

**EXHIBIT 5**

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

**NASDAQ Stock Market Rules**

\* \* \* \* \*

**Options Rules**

\* \* \* \* \*

**Chapter V Regulation of Trading on NOM**

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**Sec. 3. Trading Halts**

(a) – (c) No change.

(d) This paragraph shall be in effect during a pilot period to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"), except as specified in subparagraph (iv) below. Capitalized terms used in this paragraph shall have the same meaning as provided for in the LULD Plan. During a Limit State and Straddle State in the Underlying NMS stock:

(i) - (iii) No change.

(iv) For a pilot period set to end on October 23, 2015, trades are not subject to an obvious error or catastrophic error review pursuant to Chapter V, Sections 6[(b) or 6(f)] (c) or (d). Nothing in this provision shall prevent trades from review on Exchange motion pursuant to Chapter V, Section 6[(d)(i)](c)(3), or subject to nullification or adjustment pursuant to Chapter V, Section 6(e) – (j).

(e) No change.

\* \* \* \* \*

**Sec. 6. Nullification and Adjustment of Options Transactions including Obvious Errors**

The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. Eastern Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of

trade for any Participant to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) Definitions.

(1) Customer. For purposes of this Rule, a Customer shall not include any broker-dealer or Professional.

(2) Erroneous Sell/Buy Transaction. For purposes of this Rule, an “erroneous sell transaction” is one in which the price received by the person selling the option is erroneously low, and an “erroneous buy transaction” is one in which the price paid by the person purchasing the option is erroneously high.

(3) Official. For purposes of this Rule, the term " Official" shall mean an Exchange staff member or contract employee designated as such by the Chief Regulatory Officer. A list of individual Officials shall be displayed on the Exchange website. The Chief Regulatory Officer shall maintain the list of Officials and update the website each time a name is added to, or deleted from, the list of Officials. In the event no Official is available to rule on a particular matter, the Chief Regulatory Officer or his/her designee shall rule on such matter.

(4) Size Adjustment Modifier. For purposes of this Rule, the Size Adjustment Modifier will be applied to individual transactions as follows:

| <u>Number of Contracts per Execution</u> | <u>Adjustment – Theoretical Price (TP)<br/>Plus/Minus</u> |
|--|---|
| <u>1-50</u>                              | <u>N/A</u>  |
| <u>51-250</u>                            | <u>2 times adjustment amount</u>                          |
| <u>251-1000</u>                          | <u>2.5 times adjustment amount</u>                        |
| <u>1001 or more</u>                      | <u>3 times adjustment amount</u>                          |

(b) Theoretical Price. Upon receipt of a request for review and prior to any review of a transaction execution price, the “Theoretical Price” for the option must be determined. For purposes of this Rule, if the applicable option series is traded on at least one other options exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in sub-paragraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to Exchange’s receipt of the order.

(1) Transactions at the Open. For a transaction occurring as part of the Opening Process (as defined in Chapter VI, Section 8) the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask differential of the NBB and

NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in sub-paragraph (b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

(2) *No Valid Quotes.* The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are all quotes in the applicable option series published at a time where the last NBB is higher than the last NBO in such series (a “crossed market”), quotes published by the Exchange that were submitted by either party to the transaction in question, and quotes published by another options exchange against which the Exchange has declared self-help.

(3) *Wide Quotes.* The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction then the Theoretical Price of an option series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

| <b><u>Bid Price at Time of Trade</u></b> | <b><u>Minimum Amount</u></b> |
|--|------------------------------|
| <u>Below \$2.00</u>                      | <u>\$0.75</u>                |
| <u>\$2.00 to \$5.00</u>                  | <u>\$1.25</u>                |
| <u>Above \$5.00 to \$10.00</u>           | <u>\$1.50</u>                |
| <u>Above \$10.00 to \$20.00</u>          | <u>\$2.50</u>                |
| <u>Above \$20.00 to \$50.00</u>          | <u>\$3.00</u>                |
| <u>Above \$50.00 to \$100.00</u>         | <u>\$4.50</u>                |
| <u>Above \$100.00</u>                    | <u>\$6.00</u>                |

