

EXHIBIT 5B – Shell Rulebook of The Nasdaq Stock Market LLC

New text is underlined; deleted text is in brackets.

The Nasdaq Stock Market LLC Rules

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General 1 General Provisions**[General]Section 1 [General Provisions]Definitions**

(a) – (b) No change.

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(15) The term "Nasdaq Review Council" means the committee authorized and directed to act for the Board of Directors of Nasdaq in a manner consistent with the Rules and By-Laws of Nasdaq with respect to (1) an appeal or review of a disciplinary proceeding; (2) a statutory disqualification decision; (3) a review of a membership proceeding; (4) a review of an offer of settlement, a letter of acceptance, waiver, and consent, and a minor rule violation plan letter; (5) the exercise of exemptive authority; (6) an appeal of proceedings involving Equity 2, Sections 4, 10, and 11, Exchange Rule[s] [4612, 4619, 4620, and] 11890, and [Exchange] Options 3, Section 4; and (7) such other proceedings or actions authorized by the Rules of Nasdaq.

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General 2 Organization and Administration

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Section 22. [Reserved]Sponsored Participants

(a) The Exchange shall be available for entry and execution of orders by Sponsored Participants with authorized access. Sponsored Access shall mean an arrangement whereby a member permits its customers to enter orders into the System that bypass the member's trading system and are routed directly to the Exchange, including routing through a service bureau or other third party technology provider.

(b) Sponsored Participants. A Sponsored Participant may obtain authorized access to the Nasdaq Market Center only if such access is authorized in advance by one or more Exchange members as follows:

(i) Sponsored Participants must enter into and maintain customer agreements with one or more Sponsoring Members establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on the Nasdaq Market Center ("Customer Agreement"). Such Customer Agreement(s) must incorporate the

Sponsorship Provisions set forth in paragraph (ii) below.

(ii) For a Sponsored Participant to obtain and maintain authorized access to the Nasdaq Market Center, a Sponsored Participant and its Sponsoring Member must agree in writing to the following Sponsorship Provisions:

(A) The authorized access must comply with Rule 15c3-5 under the Securities Exchange Act of 1934.

(B) Sponsoring Member acknowledges and agrees that

(1) All orders entered by the Sponsored Participants and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member and

(2) Sponsoring Member is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.

(C) Sponsoring Member shall comply with the Exchange's Limited Liability Company Agreement, By-Laws, Rules and procedures with regard to the Nasdaq Market Center and Sponsored Participant shall comply with the Exchange's Certificate of Incorporation, Bylaws, Rules and procedures with regard to the Nasdaq Market Center, as if Sponsored Participant were an Exchange Member.

(D) Sponsored Participant shall maintain, keep current and provide to the Sponsoring Member a list of individuals authorized to obtain access to the Nasdaq Market Center on behalf of the Sponsored Participant.

(E) Sponsored Participant shall familiarize its authorized individuals with all of the Sponsored Participant's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to the Nasdaq Market Center.

(F) Sponsored Participant may not permit anyone other than authorized individuals to use or obtain access to the Nasdaq Market Center.

(G) Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to the Nasdaq Market Center, including unauthorized entry of information into the Nasdaq Market Center, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of authorized individuals, and for the trading and other consequences thereof.

(H) Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees', agents' and customers' use and access to the Nasdaq Market Center for compliance with the terms of this agreement.

(I) Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring Member, the Exchange, or any other third parties that arise from the Sponsored Participant's access to and use of the Nasdaq Market Center. Such amounts include, but are not limited to applicable exchange and regulatory fees.

General 3 Membership and Access

1001. Nasdaq Regulatory Contract with FINRA

The Exchange and FINRA are parties to the Regulatory Contract, pursuant to which FINRA has agreed to perform certain functions described in the Rule 1000 Series and the General 4, Rule 1200 Series on behalf of the Exchange. Exchange Rules that refer to the Exchange's Regulation Department, Nasdaq Regulation Department staff, Exchange staff, and Exchange departments should be understood as also referring to FINRA staff and FINRA departments acting on behalf of the Exchange pursuant to the Regulatory Contract.

Notwithstanding the fact that the Exchange has entered into the Regulatory Contract with FINRA to perform some of the Exchange's functions, the Exchange shall retain ultimate legal responsibility for, and control of, such functions. In addition, the Exchange has incorporated by reference certain FINRA rules. Members shall comply with these rules and interpretations as if such rules and interpretations were part of the Exchange's Rules.

1002. Qualifications of Exchange Members and Associated Persons; Registration of Branch Offices and Designation of Office of Supervisory Jurisdiction

(a) Persons Eligible to Become Members and Associated Persons.

(1) Any registered broker or dealer shall be eligible for membership in the Exchange, except such registered brokers or dealers as are excluded under paragraph (b).

(2) Any person shall be eligible to become an Associated Person of a Member, except such persons as are excluded under paragraph (b).

(b) Ineligibility of Certain Persons for Membership or Association

(1) Subject to such exceptions as may be explicitly provided elsewhere in the Rules, no registered broker or dealer shall be admitted to membership, and no Member shall be continued in membership, if such broker, dealer, or Member fails or ceases to satisfy the qualification requirements established by the Rules, or if such broker, dealer, or Member is or becomes subject to a statutory disqualification, or if such broker, dealer, or Member fails to file such forms as may be required in accordance

with such process as the Exchange may prescribe.

(2) Subject to such exceptions as may be explicitly provided elsewhere in the Rules, no person shall become associated with a Member, continue to be associated with a Member, or transfer association to another Member, if such person fails or ceases to satisfy the qualification requirements established by the Rules, or if such person is or becomes subject to a statutory disqualification; and no broker or dealer shall be admitted to membership, and no Member shall be continued in membership, if any person associated with it is ineligible to be an Associated Person under this subsection.

(c) Membership in a Registered Securities Association or Another Registered Exchange.

As a condition to maintaining membership in the Exchange, Members shall at all times maintain membership in a registered securities association that is not registered solely under Section 15A(k) of the Securities Exchange Act of 1934, or another registered exchange that is not registered solely under Section 6(g) of the Securities Exchange Act of 1934. Members that transact business with customers shall at all times be members of FINRA.

(d) Registration of Branch Offices and Designation of Office of Supervisory Jurisdiction

(1) Each branch office of a Member shall be registered with the Exchange.

(2) Each Member must designate to the Exchange those offices of supervisory jurisdiction, including the main office in accordance with the standards set forth in General 9, Section 20.

(3) Each Member shall promptly advise the Exchange, via electronic means or such other means as the Exchange may prescribe, of the opening, closing, relocation, change in designated supervisor, or change in designated activities of any branch office of such Member not later than 30 days after the effective date of such change.

(A) Members that are also FINRA members shall be deemed to have complied with this provision if they are in compliance with FINRA rules by keeping current Form BR.

(B) Members that are not FINRA members shall promptly advise the Exchange by submitting to the Exchange a Branch Office Disclosure Form.

1010. Membership Proceedings

1011. Definitions

Unless otherwise provided, terms used in the Rule 1000 Series and the General 4, Rule 1200 Series shall have the meaning as defined in General 1 and Equity 1.

(a) "Applicant"

The term "Applicant" means a person that applies for membership in the Exchange under Rule 1013 or a Member that files an application for approval of a change in ownership, control, or business operations under Rule 1017.

(b) "Associated Person"

The term "Associated Person" means any partner, officer, director, or branch manager of a Member or Applicant (or person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such Member or Applicant, or any employee of such Member or Applicant, except that any person associated with a Member or Applicant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of the Rules.

(c) "Department"

The term "Department" means the Exchange's Membership Department located within the Exchange's Regulation Department.

(d) "Director"

The term "Director" means a member of the Exchange Board.

(e) "Interested Staff"

The term "Interested Staff" means an employee who directly participates in a decision under Rule 1014 or 1017, an employee who directly supervises an employee with respect to such decision, an employee who conducted an investigation or examination of a member that files an application under Rule 1017, and the head of the Department.

(f) "Securities business"

The term "securities business" means the business of purchasing securities and offering the same for sale as a dealer, or of purchasing and selling securities upon the order and for the account of others.

(g) Reserved.

(h) "Exchange Board"

The term "Exchange Board" means the Board of Directors of the Exchange.

(i) "principal place of business"

The term "principal place of business" means the executive office from which the sole proprietor or the officers, partners, or managers of the Applicant direct, control, and coordinate the activities of the Applicant, unless the Department determines that the principal place of business is where: (1) the largest number of Associated Persons of the Applicant are located; or (2) the books and records necessary to provide information and data to operate the business and comply with applicable rules are located.

(j) "registered broker or dealer"

The term "registered broker or dealer" means any broker or dealer, as defined in Section 3(a)(48) of the Act, that is registered with the Commission under the Act.

(k) "Representative"

The term "Representative" shall have the meaning assigned to it in General 4, Rule 1220(b)(1). All Representatives of the Exchange Members are required to be registered with the Exchange, and Representatives that are so registered are referred to herein as "Registered Representatives."

(l) "sales practice event"

The term "sales practice event" means any customer complaint, arbitration, or civil litigation that has been reported to the Central Registration Depository, currently is required to be reported to the Central Registration Depository, or otherwise has been reported to the Exchange.

(m) "Subcommittee"

The term "Subcommittee" means a subcommittee of the Exchange Review Council that is constituted pursuant to Rule 1015 to conduct a review of a Department decision issued under the Rule 1010 Series.

(n) "statutory disqualification"

The term "statutory disqualification" shall have the meaning set forth in Section 3(a)(39) of the Act.

(o) "Proprietary Trading Firm"

The term "proprietary trading firm" means an Applicant or Member with the following characteristics:

- (1) the Applicant or Member is not required by Section 15(b)(8) of the Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Act;

(2) all funds used by the Applicant or Member or proposed to be used by the Applicant or Member for trading are the Applicant's or Member's own capital, traded through the Applicant's or Member's own accounts;

(3) the Applicant or Member does not, and will not have "customers," as that term is defined in Equity 1, Section 1; and

(4) all Principals and Representatives of the Applicant or Member acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Applicant.

1012. General Application Provisions

(a) Instructions for Filing Application Materials with the Exchange and Requirements for Service of Documents by the Exchange;

(1) An Applicant or Member may file an application or any document or information requested under the Rule 1010 Series by first-class mail, overnight courier, hand delivery, or by electronic means. If the Department and the Applicant or Member agree, the Applicant or Member also may file a requested document or information by facsimile.

(2) The Exchange shall serve a notice or decision issued under the Rule 1010 Series by first-class mail or electronic means on the Applicant or Member or its counsel, unless a Rule specifies a different method of service.

(3) Service by the Exchange or filing by an Applicant or Member shall be deemed complete as follows:

(A) Service or filing by first-class mail shall be deemed complete on the date of postmark;

(B) Service or filing by overnight courier shall be deemed complete on the date of delivery to the overnight courier as specified in the airbill;

(C) Service or filing by hand delivery shall be deemed complete on the date of receipt as evidenced by a date stamp;

(D) Service or filing by facsimile shall be deemed complete on the date specified in the document and on the written confirmation of transmission; and

(E) Service or filing by electronic means shall be deemed complete on the date of transmission, except that service or filing shall not be deemed to have occurred if, subsequent to transmission, the serving or filing party receives notice that its attempted transmission was unsuccessful.

(b) Computation of Time**(1) Calendar Day**

In the Rule 1010 Series, "day" means calendar day, unless otherwise specified.

(2) Formula

In computing a period of time under the Rule 1010 Series, the day of the act, event, default, or lapse from which the period of time designated begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday, or Federal holiday, in which event the period runs until the end of the next day that is not a Saturday, Sunday, or Federal holiday. Intermediate Saturdays, Sundays, and Federal holidays shall be excluded from the computation when the period prescribed is ten days or less or when the term "business day" is used.

(c) Duty to Ensure the Accuracy, Completeness, and Current Nature of Membership Information Filed with the Exchange

(1) Each Applicant, Member, and Associated Person shall ensure that all membership information they file with the Exchange, including but not limited to their application forms and all information they file in support of their applications under Rules 1013 and 1017, is accurate, complete, and current at the time of filing.

(2) Each Applicant, Member, and Associated Person shall ensure that their membership applications and supporting materials filed with the Exchange remain accurate, complete, and current at all times by filing supplementary amendments with the Department, as necessary. Such amendments to the application shall be filed with the Department not later than 15 business days after the Applicant, Member, or Associated Person learns of the facts or circumstances giving rise to the need for the amendment. The Applicant, Member, and Associated Person shall promptly notify the Department in writing of any material adverse change in its financial condition.

1013. New Member Application**(a) Filing of Application****(1) Where to File; Contents**

An Applicant for membership shall file its application with the Department in accordance with this Rule. An Applicant shall submit an application that includes:

(A) a copy of the Applicant's current Form BD, if not otherwise available to the Exchange electronically through the Central Registration Depository;

(B) an original Exchange-approved fingerprint card for each Associated Person who will be subject to SEC Rule 17f-2 and for whom a fingerprint card has not been filed with another self-regulatory organization, if such fingerprints are not otherwise available electronically to the Exchange through the Central Registration Depository;

(C) payment for such fee as may be required under the Rules;

(D) a description of the Applicant's proposed trading activities on the Exchange, such as the types of securities it will trade, whether it will be a market maker, or an order entry firm, and/or engage in block trading activities, and the extent to which the Applicant is conducting such activities as a member of other SRO(s);

(E) a copy of the Applicant's most recent audited financial statements and a description of any material changes in the Applicant's financial condition since the date of the financial statements;

(F) an organizational chart;

(G) the intended location of the Applicant's principal place of business and all other branch offices, if any, and the names of the persons who will be in charge of each office;

(H) a description of the communications and operational systems the Applicant will employ to conduct business and the plans and procedures the Applicant will employ to ensure business continuity, including: system capacity to handle the anticipated level of usage; contingency plans in the event of systems or other technological or communications problems or failures; system redundancies; disaster recovery plans; and system security;

(I) a copy of any decision or order by a federal or state authority or self-regulatory organization taking permanent or temporary adverse action with respect to a registration or licensing determination regarding the Applicant or an Associated Person;

(J) a statement indicating whether the Applicant or any person listed on Schedule A of the Applicant's Form BD is currently, or has been in the last ten years, the subject of any investigation or disciplinary proceeding conducted by any self-regulatory organization, the foreign equivalent of a self-regulatory organization, a foreign or international securities exchange, a contract market designated pursuant to the Commodity Exchange Act or any substantially equivalent foreign statute or regulation, a futures association registered under the Commodity Exchange Act or any substantially similar foreign statute or regulation, the Commission or any other "appropriate regulatory agency" (as defined in the Act), the Commodity Futures Trading Commission, or any state financial regulatory agency regarding the Applicant's activities that has not been reported to the Central Registration

Depository, together with all relevant details, including any sanctions imposed;

(K) a statement indicating whether any person listed on Schedule A of the Applicant's Form BD is currently, or has been in the last ten years, the subject of any investigation or disciplinary proceeding conducted by any self-regulatory organization, the foreign equivalent of a self-regulatory organization, a foreign or international securities exchange, a contract market designated pursuant to the Commodity Exchange Act or any substantially equivalent foreign statute or regulation, a futures association registered under the Commodity Exchange Act or any substantially similar foreign statute or regulation, the Commission or any other "appropriate regulatory agency", the Commodity Futures Trading Commission, or any state financial regulatory agency regarding the Applicant's activities that has not been reported to the Central Registration Depository, together with all relevant details, including any sanctions imposed;

(L) a copy of any contract or agreement with another brokerdealer, a bank, a clearing entity, a service bureau or a similar entity to provide the Applicant with services regarding the execution or clearance and settlement of transactions effected on the Exchange;

(M) if the Applicant proposes to make markets on the Exchange, a description of the source and amount of Applicant's capital to support its market making activities on the Exchange, and the source of any additional capital that may become necessary;

(N) a description of the financial controls to be employed by the Applicant with respect to anti-money laundering compliance rules as set forth in General 9, Section 37;

(O) a copy of the Applicant's written supervisory procedures with respect to the activities identified in paragraph (a)(1)(D);

(P) a list of the persons conducting the Applicant's market making and other trading activities, and a list of the persons responsible for such persons' supervision, together with the CRD numbers;

(Q) Reserved.

(R) a copy of the Applicant's most recent "FOCUS Report" (Form X-17A-5) filed with the SEC pursuant to SEC Rule 17a-5 (the most current Parts I, II, and III, as applicable);

(S) all examination reports and corresponding responses regarding the Applicant for the previous two years from the self-regulatory organizations of which it is a member;

(T) a copy of the Exchange's Membership Agreement, duly executed by the Applicant, which includes, among other things:

(1) an agreement to comply with the federal securities laws, the rules and regulations thereunder, the Rules, and all rulings, orders, directions, and decisions issued and sanctions imposed under the Rules;

(2) an agreement to pay such dues, assessments, and other charges in the manner and amount as from time to time shall be fixed pursuant to the Rules; and

(U) such other reasonable information with respect to the Applicant as the Exchange may require.

(2) When an Application is Deemed to be Filed

The Department will deem an application to be filed on the date when it is substantially complete, meaning the date on which the Department receives from the Applicant all material documentation and information required under this Rule. The Exchange will notify the Applicant in writing when the Exchange deems the Applicant's application to be substantially complete.

