Eligible Order]other than on the

Nasdaq Continuous Book that is either more than 0.5% of \$0.01 higher than (lower than) the Nasdaq Official Closing Price for that security, whichever is greater, as determined by the Nasdaq Closing Cross or the LULD Closing Cross. The System will resume execution of an ETC Eligible Order in a security in scenario (i) of this paragraph, above, if and when the System determines, during the pendency of the Extended Trading Close, that the Nasdaq Continuous Book in After Hours Trading is clear of resting Orders in that security with a bid (offer) price that is higher than (lower than) the Nasdaq Official Closing Price for that security, as determined by the Nasdaq Closing Cross or the LULD Closing Cross. The System will resume execution of an ETC Eligible Order in a security in scenario (ii) of this paragraph above, if and when the After Hours Trading last sale price or the After Hours Trading of the underlying security other than on the Nasdaq Continuous Book returns to within the greater of 0.5%/\$0.01 thresholds during the Extended Trading Close that is higher than (lower than) the Nasdaq Official Closing Price for that security, as determined by the Nasdaq Closing Cross or the LULD Closing Cross. If execution of an ETC Eligible Order remains suspended as of the conclusion of the Extended Trading Close, then the System will cancel any remaining unexecuted ETC Eligible Orders in that security.[ From time to time, Nasdaq management may modify the 0.5%/\$0.01 thresholds described herein upon prior notice to market participants.]

(4) – (5) No change.

\* \* \* \* \*

**EXHIBIT 5**

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

**The Nasdaq Stock Market Rules**

\* \* \* \* \*

**EQUITY 4 EQUITY TRADING RULES**

\* \* \* \* \*

**4702. Order Types**

...

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

...

(12) (A) A "Limit On Close Order" or "LOC Order" is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross or the LULD Closing Cross (except as provided herein), and only if the price determined by the Nasdaq Closing Cross or the LULD Closing Cross (except as provided herein) is equal to or better than the price at which the LOC Order was entered. Subject to the qualifications provided below, LOC Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to 3:50 p.m. ET. Between 3:50 p.m. ET and immediately prior to 3:55 p.m. ET, LOC Orders may be entered but can only be cancelled and/or modified if the Participant requests that Nasdaq correct a legitimate error in the Order (e.g., Side, Size, Symbol, or Price, or duplication of an Order). Between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET, an LOC Order may be entered provided that there is a First Reference Price or a Second Reference Price. Between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET, an LOC Order can only be cancelled and/or modified if the Participant requests that Nasdaq correct a legitimate error in the Order (e.g., Side, Size, Symbol, or Price, or duplication of an Order). LOC Orders cannot be cancelled or modified at or after 3:58 p.m.

An LOC Order entered between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET will be accepted at its limit price, unless its limit price is higher (lower) than the higher (lower) of the First Reference Price and the Second Reference Price for an LOC Order to buy (sell), in which case the LOC Order will be handled consistent with the Participant's instruction that the LOC Order is to be: (1) rejected; or (2) repriced to the higher (lower) of the First Reference Price and the Second Reference Price, provided that if either the First Reference Price or the Second Reference Price is not at a permissible minimum increment, the First Reference Price or the Second Reference Price, as applicable, will be rounded (i) to the nearest permitted minimum

increment (with midpoint prices being rounded up) if there is no imbalance, (ii) up if there is a buy imbalance, or (iii) down if there is a sell imbalance. The default configuration for Participants that do not specify otherwise will be to have such LOC Orders re-priced rather than rejected.

If an LOC Order for a Nasdaq-listed security entered through RASH or FIX does not execute in full during the Nasdaq Closing Cross or the LULD Closing Cross, as applicable, the Order will participate in the Extended Trading Close (“ETC Eligible LOC Order”) if the Nasdaq Official Closing Price, as determined by the Nasdaq Closing Cross or the LULD Closing Cross, is at or within the limit price of the Order. Alternatively, a Participant may opt to disable an LOC Order from participating in the Extended Trading Close, in which case, the System will cancel back to the Participant any shares of its LOC Order that remain unexecuted after the Closing Cross occurs. An ETC Eligible LOC Order may only execute against other ETC Eligible LOC Orders and ETC Orders. If an ETC Eligible LOC Order has not been executed fully at the conclusion of the Extended Trading Close, then any unexecuted portion of the Order will be canceled. At any time during the Extended Trading Close, any unexecuted portion of an ETC Eligible LOC Order may be canceled or modified by the Participant.