(c) *Obvious Errors.*

(1) *Definition.* For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| <b><u>Theoretical Price</u></b> | <b><u>Minimum Amount</u></b> |
|---------------------------------|------------------------------|
| <u>Below \$2.00</u>             | <u>\$0.25</u>                |
| <u>\$2.00 to \$5.00</u>         | <u>\$0.40</u>                |
| <u>Above \$5.00 to \$10.00</u>  | <u>\$0.50</u>                |
| <u>Above \$10.00 to \$20.00</u> | <u>\$0.80</u>                |
| <u>Above \$20.00 to \$50.00</u> | <u>\$1.00</u>                |

|                                  |               |
|----------------------------------|---------------|
| <u>Above \$50.00 to \$100.00</u> | <u>\$1.50</u> |
| <u>Above \$100.00</u>            | <u>\$2.00</u> |

(2) *Time Deadline.* A party that believes that it participated in a transaction that was the result of an Obvious Error must notify an Official in the manner specified from time to time by the Exchange in a notice distributed to Participants. Such notification must be received by an Official within the timeframes specified below:

(A) *Customer Orders.* For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to sub-paragraph (C) below; and

(B) *“Non-Customer” Orders.* For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to sub-paragraph (C) below.

(C) *Linkage Trades.* Any other options exchange will have a total of forty-five (45) minutes for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange (“linkage trades”). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades shall only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (i.e., within 30 minutes if a Customer order or 15 minutes if a non-Customer order).

(3) *Acting on Own Motion.* The President or designee thereof, who is an officer of the Exchange (collectively "Exchange officer") may review a transaction believed to be erroneous on his/her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Exchange officer that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of sub-paragraph (c)(2) above shall not apply. The Exchange officer shall act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event shall the Exchange officer act later than 8:30 a.m. Eastern Time on the next trading day

following the date of the transaction in question. A party affected by a determination to nullify or adjust a transaction pursuant to this provision may appeal such determination in accordance with paragraph (k) below; however, a determination by an Exchange officer not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Exchange officer's own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.

(4) *Adjust or Bust.* If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) *Non-Customer Transactions.* Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

| <u><b>Theoretical Price (TP)</b></u> | <u><b>Buy Transaction Adjustment – TP Plus</b></u> | <u><b>Sell Transaction Adjustment – TP Minus</b></u> |
|--------------------------------------|--|--|
| <u>Below \$3.00</u>                  | <u>\$0.15</u>                                      | <u>\$0.15</u>  |
| <u>At or above \$3.00</u>            | <u>\$0.30</u>                                      | <u>\$0.30</u>  |

(B) *Customer Transactions.* Where at least one party to the Obvious Error is a Customer, the trade will be nullified, subject to sub-paragraph (C) below.

(C) If any Participant submits requests to the Exchange for review of transactions pursuant to this rule, and in aggregate that Participant has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria set forth in sub-paragraph (A) above to such transactions.

(d) *Catastrophic Errors.*

(1) *Definition.* For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| <u>Theoretical Price</u>         | <u>Minimum Amount</u> |
|----------------------------------|-----------------------|
| <u>Below \$2.00</u>              | <u>\$0.50</u>         |
| <u>\$2.00 to \$5.00</u>          | <u>\$1.00</u>         |
| <u>Above \$5.00 to \$10.00</u>   | <u>\$1.50</u>         |
| <u>Above \$10.00 to \$20.00</u>  | <u>\$2.00</u>         |
| <u>Above \$20.00 to \$50.00</u>  | <u>\$2.50</u>         |
| <u>Above \$50.00 to \$100.00</u> | <u>\$3.00</u>         |
| <u>Above \$100.00</u>            | <u>\$4.00</u>         |

(2) Time Deadline. A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify the Exchange's Officials in the manner specified from time to time by the Exchange in a notice distributed to Participants. Such notification must be received by the Exchange's Officials by 8:30 a.m. Eastern Time on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day, a party must notify the Exchange's Officials within 45 minutes after the close of trading that same day.