(3) Incomplete Applications

(A) Lapse of Applications that are not Substantially Complete

If an application that was initiated under this Rule is not deemed to be substantially complete by the Department within 90 calendar days after an Applicant initiates it, then absent a showing of good cause by the Applicant, the Department may, at its discretion, deem the application to have lapsed without filing, and the Department will take no action in furtherance of the application. If the Department deems an application to have lapsed, then the Department shall serve a written notice of that determination on the Applicant. If an Applicant still wishes to apply for membership on the Exchange after receiving notice of a lapse in its application, then the Applicant will be required to submit a new application pursuant to these Rules and pay a new application fee for doing so, if applicable. The Department will refund fees that an Applicant has paid to the Exchange in connection with a lapsed application, in accordance with its Rules regarding fees, provided that the Exchange has not proceeded to process the application at the time it lapses. For purposes of this paragraph, the Department will deem an application to be not "substantially complete" if the Applicant fails to submit to the Department materially important information or documentation that is required or requested under these Rules.

(B) Rejection of Filed Applications that Remain or Become Incomplete After Filing

If an application that was initiated under this Rule is substantially complete and thus is deemed to be filed with the Exchange under paragraph (a)(2) of this Rule, but the application nevertheless remains or becomes incomplete with respect to any required or requested information or documentation, then the Department shall serve written notice to the Applicant of such incompleteness and describe the missing information or documentation. If the Applicant fails to submit to the Exchange the missing information or documentation within a reasonable period after it receives a notice of incompleteness, then absent a showing of good cause by the Applicant, the Department may, at its discretion, reject the application. If the Department rejects an application on the basis of incompleteness, then the Department shall serve a written notice on the Applicant of the Department's determination and the reasons therefor. The Exchange shall not refund the application fees that an Applicant has paid to the Exchange in connection with an application that the Exchange rejects. If the Applicant determines to continue to seek membership on the Exchange, then the Applicant shall submit a new application and pay a new application fee in accordance with the Rules.

(4) Requests by the Department for Additional Documents or Information from the Applicant or from Third Parties

(A) At any time before the Department serves its decision as to an application for new membership in the Exchange, the Department may serve a written request for additional information or documentation, from the Applicant or from a third party, if the Department deems such information or documentation to be necessary to clarify, verify, or supplement the application materials. The Department may, at its discretion, request that the Applicant or the third party provide the requested information or documentation in writing or through an in person or telephonic interview. In the written request, the Department shall afford the Applicant or the third party a reasonable period of time within which to respond to the request.

(B) In the event that the Department obtains information or documentation about an Applicant from a third party that the Department reasonably believes could adversely impact its decision on an application, then the Department shall promptly inform the Applicant in writing and provide the Applicant with a description of the information or a copy of the documentation that the Department obtained, where appropriate under the circumstances. Prior to rendering an application decision on the basis of information or documentation obtained from a third party source, the Department shall afford the Applicant with a reasonable opportunity to discuss or to otherwise address the information or documentation that the Department obtained from the third party.

(b) Special Application Procedures

(1) Special Application Procedures for Applicants that are FINRA Members

(A) An Applicant that is a FINRA member shall have the option to waive-in to become a Member and to register with the Exchange all persons associated with the Applicant whose registrations with the Applicant are approved with FINRA in categories recognized by the Exchange's Rules. For purposes of this provision, the term "waive-in" means that the Department will rely substantially upon FINRA's determination to approve the Applicant for FINRA membership when the Department evaluates the Applicant for Exchange membership.

(B) Waive-in membership that is granted pursuant to this provision shall terminate in the event that the Applicant ceases to be a FINRA member and otherwise fails to comply with Rule 1002(c).

(C) In lieu of submitting an application as set forth in paragraph (a), an Applicant may waive-in to Exchange membership as provided in subparagraph (b)(1) by filing with the Exchange a waive-in application form and an executed Exchange Membership Agreement.

(D) The Department will act upon a duly submitted application to waive-into Exchange membership under paragraph (b)(1) by serving upon the Applicant a written notification of its decision within a reasonable time frame not to exceed 20 days of submission of the application, unless the Department and the Applicant agree that the Department may issue its decision at a later date. A failure of the Department to issue a decision within this time frame shall be subject to Rule 1014(c)(3). The Department will normally grant a duly submitted application to waive-into Exchange membership, provided that the Applicant submits the required materials, the Department verifies that the Applicant is a FINRA member, and that the Department is not otherwise aware of any basis to deny or condition approval of the application, as set forth in Rule 1014. A decision issued under this provision shall have the same effectiveness as set forth in Rule 1014 and shall be subject to review as set forth in Rules 1015 and 1016.

(2) Special Application Procedures Applicable to Applicants that are Already Members of an Affiliated Exchange

(A) An Applicant that is a member of an exchange that is affiliated with the Exchange shall have the option to waive-in to become a Member of the Exchange and to register with the Exchange all persons associated with the Applicant whose registrations with the Applicant are approved with the other affiliated exchange in categories recognized by the Rules. For purposes of this provision, the term "waive-in" means that the Department will rely substantially upon an affiliated exchange's determination to approve the Applicant for exchange membership when the Department evaluates the Applicant for membership.

(B) In lieu of submitting an application as set forth in paragraph (a), an Applicant may waive-into Exchange membership as provided in subparagraph (b)(2) by filing with the Department a waive-in application form. As part of this form, the

Applicant must attest to the fact that it has made no unapproved material changes to its brokerdealer business subsequent to its approval as a member of an affiliated exchange.

(C) The Department will act upon a duly submitted application to waive-into Exchange membership under paragraph (b)(2) by serving upon the Applicant a written notification of its decision within a reasonable time frame not to exceed 20 days of submission of the application, unless the Department and the Applicant agree that the Department may issue its decision at a later date. A failure of the Department to issue a decision within this time frame shall be subject to Rule 1014(c)(3). The Department will normally grant a duly submitted application to waive-into Exchange membership, provided that the Applicant submits the required materials, the Department verifies that the Applicant is a member of an exchange affiliated with the Exchange, and that the Department is not otherwise aware of any basis to deny or condition approval of the application, as set forth in Rule 1014. A decision issued under this provision shall have the same effectiveness as set forth in Rule 1014 and shall be subject to review as set forth in Rules 1015 and 1016.

1014. Department Decision

(a) Authority of Department to Approve, Approve with Restrictions, or Deny an Application

After evaluating an application for membership on the basis of the criteria set forth in paragraph (b) below, the Department shall issue one of the following decisions:

(1) approve the application;

(2) approve the application, subject to one or more restrictions:

(A) that are reasonably designed to address a specific financial, operational, supervisory, disciplinary, investor protection, or other regulatory concern; or

(B) that have been imposed by FINRA or by an affiliated exchange in their applicable membership determinations concerning the Applicant, in instances where the Applicant has applied for Exchange membership pursuant to Rule 1013(b); or

(3) deny the application.

(b) Bases for Approval, Conditional Approval, or Denial

After considering the completed application, other information and documents provided by the Applicant, other information and documents obtained by the Department, and the public interest and the protection of investors, the Department

shall approve an application under Rules 1013 or 1017 by an Applicant that is not, and is not required to become, a FINRA member unless the Department determines that such information or documents provide a basis for denial of membership:

(1) The Department may deny (or condition) approval of an Applicant for the same reasons that the Commission may deny or revoke a broker or dealer registration and for those reasons required or allowed under the Act;

(2) Without limiting the generality of the foregoing, the Department may deny (or condition) approval of an Applicant when the Applicant directly or indirectly:

(A) is unable to satisfactorily demonstrate its present capacity to adhere to all applicable Exchange and Commission policies, rules, and regulations, including, without limitation, those concerning recordkeeping, reporting, finance, and trading procedures;

(B) has previously violated, and there is a reasonable likelihood such Applicant will again engage in acts or practices violative of, any applicable Exchange or Commission policies, rules and regulations, including, without limitation, those concerning record-keeping, reporting, finance and trading procedures or those rules of other self-regulatory organizations of which such Applicant is or was a member;

(C) has engaged, and there is a reasonable likelihood such Applicant will again engage, in acts or practices inconsistent with just and equitable principles of trade;

(D) is not in compliance with the Commission's net capital rule (17 C.F.R. 240.15c3-1), or has financial difficulties involving an amount that is more than 5% of the Applicant's net worth;

(E) has been itself, or is the successor to an entity which has been subject to any bankruptcy proceeding, receivership or arrangement for the benefit of creditors within the past three years;

(F) has engaged in an established pattern of failure to pay just debts;

(G) does not have such licenses and registrations as are required by governmental authorities and self-regulatory organizations; or

(H) is unable satisfactorily to demonstrate reasonably adequate systems capacity and capability.

(3) The Department will not approve an Applicant unless the Applicant is a member of another registered securities exchange or association that is not registered solely under Section 6(g) or Section 15A(k) of the Securities Exchange Act of 1934. An Applicant that will transact business with the public must be a member of FINRA.

(c) Decision**(1) Time**

The Department shall serve a written decision on the membership application within a reasonable time period, not to exceed 45 days after the Applicant files and provides to the Exchange all required and requested information or documents in connection with the Applicant's application, unless the Department and the Applicant agree that the Department may issue its decision at a later date.

(2) Content

If the Department denies the application or grants the application subject to restrictions, the decision shall explain in detail the reason for denial or restriction, referencing the applicable bases in paragraph (a).

(3) Failure to Serve Decision

If the Department fails to serve a decision within the time frame set forth in subparagraph (c)(1) of this Rule, the Applicant may file a written request with the Exchange Board requesting that the Exchange Board direct the Department to serve a decision. Within seven days after the filing of such a request, the Exchange Board shall direct the Department to serve its written decision immediately or to show good cause for an extension of time. If the Department shows good cause for an extension of time, the Exchange Board may grant an extension of not more than 45 days thereafter.

(d) Reserved**(e) Service and Effectiveness of Decision**

The Department shall serve its decision on the Applicant in accordance with Rule 1012. The decision shall become effective upon service and shall remain in effect during the pendency of any review until a decision constituting final action of the Exchange is issued under Rule 1015 or 1016, unless otherwise directed by the Exchange Review Council, the Exchange Board, or the Commission.

(f) Effectiveness of Restriction

A restriction imposed under this Rule shall remain in effect and bind the Applicant and all successors to the ownership or control of the Applicant unless:

(1) removed or modified by a decision constituting final action of the Exchange issued under Rule 1015, 1016, or 1017; or

(2) stayed by the Exchange Review Council, the Exchange Board, or the

Commission.

(g) Final Action

Unless the Applicant files a written request for a review under Rule 1015, the Department's decision shall constitute final action by the Exchange.

1015. Review by Exchange Review Council

(a) Initiation of Review by Applicant

Within 25 days after service of a decision under Rule 1014 or 1017, an Applicant may file a written request for review with the Exchange Review Council. A request for review shall state with specificity why the Applicant believes that the Department's decision is inconsistent with the bases for denial set forth in Rule 1014, or otherwise should be set aside, and state whether a hearing is requested. The Applicant simultaneously shall file a copy of the request with the Department.

(b) Transmission of Documents

Within ten days after the filing of a request for review, the Department shall:

(1) transmit to the Exchange Review Council copies of all documents that were considered in connection with the Department's decision and an index to the documents; and

(2) serve on the Applicant a copy of such documents (other than those documents originally submitted by Applicant) and a copy of the index.

(c) Membership Application Docket

The Department shall promptly record in the Exchange's membership application docket each request for review filed with the Exchange Review Council under this Rule and each material subsequent event, filing, and change in the status of a membership proceeding.

(d) Appointment of Subcommittee

The Exchange Review Council or the Review Subcommittee defined in Rule 9120 shall appoint a Subcommittee to participate in the review. The Subcommittee shall be composed of two or more persons who shall be current or past members of the Exchange Review Council or former Directors.

(e) Powers of Subcommittee

If a hearing is requested, the Subcommittee shall conduct the hearing. If a hearing is

not requested, the Subcommittee may serve a notice directing that a hearing be held. If a hearing is not requested or directed, the Subcommittee shall conduct its review on the basis of the record developed before the Department and any written submissions made by the Applicant or the Department in connection with the request for review.

(f) Hearing

(1) Notice

If a hearing is requested or directed, the hearing shall be held within 45 days after the filing of the request with the Exchange Review Council or service of the notice by the Subcommittee. The Exchange Review Council shall serve written notice of the date and time of the hearing to the Applicant by facsimile or overnight courier not later than 14 days before the hearing.

(2) Counsel

The Applicant and the Department may be represented by counsel at a hearing conducted pursuant to this Rule.

(3) Evidence

Formal rules of evidence shall not apply to a hearing under this Rule. Not later than five days before the hearing, the Applicant and the Department shall exchange copies of their proposed hearing exhibits and witness lists and provide copies of the same to the Exchange Review Council. If the Applicant or the Department fails to provide copies of its proposed hearing exhibits or witness list within such time, the Subcommittee shall exclude the evidence or witnesses from the proceeding, unless the Subcommittee determines that good cause is shown for failure to comply with the production date set forth in this subparagraph.

(4) Transcript

The hearing shall be recorded and a transcript prepared by a court reporter. A transcript of the hearing shall be available for purchase from the court reporter at prescribed rates. The Applicant, the Department, or a witness may seek to correct the transcript. A proposed correction of the transcript shall be submitted to the Subcommittee within a reasonable period of time prescribed by the Subcommittee. Upon notice to the Applicant and the Department, the Subcommittee may direct the correction to the transcript as requested or sua sponte.

(5) Video Conference Hearing

Upon consideration of the current public health risks presented by an in-person hearing, the Exchange Review Council or Subcommittee may, on a temporary basis, determine that the hearing shall be conducted, in whole or in part, by video

conference

(g) Additional Information, Briefs

At any time during its consideration, the Subcommittee or the Exchange Review Council may direct the Applicant or the Department to file additional information or briefs. Any additional information or brief filed shall be provided to all parties before the Exchange Review Council renders its decision.

(h) Abandonment of Request for Review

If an Applicant fails to specify the grounds for its request for review under Rule 1015(a)(1), appear at a hearing for which it has notice, or file information or briefs as directed, the Exchange Review Council or the Review Subcommittee may dismiss the request for review as abandoned, and the decision of the Department shall become the final action of the Exchange. Upon a showing of good cause, the Exchange Review Council or the Review Subcommittee may withdraw a dismissal entered pursuant to this paragraph.

(i) Subcommittee Recommendation

The Subcommittee shall present a recommended decision in writing to the Exchange Review Council within 60 days after the date of the hearing held pursuant to paragraph (f), and not later than seven days before the meeting of the Exchange Review Council at which the membership proceeding shall be considered.

(j) Decision

(1) Proposed Written Decision

After considering all matters presented in the review and the Subcommittee's recommended written decision, the Exchange Review Council may affirm, modify, or reverse the Department's decision or remand the membership proceeding with instructions. The Exchange Review Council shall prepare a proposed written decision pursuant to subparagraph (2).

(2) Contents

The decision shall include:

(A) a description of the Department's decision, including its rationale;

(B) a description of the principal issues raised in the review;

(C) a summary of the evidence on each issue; and

(D) a statement whether the Department's decision is affirmed, modified, or reversed, and a rationale therefor that references the bases for denial in Rule 1014.

(3) Issuance of Decision After Expiration of Call for Review Periods

The Exchange Review Council shall provide its proposed written decision to the Exchange Board. The Exchange Board may call the membership proceeding for review pursuant to Rule 1016. If the Exchange Board does not call the membership proceeding for review, the proposed written decision of the Exchange Review Council shall become final. The Exchange Review Council shall serve the Applicant with a written notice specifying the date on which the call for review period expired and stating that the final written decision will be served within 15 days after such date. The Exchange Review Council shall serve its final written decision within 15 days after the date on which the call for review period expired. The decision shall constitute the final action of Nasdaq for purposes of SEC Rule 19d-3, unless the Exchange Review Council remands the membership proceeding.

(4) Failure to Issue Decision

If the Exchange Review Council fails to serve its final written decision within the time prescribed in subparagraph (3), the Applicant may file a written request with the Exchange Board requesting that the Exchange Board direct the Exchange Review Council to serve its decision immediately or to show good cause for an extension of time. Within seven days after the filing of such a request, the Board shall direct the Exchange Review Council to serve its written decision immediately or to show good cause for an extension of time. If the Exchange Review Council shows good cause for an extension of time, the Exchange Board may extend the 15-day time limit by not more than 15 days.

(k) Ex Parte Communications

(1) The prohibitions against ex parte communications shall become effective when Exchange staff has knowledge that an Applicant intends to file a written request for review by the Exchange Review Council under Rule 1015.

(2) Unless on notice and opportunity for an Applicant and Interested Staff to participate, or to the extent required for the disposition of ex parte matters as authorized by the Exchange's Rules:

(A) an Applicant, a counsel or representative of an Applicant, or an Interested Staff shall not make or knowingly cause to be made an ex parte communication relevant to the merits of a membership proceeding under the Rule 1010 Series to a Director, a member of the Exchange Review Council or a Subcommittee thereof, or an Exchange employee who is participating or advising in a decision of such a person with respect to that proceeding; and

(B) a Director, a member of the Exchange Review Council or a Subcommittee thereof, or an Exchange employee who is participating or advising in the decision of such a person with respect to a membership proceeding shall not make or knowingly cause to be made to an Applicant, a counsel or representative of the Applicant, or an Interested Staff an ex parte communication relevant to the merits of that proceeding.

(3) A Director, a member of the Exchange Review Council or a Subcommittee thereof, or an Exchange employee participating or advising in the decision of such a person, who receives, makes, or knowingly causes to be made a communication prohibited by this paragraph shall place in the record of the membership proceeding:

(A) all such written communications;

(B) memoranda stating the substance of all such oral communications; and

(C) all written responses and memoranda stating the substance of all oral responses to all such communications.