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

- Price.
- Size.
- Time-in-Force. In general, an LOC Order may execute only in the Nasdaq Closing Cross or LULD Closing Cross and, depending upon a Participant’s choice, in the Extended Trading Close, to the extent that it is an ETC Eligible LOC Order. [However, a]A Participant may designate the Time-in-Force for an LOC Order either by designating a Time-in-Force of "On Close," in which case the Order will execute solely in the Nasdaq Closing Cross or the LULD Closing Cross (and/or in the Extended Trading Close if it is an ETC Eligible LOC Order entered through RASH or FIX, and provided that the Participant has not opted to disable ETC eligibility for the Order), or by entering another Order Type and Time-in-Force and flagging the Order to participate in the Nasdaq Closing Cross or the LULD Closing Cross, or the Extended Trading Close.

In the latter case, if the Participant designates a Time-in-Force of IOC, the Order will participate solely in the Nasdaq Closing Cross or the LULD Closing Cross (except as provided herein) (and/or in the Extended Trading Close if it is an ETC Eligible LOC Order entered through RASH or FIX, and provided that the Participant has not opted to disable ETC eligibility for the Order). A Midpoint Peg Post-Only Order, Supplemental Order, or Market Maker Peg Order may not

be flagged to solely participate in the Nasdaq Closing Cross, the LULD Closing Cross.

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

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

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

(13) – (16) No change.

(17) (A) An "Extended Trading Close" Order or "ETC Order" is an Order Type applicable to Nasdaq-listed securities that may be executed only during the Extended Trading Close and only at the Nasdaq Official Closing Price, as determined by the Nasdaq Closing Cross or the LULD Closing Cross. The System will not accept an ETC Order entered on any day when insufficient interest exists in the System to conduct a Closing Cross for that security or when the Exchange invokes contingency procedures due to a disruption that prevents execution of the Closing Cross. An ETC Order may only execute against other ETC Orders and ETC Eligible LOC Orders. ETC Orders may be entered, cancelled and/or modified between the time when the Extended Trading Close commences and ends. The System will reject an ETC Order that is submitted prior to the commencement of the Extended Trading Close. If an ETC Order has not been fully executed at the conclusion of the Extended Trading Close, then any unexecuted portion of the Order will be canceled.

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

- Minimum Quantity. For an ETC Order, a minimum quantity condition may be satisfied only by execution against one or more Orders, each of which must have a size that satisfies the minimum quantity condition. If no Orders in the ETC



satisfy a minimum quantity condition for an ETC Order, then the ETC Order with a minimum quantity condition will rest on the Nasdaq Book in time priority unless and until there is an Order that can satisfy the minimum quantity condition to allow for execution of the ETC Order. If no such Order is present in the ETC at its conclusion, then the ETC Order will cancel.

• Price. The price of an ETC Order shall be the Nasdaq Official Closing price, as determined by the Nasdaq Closing Cross or the LULD Closing Cross.

• Size.

• Time-in-Force is ETC.

\* \* \* \* \*

### **4703. Order Attributes**

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

#### (a) Time-in-Force

The "Time-in-Force" assigned to an Order means the period of time that the Nasdaq Market Center will hold the Order for potential execution. Participants specify an Order's Time-in-Force by designating a time at which the Order will become active and a time at which the Order will cease to be active. The available times for activating Orders are:

...

The following Times-in-Force are referenced elsewhere in Nasdaq's Rules by the designations noted below:

(1) – (7) No change.

(8) An Order that is designated to activate upon the commencement of the Extended Trading Close and deactivate upon the conclusion of the Extended Trading Close may be referred to as having a Time in Force of "ETC."

\* \* \* \* \*

### **4755. Extended Trading Close**

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

(1) "After Hours Trading" shall mean trading in a Nasdaq-listed security that commences immediately following the conclusion of the Nasdaq Closing Cross or

the LULD Closing Cross, during Post-Market Hours, as that term is defined in Equity 1, Section 1(a)(9).

(2) An "ETC Eligible LOC Order" shall have the meaning set forth in Rule 4702(b)(12)(A).