(3) Adjust or Bust. If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this sub-paragraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

| <u>Theoretical Price (TP)</u>    | <u>Buy Transaction Adjustment – TP Plus</u> | <u>Sell Transaction Adjustment – TP Minus</u> |
|----------------------------------|---|---|
| <u>Below \$2.00</u>              | <u>\$0.50</u>                               | <u>\$0.50</u>                                 |
| <u>\$2.00 to \$5.00</u>          | <u>\$1.00</u>                               | <u>\$1.00</u>                                 |
| <u>Above \$5.00 to \$10.00</u>   | <u>\$1.50</u>                               | <u>\$1.50</u>                                 |
| <u>Above \$10.00 to \$20.00</u>  | <u>\$2.00</u>                               | <u>\$2.00</u>                                 |
| <u>Above \$20.00 to \$50.00</u>  | <u>\$2.50</u>                               | <u>\$2.50</u>                                 |
| <u>Above \$50.00 to \$100.00</u> | <u>\$3.00</u>                               | <u>\$3.00</u>                                 |
| <u>Above \$100.00</u>            | <u>\$4.00</u>                               | <u>\$4.00</u>                                 |

(e) Significant Market Events.

(1) Definition. For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal

to 150% and 75% or more of at least one category is reached, provided that no single category can contribute more than 100% to the sum and any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

(A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of \$30,000,000, where the Worst-Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:

(i) \$0.30 (i.e., the largest Transaction Adjustment value listed in sub-paragraph (e)(3)(A) below); times

(ii) the contract multiplier for each traded contract; times

(iii) the number of contracts for each trade; times

(iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in sub-paragraph (e)(3)(A) below.

(B) Transactions involving 500,000 options contracts are potentially erroneous;

(C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of \$100,000,000 are potentially erroneous;

(D) 10,000 transactions are potentially erroneous.

(2) *Coordination with Other Options Exchanges.* To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange shall initiate a coordinated review of potentially erroneous transactions with all other affected options exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.

(3) *Adjust or Bust.* If it is determined that a Significant Market Event has occurred then, using the parameters agreed as set forth in sub-paragraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange shall take one of the

actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to sub-paragraph (c)(1) above. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

- (A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

| <u>Theoretical Price (TP)</u> | <u>Buy Transaction Adjustment – TP Plus</u> | <u>Sell Transaction Adjustment – TP Minus</u> |
|-------------------------------|---|---|
| <u>Below \$3.00</u>           | <u>\$0.15</u>                               | <u>\$0.15</u>                                 |
| <u>At or above \$3.00</u>     | <u>\$0.30</u>                               | <u>\$0.30</u>                                 |

- (B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

(4) Nullification of Transactions. If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those transactions subject to nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(5) Final Rulings. With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.

(f) Trading Halts. The Exchange shall nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Commentary .03 of this Rule.



(g) *Erroneous Print in Underlying.* A trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies an Official in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) shall mean any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify an Official within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market's notification.

(h) *Erroneous Quote in Underlying.* A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth in sub-paragraph (c)(4) this Rule, provided a party notifies an Official in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of sample quotations at regular 15-second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph it must notify an Official in accordance with sub-paragraph (c)(2) above.

(i) *Reserved.*

(j) *Linkage Trades.* If the Exchange routes an order pursuant to the Plan (as defined in Chapter XII, Section 1(17)) that results in a transaction on another options exchange (a "Linkage Trade") and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.

(k) *Appeals.* A party to a transaction affected by a decision made under this section may appeal that decision to the Nasdaq Review Council. An appeal must be made in writing, and must be received by Nasdaq within thirty (30) minutes after the person making the appeal is given the notification of the determination being appealed. The Nasdaq Review Council may review any decision appealed, including whether a complaint was timely, whether an Obvious Error or Catastrophic Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price.

(1) A Nasdaq Review Council panel will be comprised minimally of representatives of one (1) member engaged in Market Making and two (2) industry representatives not engaged in Market Making. At no time should a review panel have more than 50% members engaged in Market Making.

(2) The Nasdaq Review Council, pursuant to the standards set forth in this rule, shall affirm, modify, or reverse the determination.

(3) The decision of the Nasdaq Review Council pursuant to an appeal, or a determination by a Nasdaq Official that is not appealed, shall be final and binding upon all parties and shall constitute final Nasdaq action on the matter in issue. Any determination by a Nasdaq Official or the Nasdaq Review Council shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(4) The party initiating the appeal shall be assessed a \$500.00 fee if the Nasdaq Review Council upholds the decision of the Nasdaq Official. In addition, in instances where Nasdaq, on behalf of an Options Participant, requests a determination by another market center that a transaction is clearly erroneous, Nasdaq will pass any resulting charges through to the relevant Options Participant.