(1) Recusal or Disqualification

A Director or a member of the Exchange Review Council or a Subcommittee thereof shall not participate in a matter governed by the Rule 1010 Series as to which that person has a conflict of interest or bias, or if circumstances otherwise exist where his or her fairness might reasonably be questioned. In such a case, the person shall recuse himself or shall be disqualified as follows:

(1) The Chair of the Exchange Board of Directors shall have authority to direct the disqualification of a Director, and a majority of the Directors of the Exchange Board excluding the Chair shall have authority to direct the disqualification of the Chair of the Exchange Board.

(2) The Chair of the Exchange Review Council shall have authority to direct the disqualification of a member of the Exchange Review Council or a member of a Subcommittee appointed pursuant to Rule 1015, and the Vice Chair of the Exchange Review Council shall have authority to direct the disqualification of the Chair of the Exchange Review Council.

1016. Discretionary Review by the Exchange Board

(a) Call for Review by Director

A Director may call a membership proceeding for review by the Exchange Board if the call for review is made within the period prescribed in paragraph (b).

(b) 15 Day Period; Waiver

A Director shall make his or her call for review at the next meeting of the Exchange Board that is at least 15 days after the date on which the Exchange Board receives the proposed written decision of the Exchange Review Council. By unanimous vote of the Exchange Board, the Nasdaq Board may shorten the period to less than 15 days. By an affirmative vote of the majority of the Exchange Board then in office, the Exchange Board may, during the 15 day period, vote to extend the period to more than 15 days.

(c) Review At Next Meeting

If a Director calls a membership proceeding for review within the time prescribed in paragraph (b), the Exchange Board shall review the membership proceeding not later than the next meeting of the Exchange Board. The Exchange Board may order the Applicant and the Department to file briefs in connection with review proceedings pursuant to this paragraph.

(d) Decision of the Exchange Board, Including Remand

After review, the Exchange Board may affirm, modify, or reverse the proposed written decision of the Exchange Review Council. Alternatively, the Exchange Board may remand the membership proceeding with instructions. The Exchange Board shall prepare a written decision that includes all of the elements described in Rule 1015(j)(2).

(e) Issuance of Decision

The Exchange Board shall serve its written decision on the Applicant within 15 days after the meeting at which it conducted its review. The decision shall constitute the final action of Exchange for purposes of SEC Rule 19d-3, unless the Exchange Board remands the membership proceeding.

1017. Application for Approval of Change in Ownership, Control, or Material Business Operations**(a) Events Requiring Application**

A Member shall file an application for approval of any of the following changes to its ownership, control, or business operations, except that the Department will not consider a change listed below to require its approval if an exchange affiliated with the Exchange or a Member's Designated Examining Authority has already approved the change in accordance with its respective rules, the Member provides written evidence to the Department of such prior approval, and the nature, terms, or conditions of the proposed change have not altered materially since such approvals occurred:

- (1) a merger of the Member with another Member;

- (2) a direct or indirect acquisition by the Member of another Member;
- (3) direct or indirect acquisitions or transfers of 25% or more in the aggregate of the Member's assets or any asset, business or line of operation that generates revenues comprising 25% or more in the aggregate of the Member's earnings measured on a rolling 36-month basis;
- (4) a change in the equity ownership or partnership capital of the Member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital; or
- (5) a material change in business operations, which includes, but is not limited to, the following changes
 - (A) removing or modifying a membership restriction;
 - (B) acting as a dealer or a market maker for the first time;
 - (C) adding business activities that require a higher minimum net capital under SEC Rule 15c3-1; or
 - (D) adding business activities that would cause a proprietary trading firm no longer to meet the definition of that term contained in the Rule 1000 Series.

(b) Filing and Content of Application

- (1) The Member shall file the application with the Department.
- (2) If the application seeks approval of a change in ownership or control or a material change in the business operations of the Member, then the application shall:
 - (A) describe in detail the proposed change in ownership, control, or material business operations;
 - (B) attach a business plan, pro forma financials, an organizational chart, and written supervisory procedures reflecting the proposed change; and
 - (C) if the application requests approval of a change in ownership or control, the application also shall include the names of the new owners, their percentage of ownership, and the sources of their funding for the purchase and recapitalization of the member.
- (3) If the application requests the removal or modification of a membership restriction, the application also shall:

(A) present facts showing that the circumstances that gave rise to the restriction have changed; and

(B) state with specificity why the restriction should be modified or removed in light of the applicable bases for denial or standards for approval set forth in Rule 1014 or 1017 and the articulated rationale for the imposition of the restriction.

(4) If the application requests approval of an increase in Associated Persons involved in sales, offices, or markets made, the application shall set forth the increases in such areas during the preceding 12 months.

(c) When Applications Shall or May Be Filed

(1) A Member shall file an application for approval of a change in ownership or control at least 30 days prior to such change.

(2) A Member may file an application to remove or modify a membership restriction at any time. An existing restriction shall remain in effect during the pendency of the proceeding.

(3) A Member may file an application for approval of a material change in business operations, other than the modification or removal of a restriction, at any time, but the Member may not effect such change until the conclusion of the proceeding, unless the Department and the Member otherwise agree.

(d) When an Application is Deemed to Be Filed

The Department will deem an application to be filed on the date when it is substantially complete, meaning the date on which the Department receives from the Applicant all material documentation and information required under this Rule. The Department will notify the Applicant in writing when the Department deems the Applicant's application to be substantially complete.

(e) Incomplete Applications

As set forth in Rule 1013(a)(3), the Department may treat an application filed under this Rule as having lapsed or it may reject such an application, except that the Department may treat an application as having lapsed if it is not substantially complete for 30 days or more after the Applicant initiates it.

(f) Requests by the Department for Additional Documents or Information from the Applicant or from Third Parties

At any time before the Department serves its decision on an application filed under this Rule, the Department may request additional information or documentation from the Applicant or from a third party in accordance with Rule 1013(a)(4).

(g) Department Decision

The Department shall render a decision on an application filed under this Rule in accordance with Rule 1014, except as follows:

(1) In rendering a decision on an application submitted under this Rule that requests the modification or removal of a membership restriction, the Department shall consider whether maintenance of the restriction is appropriate in light of:

(A) the applicable bases for denial or standards for approval set forth in Rule 1014;

(B) the circumstances that gave rise to the imposition of the restriction;

(C) the Applicant's operations since the restriction was imposed;

(D) any change in ownership or control or supervisors and principals; and

(E) any new evidence submitted in connection with the application.

(2) The Department shall serve a written decision on an application filed under this Rule in accordance with Rule 1013(c).

(3) Notwithstanding anything in this Rule 1017 to the contrary, in the event that a proposed change in ownership, control, or business operations by a Member requires such Member to become a member of FINRA, the Department shall not be required to serve a written decision under this Rule until 10 business days after the Member becomes a FINRA member.

(h) Service and Effectiveness of Decision

The Department shall serve its decision on the Applicant in accordance with Rule 1012. The decision shall become effective upon service and shall remain in effect during the pendency of any review until a decision constituting final action of the Exchange is issued under Rule 1015 or 1016, unless otherwise directed by the Exchange Review Council, the Exchange Board, or the Commission.

(i) Request for Review; Final Action

An Applicant may file a written request for review of the Department's decision with the Exchange Review Council pursuant to Rule 1015. The procedures set forth in Rule 1015 shall apply to such review, and the Exchange Review Council's decision shall be subject to discretionary review by the Exchange Board pursuant to Rule 1016. If the Applicant does not file a request for a review, the Department's decision shall constitute final action by the Exchange.

(j) Removal or Modification of Restriction on Department's Initiative

The Department shall modify or remove a restriction on its own initiative if the Department determines such action is appropriate in light of the considerations set forth in paragraph (g)(1). The Department shall notify the member in writing of the Department's determination and inform the member that it may apply for further modification or removal of a restriction by filing an application under paragraph (a).

(k) Reserved

1018. Resignation, Reinstatement, Termination, and Transfer of Membership

(a) Resignation of Exchange Members

Membership in the Exchange may be voluntarily terminated only by formal resignation. Resignations of Members must be filed via electronic process or such other process as the Exchange may prescribe. Any Member may resign from the Exchange at any time. Such resignation shall not take effect until all indebtedness due the Exchange from such Member shall have been paid in full and so long as any complaint or action is pending against the Member under the Rules. The Exchange, however, may in its discretion declare a resignation effective at any time.

(b) Transfer and Termination of Membership

(1) Except as provided hereinafter, no Member may transfer its membership or any right arising therefrom; the membership of a corporation, partnership, or any other business organization that is a Member shall terminate upon its liquidation, dissolution, or winding up; and the membership of a sole proprietorship that is a Member shall terminate at death, provided that all obligations of membership under the Rules have been fulfilled.

(2) The consolidation, reorganization, merger, change of name, or similar change in any corporate Member shall not terminate the membership of such corporate Member, provided that the Exchange Member or surviving corporation, if any, shall be deemed a successor to the business of the corporate Member, and the Member or the surviving organization shall continue in the securities business, and shall possess the qualifications for membership in the Exchange. The death, change of name, withdrawal of any partner, the addition of any new partner, reorganization, consolidation, or any change in the legal structure of a partnership Member shall not terminate the membership of such partnership Member, provided that the Member or surviving organization, if any, shall be deemed a successor to the business of the partnership Member, and the Member or surviving organization shall possess the qualifications for membership in the Exchange. If the business of any predecessor Member is to be carried on by an organization deemed to be a successor organization by the Exchange, the membership of such predecessor Member shall be extended to the successor organization subject to the notice and

application requirements of the Rules and the right of the Exchange to place restrictions on the successor organization pursuant to the Rules; otherwise, any surviving organization shall be required to satisfy all of the membership application requirements of the Exchange's Rules.

(c) Reinstatement of Membership

Any membership or registration suspended or canceled under the Rules may be reinstated by the Exchange upon such terms and conditions as are permitted under the Act and the Rules; provided, however, that any applicant for reinstatement of membership or registration shall possess the qualifications required for membership or registration in the Exchange.

1019. Application to Commission for Review

A person aggrieved by final action of the Exchange under the Rule 1010 Series may apply for review by the Commission pursuant to Section 19(d)(2) of the Act. The filing of an application for review shall not stay the effectiveness of a decision constituting final action of the Exchange, unless the Commission otherwise orders.

General 4 Registration Requirements

Section 1 Registration, Qualification and Continuing Education.

Rule numbering in this section is designed to facilitate comparison of these General 4, Section 1 rules with the Financial Industry Regulatory Authority ("FINRA") 1200 Series of rules.

[1.]1200. Registration, Qualification and Continuing Education

[1.]1210. Registration Requirements

Each person engaged in the securities business of a member shall be registered with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in General 4, Rule [Section 1.]1220, unless exempt from registration pursuant to General 4, Rule [Section 1.]1230. Such person shall not be qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

••• Supplementary Material: --

.01 Minimum Number of Registered Principals. Each member, except a member with only one associated person, shall have at least two officers or partners who are registered as General Securities Principals pursuant to General 4, Rule [Section 1.]1220(a)(2), provided that a member that is limited in the scope of its activities may instead have two officers or partners who are registered in a principal category under General 4, Rule [Section 1.]1220(a) that corresponds to the scope of the member's activities; and provided further that a proprietary trading firm with 25 or fewer registered representatives shall only be required to have one officer or partner who is registered as a principal. The

requirement that a member have a minimum of two principals shall apply to persons seeking admission as members and existing members.

Pursuant to the 9600 Series, the Exchange may waive the requirement that a member have a minimum of two principals in situations that indicate conclusively that only one person associated with an applicant for membership or existing member should be required to register as a principal.

.02 Permissive Registrations. A member may make application for or maintain the registration as a representative or principal, pursuant to General 4, Rule [Section 1.]1220, of any associated person of the member and any individual engaged in the securities business of a foreign securities affiliate or subsidiary of the member. Individuals maintaining such permissive registrations shall be considered registered persons and subject to all Exchange rules, to the extent relevant to their activities.

Consistent with the requirements of the Exchange's supervision rules, members shall have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. With respect to an individual who solely maintains a permissive registration(s), the individual's direct supervisor shall not be required to be a registered person. However, for purposes of compliance with the Exchange's supervision rules, a member shall assign a registered supervisor who shall be responsible for periodically contacting such individual's direct supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor shall be registered as a representative or principal. If the individual is permissively registered as a principal, the registered supervisor shall be registered as a principal. Moreover, the registered supervisor of an individual who solely maintains a permissive registration(s) shall not be required to be registered in the same representative or principal registration category as the permissively-registered individual.

.03 Qualification Examinations and Waivers of Examinations. Before the registration of a person as a representative can become effective under General 4, Rule [Section 1.]1210, such person shall pass the Securities Industry Essentials ("SIE") and an appropriate representative qualification examination as specified in General 4, Rule [Section 1.]1220(b). Before the registration of a person as a principal can become effective under General 4, Rule [Section 1.]1210, such person shall pass an appropriate principal qualification examination as specified in General 4, Rule [Section 1.]1220(a).

If the job functions of a registered representative, other than an individual registered as an Order Processing Assistant Representative, change so as to require the person to register in another representative category, the person shall not be required to pass the SIE. Rather, the registered person would need to pass only an appropriate representative qualification examination as specified in General 4, Rule [Section 1.]1220(b). All associated persons shall be eligible to take the SIE. In addition, individuals who are not associated persons shall be eligible to take the SIE. However, passing the SIE alone shall

not qualify an individual for registration with the Exchange. To be eligible for registration with the Exchange, an individual shall pass an applicable representative or principal qualification examination as specified in General 4, Rule [Section 1.]1220 and satisfy all other applicable prerequisite registration requirements.

Pursuant to the Rule 9600 Series, the Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination(s) and accept other standards as evidence of an applicant's qualifications for registration. Age or disability will not individually of themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the securities business may constitute sufficient grounds to waive a qualification examination. The Exchange shall only consider waiver requests submitted by a member for individuals associated with the member who are seeking registration in a representative or principal registration category. Moreover, the Exchange shall consider waivers of the SIE alone or the SIE and the applicable representative and principal examination(s) for such individuals. The Exchange shall not consider a waiver of the SIE for individuals who are not associated persons or for associated persons who are not registering with the Exchange as representatives or principals.

.04 Requirements for Registered Persons Functioning as Principals for a Limited Period. Subject to the requirements of General 4, Rule [Section 1.]1220.03, a member may designate any person currently registered, or who becomes registered, with the member as a representative to function as a principal for a period of 120 calendar days prior to passing an appropriate principal qualification examination as specified under General 4, Rule [Section 1.]1220(a), provided that such person has at least 18 months of experience functioning as a registered representative within the five-year period immediately preceding the designation and has fulfilled all applicable prerequisite registration, fee and examination requirements prior to designation as a principal. However, in no event may such person function as a principal beyond the initial 120 calendar day period without having successfully passed an appropriate principal qualification examination as specified under General 4, Rule [Section 1.]1220(a). The requirements above apply to designations to any principal category, including those categories that are not subject to a prerequisite representative registration requirement. Further, a person registered as an Order Processing Assistant Representative shall not be eligible to be designated as a principal under Supplementary Material .04 of this rule.

Subject to the requirements of General 4, Rule [Section 1.]1220.03, a member may designate any person currently registered, or who becomes registered, with the member as a principal to function in another principal category for a period of 120 calendar days prior to passing an appropriate qualification examination as specified under General 4, Rule [Section 1.]1220. However, in no event may such person function in such other principal category beyond the initial 120 calendar day period without having successfully passed an appropriate qualification examination as specified under General 4, Rule [Section 1.]1220.

.05 Rules of Conduct for Taking Examinations and Confidentiality of Examinations.

Associated persons taking the SIE shall be subject to the SIE Rules of Conduct. Associated persons taking any representative or principal examination shall be subject to the Rules of Conduct for representative and principal examinations. A violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person shall be deemed to be a violation of Exchange rules requiring observance of high standards of commercial honor or just and equitable principles of trade. If the Exchange determines that an associated person has violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by the Exchange. The Exchange considers all of the qualification examinations content to be highly confidential. The removal of examination content from an examination center, reproduction, disclosure, receipt from or passing to any person, or use for study purposes of any portion of such qualification examination or any other use that would compromise the effectiveness of the examinations and the use in any manner and at any time of the questions or answers to the examinations shall be prohibited and shall be deemed to be a violation of Exchange rules requiring observance of high standards of commercial honor or just and equitable principles of trade. An applicant cannot receive assistance while taking the examination and shall certify that no assistance was given to or received by him or her during the examination.

.06 Waiting Periods for Retaking a Failed Examination. Any person who fails to pass a qualification examination prescribed by the Exchange shall be permitted to take that examination again after a period of 30 calendar days has elapsed from the date of such person's last attempt to pass that examination, except that any person who fails to pass an examination three or more times in succession within a two-year period shall be prohibited from again taking that examination until a period of 180 calendar days has elapsed from the date of such person's last attempt to pass that examination.

The waiting periods for retaking a failed examination shall apply to the SIE and the representative and principal examinations specified under General 4, Rule [Section 1.]1220.