(3) "ETC Eligible Order(s)" shall mean ETC Order(s) and ETC Eligible LOC Order(s).

(4) "ETC Imbalance" shall mean the number of shares of buy or sell ETC Eligible Orders that have not been matched during the Extended Trading Close.

(5) The "Extended Trading Close" or "ETC" shall mean the process, described in Rule 4755, during which ETC Eligible Orders may match and execute at the Nasdaq Official Closing Price, as determined by the Nasdaq Closing Cross or the LULD Closing Cross, for a five minute period immediately following the Nasdaq Closing Cross or the LULD Closing Cross.

(6) "Limit On Close Order" or "LOC" shall have the meaning provided in Rule 4702.

(7) "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.

(8) "ETC Order Imbalance Indicator" shall mean a message disseminated by electronic means containing ETC Imbalance information. The ETC Order Imbalance Indicator shall disseminate the following information:

(A) symbol;

(B) the number of shares of ETC Eligible Orders that have been matched and executed at the Nasdaq Official Closing Price during the Extended Trading Close as of the time of dissemination of the ETC Order Imbalance Indicator;

(C) the size of any ETC Imbalance (exclusive of Orders with Minimum Quantity instructions); and

(D) the buy/sell direction of any ETC Imbalance.

(b) Processing of the Extended Trading Close. The Extended Trading Close will commence upon the conclusion of the Nasdaq Closing Cross or the LULD Closing Cross and it will end at 4:05 PM (or 1:05 PM on a day when Nasdaq closes early). The Extended Trading Close will not occur on any day when insufficient interest exists in the System to conduct a Closing Cross for that security or when the Exchange invokes contingency procedures due to a disruption that prevents execution of the Closing Cross. The Exchange will cancel executions in a security that occur in the Extended

Trading Close to the extent that the Exchange nullifies the Closing Cross in that security pursuant to the rules governing clearly erroneous transactions, as set forth in Rule 11890.

(1) ETC Order Imbalance Indicator. Beginning at 4:00:05 PM (or 1:00:05 PM on a day when Nasdaq closes early), Nasdaq shall disseminate by electronic means an ETC Order Imbalance Indicator every 5 seconds until the Extended Trading Close concludes.

(2) The System will match and execute ETC Eligible Orders continuously throughout the Extended Trading Close, in time priority order (based on the time the system received each order into the Extended Trading Close) and at the Nasdaq Official Closing Price, as determined by the Nasdaq Closing Cross or the LULD Closing Cross.

(3) During the Extended Trading Close, the System will suspend execution of an ETC Eligible Order in a security whenever it detects: (i) an Order in that same security resting on the Nasdaq Continuous Book in After Hours Trading with a bid (offer) price that is higher than (lower than) the Nasdaq Official Closing Price for that security, as determined by the Nasdaq Closing Cross or the LULD Closing Cross; or (ii) the After Hours Trading last sale price, or the best After Hours Trading bid (offer) price, of the security other than on the Nasdaq Continuous Book is either more than 0.5% or \$0.01 higher than (lower than) the Nasdaq Official Closing Price for that security, whichever is greater, as determined by the Nasdaq Closing Cross or the LULD Closing Cross. The System will resume execution of an ETC Eligible Order in a security in scenario (i) of this paragraph, above, if and when the System determines, during the pendency of the Extended Trading Close, that the Nasdaq Continuous Book in After Hours Trading is clear of resting Orders in that security with a bid (offer) price that is higher than (lower than) the Nasdaq Official Closing Price for that security, as determined by the Nasdaq Closing Cross or the LULD Closing Cross. The System will resume execution of an ETC Eligible Order in a security in scenario (ii) of this paragraph, above, if and when the After Hours Trading last sale price or the best After Hours Trading bid (offer) price of the underlying security other than on the Nasdaq Continuous Book returns to within the greater of 0.5%/\$0.01 thresholds during the Extended Trading Close. If execution of an ETC Eligible Order remains suspended as of the conclusion of the Extended Trading Close, then the System will cancel any remaining unexecuted ETC Eligible Orders in that security.

(4) If at the conclusion of the Extended Trading Close, fewer than all shares of ETC Eligible Orders are executed, then the System will cancel any unexecuted portions of such Orders.

(5) All ETC Eligible Orders executed in the Extended Trading Close will be trade reported anonymously and disseminated via the consolidated tape.

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