**Commentary:**

**.01** Reserved.

**.02** For the purposes of this Rule, to the extent the provisions of this Rule would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

**.03** Trading Halts. Trades on the Exchange will be nullified when:

- (A) The trade occurred during a trading halt in the affected option on the Exchange;
- (B) Respecting equity options (including options overlying ETFs), the trade occurred during a trading halt on the primary market for the underlying security; or
- (C) Respecting index options, the trade occurred during a trading halt on the primary market in underlying securities representing more than 10 percent of the current index value for stock index options.

**[Obvious and Catastrophic Errors**

(a) Nasdaq shall either nullify a transaction or adjust the execution price of a transaction that meets the standards provided in this Section.

(b) *Definition of Obvious Error.* For purposes of this Section only, an Obvious Error will be deemed to have occurred when:

(i) the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| <b>Theoretical Price</b> | <b>Minimum Amount</b> |
|--------------------------|-----------------------|
| Below                    | \$2.25                |
| \$2 to \$5               | .40                   |
| Above \$5 to \$10        | .50                   |
| Above \$10 to \$20       | .80                   |
| Above \$20               | 1.00                  |

(ii) the trade resulted in an execution price in a series that was, and for five seconds prior to the execution remained, quoted no bid and at least one strike price below (for calls) or above (for puts) in the same class were quoted no bid at the time of the erroneous execution (in which case the trade shall be nullified). For purposes of this subparagraph, bids and offers of the parties to the subject trade that are in any of the series in the same options class shall not be considered.

(c) *Definition of Theoretical Price.* For purposes of this Section only, the Theoretical Price of an option series is,

(i) If the series is traded on at least one other options exchange, the last National Best Bid price with respect to an erroneous sell transaction and the last National Best Offer price with respect to an erroneous buy transaction, just prior to the transaction; or

(ii) If there are no quotes for comparison purposes, as determined by MarketWatch as defined in Chapter I.

(d) *Obvious Error Procedure.* If a party believes that it participated in a transaction that was the result of an Obvious Error, it must notify MarketWatch via written or electronic complaint within 20 minutes of the execution. Absent unusual circumstances, Nasdaq will not grant relief under this Section unless notification is made within the prescribed periods of time. A designated employee in Nasdaq Regulation that is trained in the application of this rule ("Nasdaq Official") shall administer the application of this Section.

(i) *Procedures for Reviewing Trades on Nasdaq Motion.* In the interest of maintaining a fair and orderly market for the protection of investors, the Chief Regulatory Officer or designee who is an officer of Nasdaq (collectively "Nasdaq officer") may, on his or her own motion or upon request, determine to review any transaction occurring on Nasdaq that is believed to be erroneous. A transaction reviewed pursuant to this provision may be nullified or adjusted only if it is

determined by the Nasdaq officer that the transaction is an obvious error as provided in this Chapter V, Section 6. A transaction would be adjusted or nullified in accordance with the provision under which it is deemed an obvious error. The Nasdaq officer may be assisted by a designated employee in Nasdaq Regulation that is trained in the application of this rule for reviewing a transaction(s).

The Nasdaq officer shall act as soon as possible after receiving notification of the transaction, and ordinarily would be expected to act on the same day as the transaction occurred. In no event shall the Nasdaq officer act later than 9:30 a.m. (ET) on the next trading day following the date of the transaction in question. A party affected by a determination to nullify or adjust a transaction pursuant to this provision may appeal such determination in accordance with Chapter V, Section 6; however, a determination by a Nasdaq officer not to review a transaction, or a determination not to nullify or adjust a transaction for which a review was requested or conducted, is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of Chapter V, Section 6, no additional relief may be granted under this provision.

(e) *Adjust or Bust.* A Nasdaq Official will determine whether there was an Obvious Error as defined above. If it is determined that an Obvious Error has occurred, MarketWatch shall take one of the actions listed below. Upon taking final action, MarketWatch shall promptly notify both parties to the trade electronically or via telephone.

(i) Where each party to the transaction is an Options Participant, the execution price of the transaction will be adjusted by the Nasdaq Official to the prices provided in subparagraphs (A) and (B) below unless both parties agree to adjust the transaction to a different price or agree to bust the trade within ten (10) minutes of being notified by MarketWatch of the Obvious Error.

(A) Erroneous buy transactions will be adjusted to their Theoretical Price plus \$.15 if the Theoretical Price is under \$3, or plus \$.30 if the Theoretical Price is at or above \$3.