.07 All Registered Persons Must Satisfy the Regulatory Element of Continuing Education. All registered persons, including those individuals who solely maintain permissive registrations pursuant to General 4, Rule [Section 1.]1210.02, shall satisfy the Regulatory Element of continuing education as specified in General 4, Rule [Section 1.]1240(a). If a person registered with a member has a continuing education deficiency with respect to that registration as provided under General 4, Rule [Section 1.]1240(a), such person shall not be permitted to be registered in another registration category with the Exchange under General 4, Rule [Section 1.]1220 with that member or to be registered in any registration category with the Exchange under General 4, Rule [Section 1.]1220 with another member, until the person has satisfied the deficiency.

.08 Lapse of Registration and Expiration of SIE. Any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to

pass a representative qualification examination appropriate to his or her category of registration as specified in General 4, Rule [Section 1.]1220(b). Any person who last passed the SIE or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration as specified in General 4, Rule [Section 1.]1220(b).

Any person who was last registered as a principal two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a principal shall be required to pass a principal qualification examination appropriate to his or her category of registration as specified in General 4, Rule [Section 1.]1220(a).

Any person whose registration has been revoked pursuant to Rule 8310 shall be required to pass a principal or representative qualification examination appropriate to his or her category of registration as specified in General 4, Rule [Section 1.]1220(a) or General 4, Rule [Section 1.]1220(b), respectively, to be eligible for registration with the Exchange.

For purposes of Supplementary Material .08 of this Rule, an application shall not be considered to have been received by the Exchange if that application does not result in a registration.

.09 Waiver of Examinations for Individuals Working for a Financial Services

Industry Affiliate of a Member. Upon request by a member, the Exchange shall waive the applicable qualification examination(s) for an individual designated with the Exchange as working for a financial services industry affiliate of a member if the following conditions are met:

- (a) Prior to the individual's initial designation, the individual was registered as a representative or principal for a total of five years within the most recent 10-year period, including for the most recent year with the member that initially designated the individual;
- (b) The waiver request is made within seven years of the individual's initial designation;
- (c) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;
- (d) The individual continuously worked for the financial services industry affiliate(s) of a member since the individual's last Form U5 filing;
- (e) The individual has complied with the Regulatory Element of continuing education as specified in General 4, Rule [Section 1.]1240(a); and
- (f) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a

statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while the individual was designated as eligible for a waiver.

As used in Supplementary Material .09 of this Rule, a "financial services industry affiliate of a member" is a legal entity that controls, is controlled by or is under common control with a member and is regulated by the SEC, Commodity Futures Trading Commission, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

.10 Status of Persons Serving in the Armed Forces of the United States. The following provisions address the status of current and former registered persons serving in active duty in the Armed Forces of the United States:

(a) Inactive Status of Currently Registered Persons

A registered person of a member who volunteers for or is called into active duty in the Armed Forces of the United States shall be placed, after proper notification to the Exchange, on inactive status and need not be re-registered by such member upon his or her return to active employment with the member. Such person shall remain eligible to receive transaction-related compensation, including continuing commissions. The employing member also may allow such person to enter into an arrangement with another registered person of the member to take over and service the person's accounts and to share transaction-related compensation based upon the business generated by such accounts. However, because such persons are inactive, they may not perform any of the functions and responsibilities performed by a registered person.

A registered person who is placed on inactive status pursuant to this paragraph (a) shall not be included within the scope of fees, if any, charged by the Exchange with respect to registered persons. In addition, a registered person who is placed on inactive status pursuant to this paragraph (a) shall not be required to complete either the Regulatory Element or Firm Element set forth in General 4, Rule [Section 1.]1240 during the pendency of such inactive status.

The relief provided in this paragraph (a) shall be available to a registered person who is placed on inactive status pursuant to this paragraph (a) during the period that such person remains registered with the member with which he or she was registered at the beginning of active duty in the Armed Forces of the United States, regardless of whether the person returns to active employment with another member upon completion of his or her active duty in the Armed Forces of the United States.

The relief described in this paragraph (a) shall be provided only to a person registered with a member and only while the person remains on active military duty. Further, the member with which such person is registered shall promptly notify the Exchange in such manner as the Exchange may specify of such person's return to active employment with the member.

(b) Inactive Status of Sole Proprietorships

A member that is a sole proprietor who temporarily closes his or her business by reason of volunteering for or being called into active duty in the Armed Forces of the United States, shall be placed, after proper notification to the Exchange, on inactive status while the member remains on active military duty.

A sole proprietor member placed on inactive status as set forth in this paragraph (b) shall not be required to pay dues or assessments during the pendency of such inactive status and shall not be required to pay an admission fee upon return to active participation in the securities business.

The relief described in this paragraph (b) shall be provided only to a sole proprietor member and only while the person remains on active military duty. Further, the sole proprietor shall promptly notify the Exchange in such manner as the Exchange may specify of his or her return to active participation in the securities business.

(c) Status of Formerly Registered Persons

If a person who was formerly registered with a member volunteers for or is called into active duty in the Armed Forces of the United States at any time within two years after the date the person ceased to be registered with a member, the Exchange shall defer the lapse of registration requirements set forth in General 4, Rule [Section 1.]1210.08 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE). The Exchange shall defer the lapse of registration requirements and the SIE commencing on the date the person begins actively serving in the Armed Forces of the United States, provided that the Exchange is properly notified of the person's period of active military service within 90 days following his or her completion of active service or upon his or her re-registration with a member, whichever occurs first. The deferral will terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with a member within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become reregistered with a member without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in General 4, Rule [Section 1.]1210.08 reduced by the period of time between the person's termination of registration and beginning of active service in the Armed Forces of the United States.

If a person placed on inactive status while serving in the Armed Forces of the United States ceases to be registered with a member, the Exchange shall defer the lapse of registration requirements set forth in General 4, Rule [Section 1.]1210.08 (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE) during the

pendency of his or her active service in the Armed Forces of the United States. The Exchange shall defer the lapse of registration requirements based on existing information in the CRD system, provided that the Exchange is properly notified of the person's period of active military service within two years following his or her completion of active service or upon his or her re-registration with a member, whichever occurs first. The deferral shall terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with a member within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become reregistered with a member without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in General 4, Rule [Section 1.]1210.08.

.11 Impermissible Registrations. Members shall not register or maintain the registration of any person unless consistent with the requirements of General 4, Rule [Section 1.]1210.

.12 Application for Registration and Jurisdiction

(a) Application for Registration

(1) Application by any person for registration with the Exchange, properly signed by the applicant, shall be made to the Exchange on Form U4 via the CRD system, and shall contain:

(A) an agreement to comply with the federal securities laws, the rules and regulations thereunder, the Exchange Rules, and all rulings, orders, directions, and decisions issued and sanctions imposed under the Exchange Rules; and

(B) such other reasonable information with respect to the applicant as the Exchange may require.

(2) The Exchange shall not approve an application for registration of any person who is not eligible to be an associated person of an Exchange member under Exchange Rules.

(3) Every application for registration filed with the Exchange shall be kept current at all times by supplementary amendments to Form U4 via the CRD system. Such amendments to the application shall be filed with the Exchange not later than 30 days after the applicant learns of the facts or circumstances giving rise to the amendment. If such amendment involves a statutory disqualification, such amendment shall be filed not later than ten days after such disqualification occurs.

(b) Notification by Member to the Exchange and Associated Person of Termination; Amendment to Notification

(1) Following the termination of the association with an Exchange member of a person who is registered with it, such Exchange member shall, not later than 30 days after such termination, give notice of the termination of such association to the Exchange via the CRD system using Form U5, and concurrently shall provide to the person whose association has been terminated a copy of said notice as filed with the Exchange. An Exchange member that does not submit such notification and provide a copy to the person whose association has been terminated, within the time period prescribed, shall be assessed any late filing fee that is specified by Exchange Rules. Termination of registration of such person associated with an Exchange member shall not take effect so long as any complaint or action under the Exchange Rules is pending against an Exchange member and to which complaint or action such person associated with an Exchange member is also a respondent, or so long as any complaint or action is pending against such person individually under the Exchange Rules. The Exchange, however, may in its discretion declare the termination effective at any time.

(2) The Exchange member shall notify the Exchange, via the CRD system, by means of an amendment to the notice filed pursuant to paragraph (1) in the event that the Exchange member learns of facts or circumstances causing any information set forth in said notice to become inaccurate or incomplete. Such amendment shall be filed with the Exchange via the CRD system, and a copy provided to the person whose association with the Exchange member has been terminated not later than 30 days after the Exchange member learns of the facts or circumstances giving rise to the amendment.

(c) No Exchange member shall permit any person associated with the Exchange member to engage in the securities business unless the Exchange member determines that such person satisfies the qualification requirements established by the Exchange Board and is not subject to statutory disqualification.

.13 Temporary Extension of the Limited Period for Registered Persons to Function as Principals. Any person who was designated to function as a principal under Supplementary Material .04 of this Rule prior to September 3, 2020, may continue to function as a principal without having successfully passed an appropriate qualification examination until December 31, 2020.

[1.]1220. Registration Categories

(a) Definition of Principal and Principal Registration Categories

(1) Definition of Principal

A "principal" is any person associated with a member, including, but not limited to, sole proprietor, officer, partner, manager of office of supervisory jurisdiction, director or other person occupying a similar status or performing similar functions, who is actively engaged in the management of the member's securities business, such as supervision, solicitation, conduct of business in securities or the training of

persons associated with a member for any of these functions. Such persons shall include, among other persons, a member's chief executive officer and chief financial officer (or equivalent officers).

A "principal" also includes any other person associated with a member who is performing functions or carrying out responsibilities that are required to be performed or carried out by a principal under Exchange rules.

The term "actively engaged in the management of the member's securities business" includes the management of, and the implementation of corporate policies related to, such business. The term also includes managerial decision-making authority with respect to the member's securities business and management-level responsibilities for supervising any aspect of such business, such as serving as a voting member of the member's executive, management or operations committees.

(2) General Securities Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with the Exchange as a General Securities Principal, subject to the following exceptions:

(i) if a principal's activities are limited to the functions of a Compliance Official, a Financial and Operations Principal, a Securities Trader Principal, a Securities Trader Compliance Officer, or a Registered Options Principal as specified in paragraphs (a)(3) through (a)(8) of this Rule, then such person shall appropriately register in one or more of those categories;

(ii) Reserved.

(iii) if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal, provided, however, that if such person is engaged in options sales activities, such person shall be required to register with the Exchange as a Registered Options Principal as specified in paragraph (a)(8) of this Rule or as a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule; and

(iv) Reserved.

(B) Qualifications

Subject to the lapse of registration provisions in General 4, Rule [Section 1.11210.08, each person registered as a Corporate Securities Representative on the

Exchange and a General Securities Principal on October 1, 2018 and each person who was registered as a Corporate Securities Representative on the Exchange and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a General Securities Principal without passing any additional qualification examinations, provided that his or her supervisory responsibilities in the securities business of a member are limited to corporate securities activities of the member.

All other individuals registering as General Securities Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Principal qualification exam.

(3) Compliance Official

(A) Requirement

Subject to the exception in paragraph (a)(3)(C) of this Rule, each person designated as a Chief Compliance Officer on Schedule A of Form BD shall be required to register with the Exchange as a General Securities Principal, provided that such person may instead register as a Compliance Official if his or her duties do not include supervision of trading.

(B) Qualifications

All individuals registering as Compliance Official shall, prior to or concurrent with such registration, pass the Compliance Official qualification examination.

(C) Exception - Principals

An individual designated as a Chief Compliance Officer on Schedule A of Form BD of a member that is engaged in limited securities business may be registered in a principal category under General 4, Rule [Section 1.]1220(a) that corresponds to the limited scope of the member's business.

(D) Exception - Securities Trader Compliance Officer.

An individual designated as a Chief Compliance Officer on Schedule A of Form BD may register and qualify as a Securities Trader Compliance Officer if, with respect to transactions in equity, preferred or convertible debt securities, or options such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with a member. All individuals registering as Securities

Trader Compliance Officers shall become registered pursuant to paragraph (b)(4) of this Rule as a Securities Trader and pass the Compliance Official qualification exam.

(4) Financial and Operations Principal

(A) Requirement.

Every member of the Exchange that is operating pursuant to the provisions of SEC Rule 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate at least one Financial and Operations Principal who shall be responsible for performing the duties described in subparagraph (B) hereof. Each person associated with a member who performs such duties shall be required to register as a Financial and Operations Principal with the Exchange.

(B) The term Financial and Operations Principal shall mean a person associated with a member whose duties include:

- (i) final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
- (ii) final preparation of such reports;
- (iii) supervision of individuals who assist in the preparation of such reports;
- (iv) supervision of and responsibility for individuals who are involved in the actual maintenance of the member's books and records from which such reports are derived;
- (v) supervision and/or performance of the member's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Act;
- (vi) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations; and
- (vii) any other matter involving the financial and operational management of the member.

The requirements of paragraph (a)(4)(A) of this Rule shall not apply to a member that is exempt from the requirement to designate a Financial and Operations Principal.

(C) Qualifications

All individuals registering as a Financial and Operations Principal shall pass the

Financial and Operations Principal qualification examination before such registration may become effective.

(D) A person registered solely as a Financial and Operations Principal shall not be qualified to function in a principal capacity with responsibility over any area of business activity not described in subparagraph (2) hereof.

(5) **Investment Banking Principal.** Reserved.

(6) **Research Principal.** Reserved.

(7) **Securities Trader Principal**

(A) **Requirement**

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising the securities trading activities specified in paragraph (b)(4) of this Rule shall be required to register with the Exchange as a Securities Trader Principal.

(B) **Qualifications**

Each person seeking to register as a Securities Trader Principal shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(4) of this Rule as a Securities Trader and pass the General Securities Principal qualification examination.

(8) **Registered Options Principal**

(A) **Requirement**

Each member that is engaged in transactions in options with the public shall have at least one Registered Options Principal. In addition, each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising a member's options sales practices with the public shall be required to register with the Exchange as a Registered Options Principal, subject to the following exception. If a principal's options activities are limited solely to those activities that may be supervised by a General Securities Sales Supervisor, then such person may register as a General Securities Sales Supervisor pursuant to paragraph (a)(10) of this Rule in lieu of registering as a Registered Options Principal.

(B) **Qualifications**

Subject to the lapse of registration provisions in General 4, Rule [Section 1.]1210.08, each person registered as a Registered Options Principal on October 1, 2018 and each person who was registered as a Registered Options Principal

within two years prior to October 1, 2018 shall be qualified to register as a Registered Options Principal without passing any additional qualification examinations. All other individuals registering as Registered Options Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the Registered Options Principal qualification examination.

(9) **Government Securities Principal.** Reserved.

(10) **General Securities Sales Supervisor**

(A) **Principals Engaged in Limited Activities**

Each principal as defined in paragraph (a)(1) of this Rule may register with the Exchange as a General Securities Sales Supervisor if his or her supervisory responsibilities in the securities business of a member are limited to the securities sales activities of the member, including the approval of customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the member required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registered solely as a General Securities Sales Supervisor shall not be qualified to perform any of the following activities:

- (i) Reserved;
- (ii) supervision of market making commitments;
- (iii) supervision of the custody of broker-dealer or customer funds or securities for purposes of Exchange Act Rule 15c3-3; or
- (iv) supervision of overall compliance with financial responsibility rules for broker-dealers promulgated pursuant to the provisions of the Exchange Act.

(B) **Qualifications**

Each person seeking to register as a General Securities Sales Supervisor shall, prior to or concurrent with such registration become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Sales Supervisor qualification examinations.

(11) **Investment Company and Variable Contracts Products Principal.**
Reserved.

(12) **Direct Participation Programs Principal.** Reserved.

(13) **Private Securities Offerings Principal.** Reserved.

(14) **Supervisory Analyst.** Reserved.

(b) Definition of Representative and Representative Registration Categories

(1) Definition of Representative

A "representative" is any person associated with a member, including assistant officers other than principals, who is engaged in the member's securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions.

(2) General Securities Representative

(A) Requirement

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a General Securities Representative, subject to the following exception: if a representative's activities include the functions of a Securities Trader, as specified in this Rule, then such person shall appropriately register as a Securities Trader.

(B) Qualifications

Subject to the lapse of registration provisions in General 4, Rule [Section 1.]1210.08, each person registered as a General Securities Representative on October 1, 2018 and each person who was registered as a General Securities Representative within two years prior to October 1, 2018 shall be qualified to register as a General Securities Representative without passing any additional qualification examinations. All other individuals registering as General Securities Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the General Securities Representative qualification examination.

(3) **Operations Professional.** Reserved.

(4) Securities Trader

(A) Requirement

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with the Exchange as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities, or options such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with a member

whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with a member. In addition, each person associated with a member who is: (i) primarily responsible for the design, development or significant modification of an algorithmic trading strategy relating to equity, preferred or convertible debt securities or options; or (ii) responsible for the day-to-day supervision or direction of such activities shall be required to register with the Exchange as a Securities Trader. For purposes of paragraph (b)(4) of this Rule, an "algorithmic trading strategy" is an automated system that generates or routes orders (or order-related messages) but shall not include an automated system that solely routes orders received in their entirety to a market center.

(B) Qualifications

Subject to the lapse of registration provisions in General 4, Rule [Section 1.]1210.08, each person registered as a Securities Trader on October 1, 2018 and each person who was registered as a Securities Trader within two years prior to October 1, 2018 shall be qualified to register as a Securities Trader without passing any additional qualification examinations. All other individuals registering as Securities Traders after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Securities Trader qualification examination.

(5) Investment Banking Representative - Reserved.

(6) Research Analyst - Reserved.

(7) Investment Company and Variable Products Representative - Reserved.

(8) Direct Participation Programs Representative - Reserved.

(9) Private Securities Offerings Representative - Reserved.

••• Supplementary Material: --

.01 Foreign Registrations. Persons who are in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

.02 Additional Qualification Requirements for Persons Engaged in Security Futures Activities. Each person who is registered with the Exchange as a General Securities Representative, Options Representative, Registered Options Principal or General Securities Sales Supervisor shall be eligible to engage in security futures activities as a representative or principal, as applicable, provided that such individual completes a Firm Element program as set forth in General 4, Rule [Section 1.]1240 that addresses security

futures products before such person engages in security futures activities.

.03 Members With One Registered Options Principal. A member that has one Registered Options Principal shall promptly notify the Exchange in the event such person is terminated, resigns, becomes incapacitated or is otherwise unable to perform the duties of a Registered Options Principal. Following receipt of such notification, the Exchange shall require the member to agree, in writing, to refrain from engaging in any options-related activities that would necessitate the prior or subsequent approval of a Registered Options Principal until such time as a new Registered Options Principal has been qualified. Members failing to qualify a new Registered Options Principal within two weeks following the loss of their sole Registered Options Principal, or by the earliest available date for administration of the Registered Options Principal examination, whichever is longer, shall be required to cease doing an options business; provided, however, they may effect closing transactions in options to reduce or eliminate existing open options positions in their own account as well as the accounts of their customers.

.04 Scope of General Securities Sales Supervisor Registration Category. The General Securities Sales Supervisor category is an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Without this category of limited registration, such principals would be required to separately qualify pursuant to the rules of multiple exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the General Securities Sales Supervisor examinations permit qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal registration may supervise sales activities of all securities by also qualifying as General Securities Sales Supervisors. Any person required to be registered as a principal who supervises sales activities in corporate, municipal and option securities, investment company products, variable contracts, direct participation program securities and security futures may be registered solely as a General Securities Sales Supervisor. In addition to branch office managers, other persons such as regional and national sales managers may also be registered solely as General Securities Sales Supervisors as long as they supervise only sales activities.

.05 Scope of Operations Professional Requirement. Reserved.

.06 Eliminated Registration Categories. Subject to the lapse of registration provisions in General 4, Rule [Section 1.]1210.08, each person who is registered with the Exchange in any capacity recognized by the Exchange immediately prior to October 1, 2018, and each person who was registered with the Exchange in such categories within two years prior to October 1, 2018, shall be eligible to maintain such registrations with the Exchange. However, if persons registered in such categories subsequently terminate such registration(s) with the Exchange and the registration remains terminated for two or more years, they shall not be eligible to re-register in such categories.

Persons registered as Order Processing Assistant Representatives shall be subject to the following conditions: (a) An Assistant Representative—Order Processing may not solicit transactions or new accounts on behalf of the member, render investment advice, make recommendations to customers regarding the appropriateness of securities transactions, or effect transactions in securities markets on behalf of the member. Persons registered in this category may not be registered concurrently in any other capacity. (b) Compensation—Members may only compensate Assistant Representatives-Order Processing on an hourly wage or salaried basis and may not in any way, directly or indirectly, relate their compensation to the number or size of transactions effected for customers. This provision shall not prohibit persons registered in this capacity from receiving bonuses or other compensation based on a member's profit sharing plan or similar arrangement. (c) Supervision—The activities of Assistant Representatives—Order Processing may only be conducted at a business location of the member that is under the direct supervision of an appropriately registered principal.

.07 Summary of Qualification Requirements. The following sets forth the qualification requirements for each of the required registration categories described In General 4, Rule [Section 1.]1220:

CATEGORY OF REGISTRATION	QUALIFICATION BEGINNING OCTOBER 1, 2018
General Securities Principal (GP) *	Registration as a General Securities Representative and pass the General Securities Principal qualification examination (Series 24)
Compliance Official (CO) *	Pass the Compliance Official Exam (Series 14)
Financial and Operations Principal (FN) *	Pass the Financial and Operations Principal qualification examination (Series 27)
Securities Trader Principal (TP) *	Registration as a Securities Trader and pass the General Securities Principal qualification examination (Series 24)
Registered Options Principal (OP) *	Registration as General Securities Representative and pass the Registered Options Principal qualification examination

(Series 4)

General Securities Sales Supervisor (SU)	Registration as a General Securities Representative and pass the General Securities Sales Supervisor qualification examinations (Series 9 and Series 10)
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General Securities Representative (GS)	Pass the SIE and the General Securities Representative qualification examination (Series 7)
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Securities Trader (TD)	Pass the SIE and the Securities Trader qualification examination (Series 57)
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Securities Trader Compliance Officer (CT)	Registration as a Securities Trader and pass the Compliance Official Exam (Series 14)
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* A member may designate a person registered with the member as a representative to function as a principal for a period of 120 calendar days prior to passing an appropriate principal qualification examination subject to the conditions of General 4, Rule [Section 1.]1210.04.

[1.]1230. Associated Persons Exempt from Registration

The following persons associated with a member are not required to be registered with the Exchange:

- (1) persons associated with a member whose functions are solely and exclusively clerical or ministerial;
- (2) persons associated with a member whose functions are related solely and exclusively to:
 - (A) effecting transactions on the floor of another national securities exchange and who are appropriately registered with such exchange;
 - (B) transactions in municipal securities;
 - (C) transactions in commodities;
 - (D) transactions in security futures, provided that any such person is registered with FINRA or a registered futures association; or

(E) transactions in variable contracts and insurance premium funding programs and other contracts issued by an insurance company;

(F) transactions in direct participation programs;

(G) Reserved.

(H) transactions in government securities; or

(I) effecting sales as part of a primary offering of securities not involving a public offering pursuant to Section 3(b), 4(2), or 4(6) of the Securities Act of 1933 and the rules and regulations thereunder.

(3) Persons associated with a member that are not citizens, nationals, or residents of the United States or any of its territories or possessions and that will conduct all of their securities activities in areas outside the jurisdiction of the United States and will not engage in any securities activities with or for any citizen, national or resident of the United States.

••• **Supplementary Material:** --

.01 Registration Requirements for Associated Persons Who Accept Customer Orders. The function of accepting customer orders is not considered a clerical or ministerial function. Each person associated with a member who accepts customer orders under any circumstances shall be registered in an appropriate registration category pursuant to General 4, Rule [Section 1.]1220. An associated person shall not be considered to be accepting a customer order where occasionally, when an appropriately registered person is unavailable, the associated person transcribes order details submitted by a customer and the registered person contacts the customer to confirm the order details before entering the order.

[1.]1240. Continuing Education Requirements

This Rule prescribes requirements regarding the continuing education of specified persons subsequent to their initial registration with the Exchange. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(a) **Regulatory Element**

(1) **Requirements**

All covered persons shall comply with the requirement to complete the Regulatory Element.

Each covered person shall complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element

must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element shall be appropriate to either the registered representative or principal status of the person subject to the Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to General 4, Rule [Section 1.]1210.09 shall be determined based on the person's most recent registration status and the Regulatory Element shall be completed based on the same cycle had the person remained registered.

(2) Failure to Complete

Unless otherwise determined by the Exchange, any covered persons who have not completed the Regulatory Element within the prescribed time frames will have their registrations deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. Further, such person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the member with which such person is associated has a policy prohibiting such trail or residual commissions. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of General 4, Rule [Section 1.]1210 and General 4, Rule [Section 1.]1220. The Exchange may, upon application and a showing of good cause, allow for additional time for a covered person to satisfy the program requirements. If a person designated as eligible for a waiver pursuant to General 4, Rule [Section 1.]1210.09 fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver.

(3) Disciplinary Actions

Unless otherwise determined by the Exchange, a covered person other than a person designated as eligible for a waiver pursuant to General 4, Rule [Section 1.]1210.09 will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(A) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;

(B) is subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency,

securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or self-regulatory organization.

The retaking of the Regulatory Element shall commence with participation within 120 days of the covered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) and (C) above. The date of the disciplinary action shall be treated as such person's new base date with the Exchange.

(4) Re-association in a Registered Capacity

Any covered person who has terminated association with a member and who has, within two years of the date of termination, become re-associated in a registered capacity with a member shall participate in the Regulatory Element at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of re-association in a registered capacity.

(5) Definition of Covered Person

For purposes of this Rule, the term "covered person" means any person registered with the Exchange pursuant to General 4, Rule [Section 1.]1210, including any person who is permissively registered pursuant to General 4, Rule [Section 1.]1210.02, and any person who is designated as eligible for a waiver pursuant to General 4, Rule [Section 1.]1210.09.

(6) Delivery of the Regulatory Element

The continuing education Regulatory Element will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange.

(7) Regulatory Element Contact Person

Each member shall designate and identify (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository regarding when a covered person is approaching the end of his or her Regulatory Element time frame and when a covered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) in the manner prescribed by Exchange Rules.

(b) Firm Element**(1) Persons Subject to the Firm Element**

The requirements of this subparagraph shall apply to any person registered with a member who has direct contact with customers in the conduct of the member's securities sales and trading activities, and to the immediate supervisors of such persons (collectively, "covered registered persons"). "Customer" shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through a member.

(2) Standards for the Firm Element

(A) Each member must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's training plan.

(B) Minimum Standards for Training Programs — Programs used to implement a member's training plan must be appropriate for the business of the member and, at a minimum must cover training in ethics and professional responsibility and the following matters concerning securities products, services, and strategies offered by the member:

- (i) General investment features and associated risk factors;
- (ii) Suitability and sales practice considerations; and
- (iii) Applicable regulatory requirements.

(C) Administration of Continuing Education Program — A member must administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) Participation in the Firm Element

Covered registered persons included in a member's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the member.

(4) Specific Training Requirements

The Exchange may require a member, individually or as part of a larger group, to provide specific training to its covered registered persons in such areas as the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

[1.]1250. Electronic Filing Requirements for Uniform Forms

(a) Filing Requirement

All forms required to be filed under the Exchange's registration rules including the General 4, Rule [Section 1.]1200 Series shall be filed through an electronic process or such other process as the Exchange may prescribe to the Central Registration Depository.

(b) Supervisory Requirements

(1) In order to comply with the supervisory procedures requirements in the Exchange's rules, each member shall identify a Registered Principal(s) or corporate officer(s) who has a position of authority over registration functions, to be responsible for supervising the electronic filing of appropriate forms pursuant to this Rule.

(2) The Registered Principal(s) or corporate officer(s) who has or have the responsibility to review and approve the forms filed pursuant to this Rule shall be required to acknowledge, electronically, that he is filing this information on behalf of the member and the member's associated persons.

(c) Form U4 Filing Requirements

(1) Except as provided in paragraphs (c)(2) and (c)(3) below, every initial and transfer electronic Form U4 filing and any amendments to the disclosure information on Form U4 shall be based on a manually signed Form U4 provided to the member or applicant for membership by the person on whose behalf the Form U4 is being filed. As part of the member's recordkeeping requirements, it shall retain the person's manually signed Form U4 or amendments to the disclosure information on Form U4 in accordance with Exchange Act Rule 17a-4(e)(1) and make them available promptly upon regulatory request. An applicant for membership also shall retain in accordance with Exchange Act Rule 17a-4(e)(1) every manually signed Form U4 it receives during the application process and make them available promptly upon regulatory request.

(2) A member may file electronically amendments to the disclosure information on Form U4 without obtaining the subject associated person's manual signature on the form, provided that the member shall use reasonable efforts to:

- (A) provide the associated person with a copy of the amended disclosure information prior to filing; and
- (B) obtain the associated person's written acknowledgment (which may be electronic) prior to filing that the information has been received and reviewed. As part of the member's recordkeeping requirements, the member shall retain this acknowledgment in accordance with Exchange Act Rule 17a-4(e)(1) and make it available promptly upon regulatory request
- (3) In the event a member is not able to obtain an associated person's manual signature or written acknowledgement of amended disclosure information on Form U4 prior to filing of such information pursuant to paragraph (c)(1) or (2), the member is obligated to file the disclosure information as to which it has knowledge in accordance with Exchange General 4, Rule [Section 1.]1220. The member shall use reasonable efforts to provide the associated person with a copy of the amended disclosure information that was filed.
- (4) A member may file electronically amendments to administrative data on Form U4 without obtaining the subject associated person's signature on the form. The member shall use reasonable efforts to provide the associated person with a copy of the amended administrative information that was filed.

(d) Fingerprint Information

Upon filing an electronic Form U4 on behalf of a person applying for registration, a member shall promptly submit fingerprint information for that person. The Exchange may make a registration effective pending receipt of the fingerprint information. If a member fails to submit the fingerprint information within 30 days after filing of an electronic Form U4, the person's registration shall be deemed inactive. In such case, the person must immediately cease all activities requiring registration and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange shall administratively terminate a registration that is inactive for a period of two years. A person whose registration is administratively terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of Exchange General 4, Rule [Section 1.]1220. Upon application and a showing of good cause, the Exchange may extend the 30-day period.

(e) Form U5 Filing Requirements.

Initial filings and amendments of Form U5 shall be submitted electronically. As part of the member's recordkeeping requirements, it shall retain such records for a period of not less than three years, the first two years in an easily accessible place, in accordance with Exchange Act Rule 17a-4, and make such records available promptly upon regulatory request.

••• Supplementary Material: --

.01 Delegation of Filing Functions. The designated registered principal(s) or corporate officer(s) required by paragraph (b)(1) to supervise the member's electronic filings may delegate to an associated person (who need not be registered) the electronic filing of the member's appropriate forms via Web CRD. The registered principal(s) or corporate officer(s) responsible for supervising the member's electronic filings may also delegate to the associated person making the electronic filings the requirement in paragraph (b)(2) to acknowledge, electronically, that he is making the filing on behalf of the member and the member's associated persons. However, the registered principal(s) or corporate officer(s) may not delegate any of the supervision, review, and approval responsibilities mandated in paragraphs (b)(1) and (2) and shall take reasonable and appropriate action to ensure that all delegated electronic filing functions are properly executed and supervised.

.02 Third Party Agreements. A member may enter into an agreement with a third party pursuant to which the third party agrees to file the required forms electronically on behalf of the member and the member's associated persons. Notwithstanding the existence of such an agreement, the member remains responsible for complying with the requirements of this Rule.

.03 Filing of Amendments Involving Disclosure Information. In the event a member is not able to obtain an associated person's manual signature or written acknowledgement of amended disclosure information on that person's Form U4 prior to filing of such amendment reflecting the information pursuant to paragraph (c)(3) (examples of reasons why a member may not be able to obtain the manual signature or written acknowledgement may include, but are not limited to, the associated person refuses to acknowledge such information, is on active military service or otherwise is unavailable during the period provided for filing of such amendments under Exchange General 4, Rule [Section 1.]1220), the member shall enter "Representative Refused to Sign/Acknowledge" or "Representative Not Available" or a substantially similar entry in the electronic Form U4 field for the associated person's signature.

.04 Filing of Amendments Involving Administrative Information. For purposes of paragraph (c)(4) of the Rule, administrative data includes such items as the addition of state or self regulatory organization registrations, exam scheduling, and updates to residential, business and personal history.

General 5 Discipline

* * * * *

IM-9216. Violations Appropriate for Disposition Under Plan Pursuant to SEC Rule 19d-1(c)(2)

- General 9, Sections 3 and 4 — Communications with the public.
- [Rule 3360]Equity 9, Section 9 — Failure to timely file reports of short positions on

Form NS-1.

- General 9, Section 30 — Failure to keep and preserve books, accounts, records, memoranda, and correspondence in conformance with all applicable laws, rules, regulations and statements of policy promulgated thereunder, and with the Rules of Nasdaq.
- General 5, Rule 8211 — Failure to submit trading data as requested.
- General 3, Rule 1013 — Failure to timely submit amendments to Form BD.
- General 4, Rule [Section 1.]1210.12 — Failure to timely submit amendments to Form U4.
- General 3, Rule 1013 — Failure to timely submit amendments to Form U5.
- General 4, Rule [Section 1.]1240 — Failure to comply with the Firm Element of the continuing education requirements.
- General 9, Section 20(b) — Failure to timely file reports pursuant to the Taping Rule.
- General 9, Section 27 — Failure to timely file reports.
- [Rule 4619]Equity 2, Section 10(e) — Failure to timely file notifications pursuant to SEC Regulation M.
- Equity 5, Sections 4 and 5 — Failure to submit data in accordance with the Order Audit Trail System ("OATS").
- Equity 11, Rule 11870 — Failure to abide by Customer Account Transfer Contracts.
- Failure to provide or update contact information as required by Nasdaq Rules.
- Nasdaq Options Market Rules, Options 11, Section 1 - Penalty for Minor Rule Violations for Options Trading
- SEC Exchange Act Rule 604 — Failure to properly display limit orders.
- SEC Exchange Act Rule 605(b)(5) — Failure to properly update published quotations in certain Electronic Communication Networks ("ECNs").
- SEC Exchange Act Rule 17a-5 — Failure to timely file FOCUS reports and annual audit reports.
- SEC Exchange Act Rule 17a-10 — Failure to timely file Schedule I.

- General 7 — Failure to comply with the Consolidated Audit Trail Compliance Rule requirements.

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9400. Expedited Client Suspension Proceeding

(a) Initiation of Proceeding

(1) *Scope of Authority.* With the prior written authorization of the Chief Regulatory Officer ("CRO") or such other senior officers as the CRO may designate, the Nasdaq Regulation Department or the Department of Enforcement may initiate an expedited suspension proceeding with respect to alleged violations of General 9, Section 53[Rule 2170 or Options 9, Section 4] (Disruptive Quoting and Trading Activity Prohibited).