(B) Erroneous sell transactions will be adjusted to their Theoretical Price minus \$.15 if the Theoretical Price is under \$3, or minus \$.30 if the Theoretical Price is at or above \$3.

(ii) Where at least one party to the Obvious Error is not an Options Participant, the trade will be nullified unless both parties agree to an adjustment price for the transaction within 30 minutes of being notified by MarketWatch of the Obvious Error.

(iii) Trades meeting the Obvious Errors definition in (b)(ii) above shall be nullified.

(iv) *Mutual Agreement.* The determination as to whether a trade was automatically executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree.

(f) *Catastrophic Errors*

- (i) *Definition.* For purposes of this Section only, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| <b>Theoretical Price</b> | <b>Minimum Amount</b> |
|--------------------------|-----------------------|
| Below \$2                | \$1                   |
| \$2 to \$5               | \$2                   |
| Above \$5 to \$10        | \$5                   |
| Above \$10 to \$50       | \$10                  |
| Above \$50 to \$100      | \$20                  |
| Above \$100              | \$30                  |

- (ii) *Catastrophic Error Procedure.* If a party believes that it participated in a transaction that qualifies as a Catastrophic Error, it must notify MarketWatch via a written or electronic complaint by 8:30 am ET, on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day that is a business day, a party must notify MarketWatch by 5:00 pm ET that same day. For such transactions in an options series that take place on the business day immediately prior to an expiration day that is not a business day, a party must notify MarketWatch by 5:00 pm ET on such business day.

Nasdaq will not grant relief under this Section unless notification is made within the prescribed periods of time. Relief will not be granted if MarketWatch has previously rendered a decision with respect to the transaction in question pursuant to this Section. A Nasdaq Official, as defined in paragraph (d) above, shall administer the application of this Section.

- (iii) *Adjust or Bust.* A Nasdaq Official will determine whether there was a Catastrophic Error as defined above. If it is determined that a Catastrophic Error has occurred, whether or not each party to the transaction is an Options Participant, MarketWatch shall adjust the execution price of the transaction, unless both parties agree to adjust the transaction to a different price, to the theoretical price (i) plus the adjustment value provided below for erroneous buy transactions, and (ii) minus the adjustment value provided for erroneous sell transactions, pursuant to the following chart; provided that the adjusted price would not exceed the limit price of a Public Customer's limit order, in which case the Public Customer would have 20 minutes from notification of the proposed adjusted price to accept it or else the trade will be nullified:

| <b>Theoretical Price</b> | <b>Minimum Amount</b> |
|--------------------------|-----------------------|
| Below \$2                | \$1                   |
| \$2 to \$5               | \$2                   |
| Above \$5 to \$10        | \$3                   |
| Above \$10 to \$50       | \$5                   |
| Above \$50 to \$100      | \$7                   |
| Above \$100              | \$10                  |

Upon taking final action, MarketWatch shall promptly notify both parties to the trade electronically or via telephone.

(g) Review by the Nasdaq Review Council

(i) A party to a transaction affected by a decision made under this section may appeal that decision to the Nasdaq Review Council. An appeal must be made in writing, and must be received by Nasdaq within thirty (30) minutes after the person making the appeal is given the notification of the determination being appealed. The Nasdaq Review Council may review any decision appealed, including whether a complaint was timely, whether an Obvious Error or Catastrophic Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price.

(ii) A Nasdaq Review Council panel will be comprised minimally of representatives of one (1) member engaged in Market Making and two (2) industry representatives not engaged in Market Making. At no time should a review panel have more than 50% members engaged in Market Making.

(iii) The Nasdaq Review Council, pursuant to the standards set forth in this rule, shall affirm, modify, or reverse the determination.

(iv) The decision of the Nasdaq Review Council pursuant to an appeal, or a determination by a Nasdaq Official that is not appealed, shall be final and binding upon all parties and shall constitute final Nasdaq action on the matter in issue. Any determination by a Nasdaq Official or the Nasdaq Review Council shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(v) The party initiating the appeal shall be assessed a \$500.00 fee if the Nasdaq Review Council upholds the decision of the Nasdaq Official. In addition, in instances where Nasdaq, on behalf of an Options Participant, requests a determination by another market center that a transaction is clearly erroneous, Nasdaq will pass any resulting charges through to the relevant Options Participant.]

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