(2) – (3) No change.

(b) – (c) No change.

(d) Issuance of Suspension Order by Hearing Panel

(1) No change.

(2) *Content, Scope, and Form of Order.* A suspension order shall:

(A) be limited to: (i) ordering a Respondent to cease and desist from violating General 9, Section 53[Rule 2170 or Options 9, Section 4], and/or (ii) ordering a Respondent to cease and desist from providing access to the Exchange to a client of Respondent that is causing violations of General 9, Section 53[Rule 2170 or Options 9, Section 4];

* * * * *

9630. Appeal

(a) Notice

An Applicant may file a written notice of appeal within 15 calendar days after service of a decision issued under Rule 9620. The notice of appeal shall be filed with the Nasdaq Regulation Department, with a copy of the notice also provided to the appropriate Nasdaq Regulation Department staff. The notice of appeal shall contain a brief statement of the findings and conclusions as to which exception is taken. Appeals of decisions issued by Nasdaq Regulation Department staff pursuant to Rule 9620 shall be decided by the Nasdaq Review Council, except with respect to exemptive relief under General 4, Rule [Section 1.]1210.03, which shall be decided by the Waiver Subcommittee of the Nasdaq Review Council. If the Applicant does not want the

decision on the appeal to be publicly available in whole or in part, the Applicant also shall include in its notice of appeal a detailed statement, including supporting facts, showing good cause for treating the decision as confidential in whole or in part. The notice of appeal shall be signed by the Applicant.

(b) – (c) No change.

(d) Oral Argument

(1) No change.

(2) With respect to exemptive relief requested under General 4, Rule [Section 1.]1210.03, the Waiver Subcommittee of the Nasdaq Review Council may order oral argument and consider any new evidence if the Applicant can show good cause for not including it in its application.

(e) Decision

(1) No change.

(2) With respect to exemptive relief requested under General 4, Rule [Section 1.]1210.03, after considering all matters on appeal, the Waiver Subcommittee of the Nasdaq Review Council shall affirm, modify, or reverse the decision issued under Rule 9620. The Waiver Subcommittee shall issue a written decision setting forth its findings and conclusions and serve the decision on the Applicant. The decision shall be served pursuant to Rules 9132 and 9134. The decision shall be effective upon service and shall constitute final action of Nasdaq. The Waiver Subcommittee shall retain the discretion to refer the appeal to the Nasdaq Review Council, in which case the Nasdaq Review Council shall act on such appeal pursuant to its authority under General 5.

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General 9 Regulation

Section 1. General Standards

(a) Standards of Commercial Honor and Principles of Trade

A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

(b) Prohibition Against Trading Ahead of Customer Orders

Nasdaq members and persons associated with a member shall comply with FINRA Rule 5320 as if such Rule were part of Nasdaq's rules.

For purposes of this Rule: (1) references to Rules 4512, 5310, 5320, and 7440 shall be construed as references to General 9, Section 45 and Nasdaq Rules [4512A,]5310A, 5320A, and Equity 5, Section 4, respectively; (2) Rule 5320.02(b) and the reference to Rule 6420 therein shall be disregarded, (3) references to "FINRA" shall be construed as references to "Nasdaq". (4) Nasdaq members and persons associated with a member relying upon the exemption set forth in FINRA Rule 5320.03 shall comply with the reporting requirements stated therein. Nasdaq and FINRA are parties to the Regulatory Contract pursuant to which FINRA has agreed to perform certain functions on behalf of Nasdaq. Therefore, Nasdaq members are complying with Nasdaq Rule 5320A.03 by complying with FINRA Rule 5320.03 as written, including, for example, reporting requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under Nasdaq Rule 5320A.03 are being performed by FINRA on behalf of Nasdaq.

* * * * *

Section 10. Recommendations to Customers (Suitability)

(a) – (b) No change.

(1) References to Rules 2111 and 4512 shall be construed as references to [Nasdaq Rules 2111A and 4512A]General 9, Sections 10 and 45, respectively;

(2) – (3) No change.

(c) No change.

* * * * *

Section 12. Customer Account Statements

(a) No change.

(b) For purposes of this Rule, references to Rule 2310, Rule 4512, and Rule 11860 shall be construed as references to [Nasdaq Rule 2310A]Equity 10, Section 1, General 9, Section 45, and Nasdaq Rule 11860.

(c) No change.

* * * * *

Section 14. Approval Procedures for Day-Trading Accounts

(a) Nasdaq Members shall comply with FINRA Rule 2130 as if such Rule were part of Nasdaq's Rules. For purposes of this Rule, references to Rule 2361 and Rule 3110 shall be construed as references to [Nasdaq Rule 2361 and Nasdaq Rule 3110]General 9, Sections 14 and 30.

(b) – (c) No change.

* * * * *

Section 18. Payments for Market Making

(a) – (b) No change.

(c) For purposes of this Rule, the following terms shall have the stated meanings:

(1) No change.

(A) – (B) No change.

(C) The provisions of subparagraphs (A) and (B) hereof notwithstanding, none of the following shall be presumed to be an affiliate of a member for purposes of this Rule:

(i) – (iii) No change.

(iv) a "direct participation program" as defined in [Rule 2810A]Equity 10, Section 1; and

* * * * *

Section 20. Supervision

(a) No change.

(b) No change.

(1) references to "FINRA Rules", "rules of FINRA", or "Rules of the Financial Industry Regulatory Authority" shall be construed as references to "Nasdaq Rules",

(2) the term "registered person" in FINRA Rule 3170(a)(1) shall be defined as any person registered with Nasdaq as a representative, principal, or assistant representative pursuant to the General 4, Rule [Section 1.]1200 Series of the General Equity and Options Rules,

(3) references to Article V, Section 3 of FINRA's By-Laws shall be construed as references to General 4, Rule [Section 1.]1210,

(4) references to Rule 2210 and Rule 3110 shall be construed as references to General 9, Sections 3 and 30, and

(5) references to registration with FINRA or the Financial Industry Regulatory Authority shall be construed as references to registration with Nasdaq.

(c) No change.

(d) No change.

For purposes of this Rule:

(1) references to Rule 3110 shall be construed as references to General 9, Section 20; and

(2) references to "FINRA Rules" shall be construed as references to "Nasdaq Rules".

(e) No change.

* * * * *

Section 52. Reserved.

Section 53. Disruptive Quoting and Trading Activity Prohibited

(a) No Member shall engage in or facilitate disruptive quoting and trading activity on the Exchange, as described in subsections (1) and (2) of this Rule, including acting in concert with other persons to effect such activity.

(1) For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the following facts are present:

(A) Disruptive Quoting and Trading Activity Type 1:

(i) a party enters multiple limit orders on one side of the market at various price levels (the "Displayed Orders"); and

(ii) following the entry of the Displayed Orders, the level of supply and demand for the security changes; and

(iii) the party enters one or more orders on the opposite side of the market of the Displayed Orders (the "Contra-Side Orders") that are subsequently executed; and

(iv) following the execution of the Contra-Side Orders, the party cancels the Displayed Orders.

(B) Disruptive Quoting and Trading Activity Type 2:

(i) a party narrows the spread for a security by placing an order inside the NBBO; and

(ii) the party then submits an order on the opposite side of the market that

executes against another market participant that joined the new inside market established by the order described in paragraph (B)(i).

(2) Applicability. For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the facts listed above are present. Unless otherwise indicated, the order of the events indicating the pattern does not modify the applicability of the Rule. Further, disruptive quoting and trading activity includes a pattern or practice in which of the quoting and trading activity is conducted on the Exchange as well as a pattern or practice in which some portion of the quoting or trading activity is conducted on the Exchange and the other portions of the quoting or trading activity are conducted on one or more other exchanges.

Section 54. Reserved.

Section 55. Reserved.

Section 56. Reserved.

Section 57. Reserved.

Section 58. Reserved.

Section 59. Reserved.

Section 60. Reserved.

Section 61. Reserved.

Section 62. Reserved.

Section 63. Reserved.

Section 64. Reserved.

Section 65. Reserved.

Section 66. Reserved.

Section 67. Reserved.

Section 68. Reserved.

Section 69. Reserved.

Section 70. Reserved.

Section 71. Custodian of Books and Records

A member who files a Form BDW shall designate on the Form BDW, as the custodian of the member's books and records, a person associated with the member at the time that the Form BDW is filed.

* * * * *

EQUITY RULES

Equity 1 Equity Definitions

[Equity]Section 1 Equity Definitions

(a) When used in the Equity Rules, unless the context otherwise requires:

(1) "**Customer**" The term "customer" shall not include a broker or dealer.

(2) "**Security**" Unless the context requires otherwise, the term "security" shall mean a security listed on the Exchange or traded on the Exchange pursuant to unlisted trading privileges.

(3) The term "**Nasdaq Market Center**," or "**System**" shall mean the automated system for order execution and trade reporting owned and operated by The Nasdaq Stock Market LLC. The Nasdaq Market Center comprises:

(A) a montage for Quotes and Orders, referred to herein as the "Nasdaq Book", that collects and ranks all Quotes and Orders submitted by Participants;

(B) an Order execution service that enables Participants to automatically execute transactions in System Securities; and provides Participants with sufficient monitoring and updating capability to participate in an automated execution environment;

(C) a trade reporting service that submits "locked-in" trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the National Trade Reporting System, if required, for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a "locked-in" trading environment; and

(D) data feeds that can be used to display with attribution to Participants' MPIDs all Quotes and Displayed Orders on both the bid and offer side of the market for all price levels then within the Nasdaq Market Center, and that disseminate such additional information about Quotes, Orders, and transactions within the Nasdaq Market Center as shall be reflected in the Nasdaq Rules.

(4) The term "**System Securities**" shall mean (A) all securities listed on Nasdaq and (B) all securities subject to the Consolidated Tape Association Plan and the Consolidated Quotation Plan except securities specifically excluded from trading via a list of excluded securities posted on www.nasdaqtrader.com.

(5) The term "**Participant**" shall mean an entity that fulfills the obligations contained in Equity 2, Section 3 regarding participation in the System, and shall include:

- (A) "Nasdaq ECNs," members that meet all of the requirements of Equity 2, Section 14, and that participates in the System with respect to one or more System Securities.
- (B) "Nasdaq Market Makers" or "Market Makers", members that are registered as Nasdaq Market Makers for purposes of participation in the System on a fully automated basis with respect to one or more System securities.
- (C) "Order Entry Firms," members that are registered as Order Entry Firms for purposes of entering orders in System Securities into the System. This term shall also include any Electronic Communications Network or Alternative Trading System (as such terms are defined in Regulation NMS) that fails to meet all the requirements of Equity 2, Section 14.
- (6) The term "Quote" means a single bid or offer quotation submitted to the System by a Market Maker or Nasdaq ECN and designated for display (price and size) next to the Participant's MPID in the Nasdaq Book. Quotes are entered in the form of Orders with Attribution (as defined in Rule 4703). Accordingly, all Quotes are also Orders.
- (7) The term "Order" means an instruction to trade a specified number of shares in a specified System Security submitted to the Nasdaq Market Center by a Participant. An "Order Type" is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. An "Order Attribute" is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. The available Order Types and Order Attributes, and the Order Attributes that may be associated with particular Order Types, are described in Rules 4702 and 4703. One or more Order Attributes may be assigned to a single Order; provided, however, that if the use of multiple Order Attributes would provide contradictory instructions to an Order, the System will reject the Order or remove non-conforming Order Attributes.
- (8) The term "ET" means Eastern Standard Time or Eastern Daylight Time, as applicable.
- (9) The term "Market Hours" means the period of time beginning at 9:30 a.m. ET and ending at 4:00 p.m. ET (or such earlier time as may be designated by Nasdaq on a day when Nasdaq closes early). The term "System Hours" means the period of time beginning at 4:00 a.m. ET and ending at 8:00 p.m. ET (or such earlier time as may be designated by Nasdaq on a day when Nasdaq closes early). The term "Pre-Market Hours" means the period of time beginning at 4:00 a.m. ET and ending immediately prior to the commencement of Market Hours. The term "Post-Market Hours" means the period of time beginning immediately after the end of Market Hours and ending at 8:00 p.m. ET.

Nasdaq notes that in certain contexts, times cited in the Nasdaq Rules may be approximate. For example, for a System Security in which the Nasdaq Opening Cross occurs, the first transactions executed during Market Hours will occur in the Nasdaq Opening Cross. However, because Nasdaq Opening Crosses for different System Securities occur sequentially rather than simultaneously, the first Market Hours transactions in a particular System Security are likely to occur during a brief period following 9:30 a.m. ET, not precisely at 9:30 a.m. ET.

(10) The term "**marketable**" with respect to an Order to buy (sell) means that, at the time it is entered into the System, the Order is priced at the current Best Offer or higher (at the current Best Bid or lower).

(11) The term "**market participant identifier**" or "**MPID**" means a unique four-letter mnemonic assigned to each Participant in the Nasdaq Market Center. A Participant may have one or more than one MPID.

(12) The terms "**Best Bid**", "**Best Offer**", "**National Best Bid and National Best Offer**", "**Protected Bid**", "**Protected Offer**", "**Protected Quotation**" and "**Intermarket Sweep Order**" shall have the meanings assigned to them under Rule 600 under SEC Regulation NMS; provided, however, that the terms "Best Bid", "Best Offer", "Protected Bid", "Protected Offer", and "Protected Quotation" shall, unless otherwise stated, refer to the bid, offer, or quotation of a market center other than Nasdaq. The term "**NBBO**" shall mean the "National Best Bid and National Best Offer".

(13) The term "**minimum price increment**" means \$0.01 in the case of a System Security priced at \$1 or more per share, and \$0.0001 in the case of a System Security priced at less than \$1 per share.

(14) The term "**System Book Feed**" shall mean a data feed for System Securities, generally known as the TotalView ITCH feed.

Equity 2 Market Participants

Section 1. Scope

Unless otherwise specified, the rules set forth in Equity 2 apply only to the quoting and trading of System securities via the Nasdaq Market Center.

Section 2. Definitions

(a) For purposes of Equity 2, unless the context requires otherwise:

(1) "Stabilizing bid" means the terms "stabilizing" or to "stabilize" as defined in SEC Rule 100.

(2) "Underwriting Activity Report" is a report provided by the Corporate Financing Department of FINRA in connection with a distribution of securities subject to SEC Rule 101 pursuant to FINRA Rule 5190 and includes forms that are submitted by members to comply with their notification obligations under Equity 2, Sections 6, 10, and 15.

(b) For purposes of Equity 2, Sections 6, 10, and 15, the following terms shall have the meanings as defined in SEC Rule 100: "affiliated purchaser," "distribution," "distribution participant," "independent bid," "net purchases," "passive market maker," "penalty bid," "reference security," "restricted period," "subject security," and "syndicate covering transaction."

Section 3. Nasdaq Market Center Participant Registration

(a) Participation in the Nasdaq Market Center as a Nasdaq Market Maker, Nasdaq ECN or Order Entry Firm requires current registration as such with Nasdaq. Such registration shall be conditioned upon the participant's initial and continuing compliance with the following requirements:

(1) execution of applicable agreements with Nasdaq;

(2) membership in, or access arrangement with a participant of, a clearing agency registered with the Commission which maintains facilities through which Nasdaq Market Center compared trades may be settled;

(3) compliance with all applicable rules and operating procedures of Nasdaq and the Commission in their use of the System;

(4) maintenance of the physical security of the equipment located on the premises of the Nasdaq Market Maker, Nasdaq ECN or Order Entry Firm to prevent the improper use or access to Nasdaq systems, including unauthorized entry of information into the Nasdaq Market Center;

(5) acceptance and settlement of each Nasdaq Market Center trade that the Nasdaq Market Center identifies as having been effected by such participant, or if settlement is to be made through another clearing member, guarantee of the acceptance and settlement of such identified Nasdaq Market Center trade by the clearing member on the regularly scheduled settlement date; and

(6) input of accurate information into the System, including, but not limited to, whether the member acted in a principal, agent, or riskless principal capacity.

A member's registration shall become effective upon receipt by the member of notice of an approval of registration by Nasdaq. The registration required hereunder will apply solely to the qualification of a Participant to participate in the System. Such registration shall not be conditioned upon registration in any particular Nasdaq Market

Center securities.

(b) Each Nasdaq Market Maker, Nasdaq ECN or Order Entry Firm shall be under a continuing obligation to inform Nasdaq of noncompliance with any of the registration requirements set forth above.

(c) Nasdaq may impose upon any Nasdaq Market Maker, Nasdaq ECN or Order Entry Firm such temporary restrictions upon the automated entry or updating of orders or Quotes/Orders as Nasdaq may determine to be necessary to protect the integrity of Nasdaq's systems. For example, such temporary restrictions may be necessary to address a system problem at a particular Nasdaq Market Maker, Nasdaq ECN or Order Entry Firm or at Nasdaq, or an unexpected period of extremely high message traffic. The scope of any such restrictions shall be communicated to the affected Nasdaq Market Maker, Nasdaq ECN or Order Entry Firm in writing.

Section 4. Registration as a Nasdaq Market Maker

(a) Quotations and quotation sizes may be entered into the Nasdaq Market Center only by a member registered as a Nasdaq Market Maker or other entity approved by Nasdaq to function in a market-making capacity.

(b) A Nasdaq Market Maker may become registered in an issue by entering a registration request via a Nasdaq approved electronic interface with Nasdaq's systems or by contacting Nasdaq Market Operations. Registration shall become effective on the day the registration request is entered.

(c) A Nasdaq Market Maker's registration in an issue shall be terminated by Nasdaq if the market maker fails to enter quotations in the issue within five (5) business days after the market maker's registration in the issue becomes effective.

Section 5. Market Maker Obligations

A member registered as a Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule.

(a) Quotation Requirements and Obligations

(1) Two-Sided Quote Obligation. For each security in which a member is registered as a Market Maker, the member shall be willing to buy and sell such security for its own account on a continuous basis during regular market hours and shall enter and maintain a two-sided trading interest ("**Two-Sided Obligation**") that is identified to the Exchange as the interest meeting the obligation and is displayed in the Exchange's quotation montage at all times. Interest eligible to be considered as part of a Market Maker's Two-Sided Obligation shall have a displayed quotation size of at least one normal unit of trading (or a larger multiple thereof); provided, however, that a Market Maker may augment its Two-Sided Obligation size to display limit

orders priced at the same price as the Two- Sided Obligation. Unless otherwise designated, a "normal unit of trading" shall be 100 shares. After an execution against its Two-Sided Obligation, a Market Maker must ensure that additional trading interest exists in the Exchange to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on the Exchange book that will satisfy this obligation.

(2) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) a Market Maker shall adhere to the pricing obligations established by this Rule during Regular Trading Hours; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor

(A) Bid Quotations. At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage away from the then current National Best Bid, or if no National Best Bid, not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the National Best Bid (or if no National Best Bid, the last reported sale) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (or if no National Best Bid, the last reported sale), or if the bid is executed or cancelled, the Market Maker shall enter new bid interest at a price not more than the Designated Percentage away from the then current National Best Bid (or if no National Best Bid, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(B) Offer Quotations. At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be not more than the Designated Percentage away from the then current National Best Offer, or if no National Best Offer, not more than the Designated Percentage away from the last reported sale received from the responsible single plan processor. In the event that the National Best Offer (or if no National Best Offer, the last reported sale) decreases to a level that would cause the offer interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Offer (or if no National Best Offer, the last reported sale), or if the offer is executed or cancelled, the Market Maker shall enter new offer interest at a price not more than the Designated Percentage away from the then current National Best Offer (or if no National Best Offer, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(C) The National Best Bid and Offer shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

(D) For purposes of this Rule, the "Designated Percentage" shall be 8% for all Tier 1 NMS Stocks under the LULD Plan, 28% for all Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than \$1, and 30% for all Tier 2 NMS Stocks with a price less than \$1, except that prior to 9:45 a.m. and between 3:35 p.m. and the close of trading, the Designated Percentage shall be 20% for all Tier 1 NMS Stocks under the LULD Plan, 28% for all Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than \$1, and 30% for all Tier 2 NMS Stocks under the LULD Plan with a price less than \$1. The Designated Percentage for rights and warrants shall be 30%.

(E) For purposes of this Rule, the "Defined Limit" shall be 9.5% for Tier 1 NMS Stocks under the LULD Plan, 29.5% for all Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than \$1, and 31.5% for all Tier 2 NMS Stocks under the LULD Plan with a price less than \$1, except that prior to 9:45 a.m. and between 3:35 p.m. and the close of trading, the Defined Limit shall be 21.5% for all Tier 1 NMS Stocks under the LULD Plan, 29.5% for all Tier 2 NMS Stocks under the LULD Plan with a price equal to or greater than \$1, and 31.5% for all Tier 2 NMS Stocks under the LULD Plan with a price less than \$1. The Defined Limit for rights and warrants shall be 31.5%.

(F) Reserved.

(G) Reserved.

(H) Nothing in this Rule shall preclude a Market Maker from quoting at price levels that are closer to the National Best Bid and Offer than the levels required by this Rule.

(I) The minimum quotation increment for quotations of \$1.00 or above in all System Securities shall be \$0.01. The minimum quotation increment in the System for quotations below \$1.00 in System Securities shall be \$0.0001.

(J) The individual Market Participant Identifier ("MPID") assigned to a member to meet its Two-Sided Obligation pursuant to subparagraph (a)(1) of this Rule, or Equity 2, Section 14, shall be referred to as the member's "Primary MPID." Market Makers and ECNs may request the use of additional MPIDs that shall be referred to as "Supplemental MPIDs." A Market Maker may request the use of Supplemental MPIDs for displaying Attributable Quotes/Orders in the Nasdaq Quotation Montage for any security in which it is registered and meets the obligations set forth in subparagraph (1) of this rule. An ECN may request the use of Supplemental MPIDs for displaying Attributable Quotes/Orders in the Nasdaq Quotation Montage for any security in which it meets the obligations set forth in

Equity 2, Section 14. A Market Maker or ECN that ceases to meet the obligations appurtenant to its Primary MPID in any security shall not be permitted to use a Supplemental MPID for any purpose in that security.

(K) Market Makers and ECNs that are permitted the use of Supplemental MPIDs for displaying Attributable Quotes/Orders pursuant to subparagraph (2) of this rule are subject to the same rules applicable to the members' first quotation, with two exceptions: (a) the continuous two-sided quote requirement and excused withdrawal procedures described in subparagraph (1) above do not apply to Market Makers' Supplemental MPIDs; and (b) Supplemental MPIDs may not be used by Market Makers to engage in passive market making or to enter stabilizing bids pursuant to Equity 2, Sections 6 and 10.

(b) Firm Quotations

(1) All quotations and orders to buy and sell entered into the System by Nasdaq Market Makers, Nasdaq ECNs, and Nasdaq Order Entry firms are firm and automatically executable for their displayed and non-displayed size in the System.

(c) Impaired Ability to Enter or Update Quotations

In the event that a Nasdaq Market Maker's ability to enter or update quotations is impaired, the market maker shall immediately contact Nasdaq Market Operations to request the withdrawal of its quotations.

In the event that a Nasdaq Market Maker's ability to enter or update quotations is impaired and the market maker elects to remain in Nasdaq, the Nasdaq Market Maker shall execute an offer to buy or sell received from another member at its quotations as disseminated through the Nasdaq Market Center.

(d) Reserved

(e) Locked and Crossed Markets

(1) Locked and Cross Markets within the System: Any quotes or orders that are entered into the System that would lock or cross another order in the System will be executed by the System. This processing, set forth in Rule 4757, ensures that no locked or crossed markets can exist within the System and that price improvement is allocated fairly.

(2) Inter-market Locked and Crossed Markets. Beginning March 5, 2007, the provisions of this subsection (e)(2) shall apply to the trading of securities governed by Regulation NMS.

(A) Definitions. For purposes of this Rule, the following definitions shall apply:

(i) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

(ii) The term crossing quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(iii) The term locking quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(B) Prohibition. Except for quotations that fall within the provisions of paragraph (D) of this Rule, Nasdaq members shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan.

(C) Manual quotations. If a member of the Exchange displays a manual quotation that locks or crosses a quotation previously disseminated pursuant to an effective national market system plan, such member of the Exchange shall promptly either withdraw the manual quotation or route an intermarket sweep order to execute against the full displayed size of the locked or crossed quotation.

(D) Exceptions.

(i) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(ii) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(iii) The locking or crossing quotation was an automated quotation, and the Nasdaq member displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

(iv) The locking or crossing quotation was a manual quotation that locked or crossed another manual quotation, and the member of the Exchange displaying the locking or crossing manual quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of the locked or crossed manual quotation.

Section 6. Stabilizing Bids

(a) Nasdaq Market Maker Obligation/Identifier

A Nasdaq Market Maker that intends to stabilize the price of a security that is a subject or reference security under SEC Rule 101 shall submit a request to Nasdaq MarketWatch for the entry of a one-sided bid that is identified on Nasdaq as a stabilizing bid in compliance with the standards set forth in this Rule and SEC Rules 101 and 104.

(b) Eligibility

Only one Nasdaq Market Maker in a security may enter a stabilizing bid.

(c) Limitations on Stabilizing Bids

(1) A stabilizing bid shall not be entered in Nasdaq unless at least one other Nasdaq Market Maker in addition to the market maker entering the stabilizing bid is registered as a Nasdaq Market Maker in the security and entering quotations that are considered an independent bid under SEC Rule 104.

(2) A stabilizing bid must be available for all freely tradable outstanding securities of the same class being offered.

(d) Submission of Request to Nasdaq

(1) A Nasdaq Market Maker that wishes to enter a stabilizing bid shall submit a request to Nasdaq MarketWatch for entry on Nasdaq of a one-sided bid identified as a stabilizing bid. The Nasdaq Market Maker shall confirm its request in writing no later than the close of business the day the stabilizing bid is entered by submitting an Underwriting Activity Report to Nasdaq MarketWatch that includes the information required by subparagraph (d)(2).

(2) In lieu of submitting the Underwriting Activity Report as set forth in subparagraph (d)(1), the market maker may provide written confirmation to Nasdaq MarketWatch that shall include:

(A) the identity of the security and its symbol;

(B) the contemplated effective date of the offering and the date when the offering

will be priced;

(C) the date and time that an identifier should be included on Nasdaq; and

(D) a copy of the cover page of the preliminary or final prospectus or similar offering document, unless Nasdaq determines otherwise.

Section 7. Reports

A Nasdaq Market Maker, Nasdaq ECN, or Order Entry Firm shall make such reports to Nasdaq as may be prescribed from time to time by Nasdaq.

Section 8. Normal Business Hours

The System operates from 4:00 a.m. to 8:00 p.m. Eastern Time on each business day, unless modified by Nasdaq. A Nasdaq Market Maker shall be open for business as of 9:30 a.m. Eastern Time and shall close no earlier than 4:00 p.m. Eastern Time. A Nasdaq Market Maker may voluntarily open for business prior to 9:30 a.m. and remain open for business later than 4:00 p.m. Eastern Time. Nasdaq Market Makers whose quotes are open prior to 9:30 a.m. Eastern Time or after 4:00 p.m. Eastern Time shall be obligated to comply, while their quotes are open, with all Nasdaq Rules that are not by their express terms, or by an official interpretation of Nasdaq, inapplicable to any part of the 4:00 a.m. to 9:30 a.m. or 4:00 p.m. to 8:00 p.m. Eastern Time period.

Section 9. Clearance and Settlement

(a) All transactions through the facilities of the Nasdaq Market Center shall be cleared and settled through a registered clearing agency using a continuous net settlement system. This requirement may be satisfied by direct participation, use of direct clearing services, by entry into a correspondent clearing arrangement with another member that clears trades through such a clearing agency, or by use of the services of CDS Clearing and Depository Services, Inc. in its capacity as a member of such a clearing agency.

(b) Notwithstanding paragraph (a), transactions may be settled "ex-clearing" provided that both parties to the transaction agree.

Section 10. Withdrawal of Quotations and Passive Market Making

(a) Except as provided in paragraph (b) of this Rule, a market maker that wishes to withdraw quotations in a security or have its quotations identified as the quotations of a passive market maker shall contact Nasdaq MarketWatch to obtain excused withdrawal status prior to withdrawing its quotations or identification as a passive market maker. Withdrawals of quotations or identifications of quotations as those of a passive market maker shall be granted by Nasdaq MarketWatch only upon satisfying one of the conditions specified in this Rule.

(b) A Nasdaq Market Maker that wishes to obtain excused withdrawal status based on a market maker's systemic equipment problems, such as defects in a Nasdaq Market

Maker's software or hardware systems or connectivity problems associated with the circuits connecting Nasdaq Market Center systems with the Nasdaq Market Maker's systems, shall contact Nasdaq Market Operations. Nasdaq Market Operations may grant excused withdrawal status based on systemic equipment problems for up to five (5) business days, unless extended by Nasdaq Market Operations.

(c) (1) For Nasdaq-listed securities, excused withdrawal status based on circumstances beyond the Nasdaq Market Maker's control, other than systemic equipment problems, may be granted for up to five (5) business days, unless extended by Nasdaq MarketWatch. Excused withdrawal status based on demonstrated legal or regulatory requirements, supported by appropriate documentation and accompanied by a representation that the condition necessitating the withdrawal of quotations is not permanent in nature, may, upon notification, be granted for not more than sixty (60) days (unless such request is required to be made pursuant to paragraph (e) below). Excused withdrawal status based on religious holidays may be granted only if written notice is received by Nasdaq one business day in advance and is approved by Nasdaq. Excused withdrawal status based on vacation may be granted only if:

(A) The written request for withdrawal is received by Nasdaq one business day in advance, and is approved by Nasdaq

(B) The request includes a list of the securities for which withdrawal is requested; and

(C) The request is made by a Nasdaq Market Maker with three (3) or fewer Nasdaq level 3 terminals. Excused withdrawal status may be granted to a Nasdaq Market Maker that has withdrawn from an issue prior to the public announcement of a merger or acquisition and wishes to re-register in the issue pursuant to the same-day registration procedures contained in Equity 2, Section 3 above, provided the Nasdaq Market Maker has remained registered in one of the affected issues. The withdrawal of quotations because of pending news, a sudden influx of orders or price changes, or to effect transactions with competitors shall not constitute acceptable reasons for granting excused withdrawal status.

(2) For securities listed on exchanges other than Nasdaq, a Nasdaq Market Maker that wishes to withdraw quotations shall contact Nasdaq MarketWatch to obtain excused withdrawal status prior to withdrawing its quotations. Excused withdrawal status based on illness, vacations or physical circumstances beyond the Market Maker's control may be granted for up to five (5) business days, unless extended by Nasdaq MarketWatch. Excused withdrawal status based on investment activity or advice of legal counsel, accompanied by a representation that the condition necessitating the withdrawal of quotations is not permanent in nature, may, upon written request, be granted for not more than sixty (60) days. The withdrawal of quotations because of pending news, a sudden influx of orders or price changes, or to effect transactions with competitors shall not normally constitute acceptable reasons for granting excused withdrawal status, unless Nasdaq has initiated a trading

halt for Market Makers in the security, pursuant to Rule 4120.

(d) Excused withdrawal status may be granted to a Nasdaq Market Maker that fails to maintain a clearing arrangement with a registered clearing agency or with a member of such an agency and is withdrawn from participation in the trade reporting service of the Nasdaq Market Center, thereby terminating its registration as a Nasdaq Market Maker. Provided however, that if Nasdaq finds that the Nasdaq Market Maker's failure to maintain a clearing arrangement is voluntary, the withdrawal of quotations will be considered voluntary and unexcused pursuant to Equity 2, Section 11 and the Equity 4 Rules governing the Nasdaq Market Center. Nasdaq Market Makers that fail to maintain a clearing relationship will have their Nasdaq Market Center system status set to "suspend" and be thereby prevented from entering, or executing against, any quotes/orders in the system.

(e) Excused withdrawal status or passive market maker status may be granted to a Nasdaq Market Maker that is a distribution participant (or, in the case of excused withdrawal status, an affiliated purchaser) in order to comply with SEC Rule 101, 103, or 104 under the Act on the following conditions:

(1) A member acting as a manager (or in a similar capacity) of a distribution of a security that is a subject security or reference security under SEC Rule 101 and any member that is a distribution participant or an affiliated purchaser in such a distribution that does not have a manager shall provide written notice to Nasdaq MarketWatch and the Market Regulation Department of FINRA no later than the business day prior to the first entire trading session of the one-day or five-day restricted period under SEC Rule 101, unless later notification is necessary under the specific circumstances.

(A) The notice required by subparagraph (e)(1) of this Rule shall be provided by submitting a completed Underwriting Activity Report that includes a request on behalf of each Nasdaq Market Maker that is a distribution participant or an affiliated purchaser to withdraw the Nasdaq Market Maker's quotations, or that includes a request on behalf of each Nasdaq Market Maker that is a distribution participant (or an affiliated purchaser of a distribution participant) that its quotations be identified as those of a passive market maker and includes the contemplated date and time of the commencement of the restricted period.

(B) The managing underwriter shall advise each Nasdaq Market Maker that it has been identified as a distribution participant or an affiliated purchaser to Nasdaq MarketWatch and that its quotations will be automatically withdrawn or identified as passive market maker quotations, unless a market maker that is a distribution participant (or an affiliated purchaser of a distribution participant) notifies Nasdaq MarketWatch as required by subparagraph (e)(2), below.

(2) A Nasdaq Market Maker that has been identified to Nasdaq MarketWatch as a distribution participant (or an affiliated purchaser of a distribution participant) shall

promptly notify Nasdaq MarketWatch and the manager of its intention not to participate in the prospective distribution or not to act as a passive market maker in order to avoid having its quotations withdrawn or identified as the quotations of a passive market maker.

(3) If a Nasdaq Market Maker that is a distribution participant withdraws its quotations in a Nasdaq security in order to comply with the net purchases limitation of SEC Rule 103 or with any other provision of SEC Rules 101, 103, or 104 and promptly notifies Nasdaq MarketWatch of its action, the withdrawal shall be deemed an excused withdrawal. Nothing in this subparagraph shall prohibit Nasdaq from taking such action as is necessary under the circumstances against a member and its associated persons for failure to contact Nasdaq MarketWatch to obtain an excused withdrawal as required by subparagraphs (a) and (e) of this Rule.

(4) The quotations of a passive market maker shall be identified on Nasdaq as those of a passive market maker.

(5) A member acting as a manager (or in a similar capacity of a distribution subject to subparagraph (e)(1)) of this Rule shall submit a request to Nasdaq MarketWatch and the Market Regulation Department of FINRA to rescind the excused withdrawal status or passive market making status of distribution participants and affiliated purchasers, which request shall include the date and time of the pricing of the offering, the offering price, and the time the offering terminated, and, if not in writing, shall be confirmed in writing no later than the close of business the day the offering terminates. The request by this subparagraph may be submitted on the Underwriting Activity Report.

(f) The Nasdaq Review Council shall have jurisdiction over proceedings brought by Nasdaq Market Makers seeking review of the denial of an excused withdrawal pursuant to this Rule, or the conditions imposed on their reentry.

(g) A Nasdaq Market Maker that wishes to reinstate its quotations in a security after an excused withdrawal pursuant to this Rule shall contact Nasdaq to notify Nasdaq of its intention to be reinstated. Upon confirmation by Nasdaq that the market maker is reinstated, the market maker will have no longer than ten minutes to meet its market making obligations under Equity 2, Section 5.

Section 11. Voluntary Termination of Registration

(a) A market maker may voluntarily terminate its registration in a security by withdrawing its two-sided quotation from the Nasdaq Market Center. A Nasdaq Market Maker that voluntarily terminates its registration in a security may not re-register as a market maker in that security for twenty (20) business days in the case of Nasdaq-listed securities or for one (1) business day in the case of ITS securities. Withdrawal from participation as a Nasdaq Market Maker in the Nasdaq Market Center shall constitute termination of registration as a market maker in that security for

purposes of this Rule; provided, however, that a Nasdaq Market Maker that fails to maintain a clearing arrangement with a registered clearing agency or with a member of such an agency and is withdrawn from participation in the Nasdaq Market Center and thereby terminates its registration as a Nasdaq Market Maker may register as a market maker at any time after a clearing arrangement has been reestablished unless Nasdaq finds that the Nasdaq Market Maker's failure to maintain a clearing arrangement is voluntary, in which case the withdrawal of quotations will be considered voluntary and unexcused.

(b) Notwithstanding the above, a Nasdaq Market Maker that accidentally withdraws as a Nasdaq Market Maker may be reinstated if:

(1) the Nasdaq Market Maker notified MarketWatch of the accidental withdrawal as soon as practicable under the circumstances, but within at least one hour of such withdrawal, and immediately thereafter provided written notification of the withdrawal and reinstatement request;

(2) it is clear that the withdrawal was inadvertent and the market maker was not attempting to avoid its market making obligations; and

(3) the Nasdaq Market Maker's firm would not exceed the following reinstatement limitations:

(A) for firms that simultaneously made markets in less than 250 stocks during the previous calendar year, the firm can receive no more than two (2) reinstatements per year;

(B) for firms that simultaneously made markets in 250 or more but less than 500 stocks during the previous calendar year, the firm can receive no more than three (3) reinstatements per year; and

(C) for firms that simultaneously made markets in 500 or more stocks during the previous calendar year, the firm can receive no more than six (6) reinstatements per year.

(c) Factors that Nasdaq will consider in granting a reinstatement under paragraph (b) of this rule include, but are not limited to:

(1) the number of accidental withdrawals by the Nasdaq Market Maker in the past, as compared with Nasdaq Market Makers making markets in a comparable number of stocks;

(2) the similarity between the symbol of the stock that the Nasdaq Market Maker intended to withdraw from and the symbol of the stock that the Nasdaq Market Maker actually withdrew from;

(3) market conditions at the time of the withdrawal;

(4) whether, given the market conditions at the time of the withdrawal, the withdrawal served to reduce the exposure of the member's position in the security at the time of the withdrawal to market risk; and

(5) the timeliness with which the Nasdaq Market Maker notified MarketWatch of the error.

(d) For purposes of paragraph (a) of this Rule, a market maker shall not be deemed to have voluntarily terminated its registration in a security by voluntarily withdrawing its two-sided quotation from the Nasdaq Market Center if the Nasdaq Market Maker's two-sided quotation in the subject security is withdrawn by Nasdaq's systems due to issuer corporate action related to a dividend, payment or distribution, or due to a trading halt, and one of the following conditions is satisfied:

(1) the Nasdaq Market Maker enters a new two-sided quotation prior to the close of the regular market session on the same day when Nasdaq's systems withdrew such a quotation;

(2) the Nasdaq Market Maker enters a new two-sided quotation on the day when trading resumes following a trading halt, or, if the resumption of trading occurs when the market is not in regular session, the Nasdaq Market Maker enters a new two-sided quotation prior to the opening of the next regular market session; or

(3) upon request from the market maker, Nasdaq MarketWatch authorizes the market maker to enter a new two-sided quotation, provided that Nasdaq MarketWatch receives the market maker's request prior to the close of the regular market session on the next regular trading day after the day on which the market maker became eligible to re-enter a quotation pursuant to subparagraph (d)(1) or (d)(2) hereof and determines that the market maker was not attempting to avoid its market making obligations by failing to re-enter such a quotation earlier.

(e) The Nasdaq Review Council shall have jurisdiction over proceedings brought by market makers seeking review of their denial of a reinstatement pursuant to paragraphs (b) or (d) of this Rule.

Section 12. Suspension and Termination of Quotations

Nasdaq may, pursuant to the procedures set forth in the Rule 9000 Series, suspend, condition, limit, prohibit or terminate the authority of a Nasdaq Market Maker, Nasdaq ECN, or Order Entry Firm to enter quotations in one or more authorized securities for violations of applicable requirements or prohibitions.

Section 13. Termination of Nasdaq Service

Nasdaq may, upon notice, terminate Nasdaq service in the event that a Nasdaq Market Maker, Nasdaq ECN, or Order Entry Firm fails to qualify under specified standards of

eligibility or fails to pay promptly for services rendered by Nasdaq.

Section 14. Alternative Trading Systems

(a) Nasdaq may provide a means to permit alternative trading systems ("ATSS"), as such term is defined in Regulation ATS, and electronic communications networks ("ECNs"), as such term is defined in SEC Rule 600,

(1) to comply with SEC Rule 301(b)(3);

(2) to comply with the terms of the ECN display alternative provided for in SEC Rule 602(b)(5)(ii)(A) and (B) ("ECN display alternatives"); or

(3) to provide orders to Nasdaq voluntarily.

In providing any such means, Nasdaq shall establish a mechanism that permits the ATS or ECN to display the best prices and sizes of orders entered into the ATS or ECN by subscribers of the ATS or ECN, if the ECN or ATS so chooses or is required by SEC Rule 301(b)(3) to display a subscriber's order in Nasdaq, and allows any Nasdaq member the electronic ability to effect a transaction with such priced orders that is equivalent to the ability to effect a transaction with a Nasdaq market maker quotation in Nasdaq operated systems.

(b) An ATS or ECN that seeks to utilize the Nasdaq-provided means to comply with SEC Rule 301(b)(3), the ECN display alternatives, or to provide orders to Nasdaq voluntarily shall:

(1) demonstrate to Nasdaq that it is in compliance with Regulation ATS or that it qualifies as an ECN meeting the definition in the SEC Rule 600;

(2) be registered as a Nasdaq member;

(3) enter into and comply with the terms of applicable agreements with Nasdaq;

(4) agree to provide for Nasdaq's dissemination in the quotation data made available to quotation vendors the prices and sizes of subscriber orders of the ATS or ECN, if the ATS or ECN so chooses or is required by SEC Rule 301(b)(3) to display a subscriber's order in Nasdaq, at the highest buy price and the lowest sell price for each Nasdaq security entered in and widely disseminated by the ATS or ECN; and prior to entering such prices and sizes, register with Nasdaq Market Operations as an ATS or ECN;

(5) provide an automatic execution of any quote or order entered into the System by the ATS or ECN.

Section 15. Penalty Bids and Syndicate Covering Transactions

(a) A Nasdaq Market Maker acting as a manager (or in a similar capacity) of a distribution of a security that is a subject or reference security under SEC Rule 101 shall provide written notice to the Corporate Financing Department of FINRA of its intention to impose a penalty bid on syndicate members or to conduct syndicate covering transactions pursuant to SEC Rule 104 prior to imposing the penalty bid or engaging in the first syndicate covering transaction. A Nasdaq Market Maker that intends to impose a penalty bid on syndicate members may request that its quotation be identified as a penalty bid on Nasdaq pursuant to paragraph (c) below.

(b) The notice required by paragraph (a) shall include:

(1) the identity of the security and its symbol;

(2) the date the member is intending to impose the penalty bid and/or conduct syndicate covering transactions.

(c) Notwithstanding paragraph (a), a Nasdaq Market Maker may request that its quotation be identified as a penalty bid on Nasdaq display by providing notice to Nasdaq MarketWatch, which notice shall include the date and time that the penalty bid identifier should be entered on Nasdaq and, if not in writing, shall be confirmed in writing no later than the close of business the day the penalty bid identifier is entered on Nasdaq.

(d) The written notice required by this Rule may be submitted on the Underwriting Activity Report.

Section 16. Obligation to Provide Information

(a) A Nasdaq Market Maker, Nasdaq ECN, or Order Entry Firm operating in or participating in the Nasdaq Market Center or other Nasdaq-operated system shall provide information orally, in writing, or electronically (if such information is, or is required to be, maintained in electronic form) to the staff of Nasdaq when:

(1) Nasdaq MarketWatch staff makes an oral, written, or electronically communicated request for information relating to a specific Nasdaq rule, SEC rule, or provision of a joint industry plan (e.g., UTP, CTA, and CQA) (as promulgated and amended from time-to-time) that Nasdaq MarketWatch is responsible for administering or to other duties and/or obligations imposed on Nasdaq MarketWatch by Nasdaq; this shall include, but not be limited to, information relating to:

(A) a locked or crossed market; or

(B) trading activity, rumors, or information that a member may possess that may assist in determining whether there is a basis to initiate a trading halt, pursuant to Nasdaq Rule 4120; or

(C) a clearly erroneous transaction, pursuant to Nasdaq Rule 11890; or

(D) a request for an excused withdrawal or reinstatement, pursuant to Equity 2, Sections 10 and 11;

(E) trade-throughs; or

(F) a request to submit a stabilizing bid, pursuant to Equity 2, Section 6, or a request to have a quotation identified as a penalty bid on Nasdaq, pursuant to Equity 2, Section 15.

(2) Nasdaq Market Operations staff makes an oral, written, or electronically communicated request for information relating to a specific Nasdaq rule, SEC rule, provision of a joint industry plan (e.g., UTP, CTA, and CQA) (as promulgated and amended from time-to-time) that Nasdaq Market Operations is responsible for administering or to other duties and/or obligations for which Nasdaq Market Operations is responsible; this shall include, but not be limited to, information relating to an equipment failure.

(b) A failure to comply in a timely, truthful, and/or complete manner with a request for information made pursuant to this rule may be deemed conduct inconsistent with just and equitable principles of trade.

Section 17. Limitation of Liability

(a) Except as provided for in paragraph (b) below, Nasdaq and its affiliates shall not be liable for any losses, damages, or other claims arising out of the Nasdaq Market Center or its use. Any losses, damages, or other claims, related to a failure of the Nasdaq Market Center to deliver, display, transmit, execute, compare, submit for clearance and settlement, adjust, retain priority for, or otherwise correctly process an order, Quote/Order, message, or other data entered into, or created by, the Nasdaq Market Center shall be absorbed by the member, or the member sponsoring the customer, that entered the order, Quote/Order, message, or other data into the Nasdaq Market Center.

(b) Nasdaq, subject to the express limits set forth below, may compensate users of the Nasdaq Market Center for losses directly resulting from the systems' actual failure to correctly process an order, Quote/Order, message, or other data, provided the Nasdaq Market Center has acknowledged receipt of the order, Quote/Order, message, or data.

(1) For the aggregate of all claims made by all market participants related to the use of the Nasdaq Market Center during a single calendar month, Nasdaq's payment shall not exceed the larger of \$500,000, or the amount of the recovery obtained by Nasdaq under any applicable insurance policy.

(2) Notwithstanding subsection (b)(1) above, for the aggregate of all claims made by all market participants during a single calendar month:

(A) related to a systems malfunction or error of the Nasdaq Market Center concerning locked/crossed market (Rule 610 of Regulation NMS), trade through protection (Rule 611 of Regulation NMS), market maker quoting (Equity 2, Section 5), order protection (Equity 2, Section 5), or firm quote compliance (Equity 2, Section 5) functions of the market participant to the extent that such functions are that are electronically enforced by the Nasdaq trading system, and

(B) where Nasdaq determines in its sole discretion that such systems malfunction or error was caused exclusively by Nasdaq and no outside factors contributed to the systems malfunction or error.

Nasdaq's payment during a single calendar month shall not exceed the larger of \$3,000,000, or the amount of the recovery obtained by Nasdaq under any applicable insurance policy.

(3) Notwithstanding subsections (b)(1) and (2) above, for the aggregate of all claims alleged by all market participants related to errors in the Nasdaq Halt and Imbalance Cross Process in connection with the initial public offering of Facebook, Inc. (the "Cross"), including any delay in delivery of confirmations of orders in Facebook, Inc. stock on May 18, 2012, the total amount of Nasdaq's payment shall not exceed \$62 million. Eligibility of claims for payment shall be determined in accordance with the following procedures:

(A) All claims for compensation under this subsection shall arise solely from realized or unrealized direct trading losses arising from the following specific Cross orders:

(i) SELL Cross orders that were submitted between 11:11 a.m. ET and 11:30 a.m. ET on May 18, 2012, that were priced at \$42.00 or less, and that did not execute.

(ii) SELL Cross orders that were submitted between 11:11 a.m. ET and 11:30 a.m. ET on May 18, 2012, that were priced at \$42.00 or less, and that executed at a price below \$42.00.

(iii) BUY Cross orders priced at exactly \$42.00 and that were executed in the Cross but not immediately confirmed.

(iv) BUY Cross orders priced above \$42.00 and that were executed in the Cross but not immediately confirmed, but only to the extent entered with respect to a customer that was permitted by the member to cancel its order prior to 1:50 p.m. and for which a request to cancel the order was submitted to Nasdaq by the member, also prior to 1:50 p.m.

For purposes of this rule, unless stated otherwise, the term "customer" shall be construed to include any unaffiliated entity upon whose behalf an order is

entered, including any unaffiliated broker or dealer.

(B) In determining trading losses under this subsection, the measure of loss for the Cross orders described in paragraphs (b)(3)(A)(i), (iii), and (iv) will be the lesser of (i) the differential between the expected execution price of the orders in the Cross process that established an opening print of \$42.00 and the actual execution price received; or (ii) the differential between the expected execution price of the orders in the Cross process that established an opening print of \$42.00 and a benchmark price of \$40.527, which constitutes the volume-weighted average price of Facebook, Inc. stock on May 18, 2012, between 1:50 p.m. ET and 2:35 p.m. ET. The measure of loss for the Cross orders described in paragraph (b)(3)(A)(ii) will be the differential between the expected execution price of the orders in the Cross process that established an opening print of \$42.00 and the actual execution price received. In addition, with respect to claims arising under subparagraph (b)(3)(A)(iv), the amount of loss will be reduced by 30%. Each member's direct trading losses calculated in accordance with paragraphs (b)(3)(A) and (B) shall be referred to herein as the "**Member's Share**".

(C) Alleged losses arising in any form or that in any way result from any other causes, including but not limited to the following, shall not be considered losses subject to potential accommodation for purposes of this subsection (b)(3): orders received after the commencement of continuous regular trading in Facebook, Inc.; individual member firm technology issues or system failures, or member firm operational issues or operational failures; other than actions described in paragraph (b)(3)(A) and (B), affirmative trading actions taken by member firms; alleged or speculative lost trading opportunities or alleged or speculative lost business profits of any description; non-marketable Cross orders for which, based on their price, there was no reasonable expectation that orders had been executed; and a member firm's failure to adequately and appropriately mitigate losses or adjust trading positions.

(D) All claims pursuant to this subsection must be submitted in writing not later than 11:59 p.m. ET on April 8, 2013, and shall be processed and evaluated by the Financial Industry Regulatory Authority ("**FINRA**") applying the accommodation standards set forth in this Rule. FINRA may request such supplemental information as FINRA deems necessary to assist FINRA's evaluation of claims.

(E) FINRA shall provide to the Nasdaq Board of Directors and the Board of Directors of Nasdaq, Inc. an analysis of the total value of eligible claims submitted under this subsection (b)(3). Nasdaq will thereafter file with the Securities and Exchange Commission a rule proposal setting forth the amount of eligible claims under the standards set forth in this Rule and the amount proposed to be paid to members by Nasdaq. In no event shall Nasdaq make any payments on claims pursuant to this subsection (b)(3) until the rule proposal setting forth the amount of eligible claims becomes effective. All payments shall be made in cash.

(F) All payments to members under this subsection will be contingent upon the submission to Nasdaq, not later than 7 days after the effective date of the rule proposal described in paragraph (b)(3)(E), of an attestation detailing:

(i) the amount of compensation, accommodation, or other economic benefit provided or to be provided by the member to its customers (other than customers that were brokers or dealers trading for their own account) in respect of trading in Facebook Inc. on May 18, 2012 ("**Customer Compensation**"), and

(ii) the extent to which the losses reflected in the Member's Share were incurred by the member trading for its own account or for the account of a customer that was a broker or dealer trading for its own account ("**Covered Proprietary Losses**").

Failure to provide the required attestation within the specified time limit will void the member's eligibility to receive an accommodation pursuant to this subsection. Each member shall be required to maintain books and records that detail the nature and amount Customer Compensation and Covered Proprietary Losses.

(G) Accommodation payments under this subsection will be made in two tranches of priority:

(i) First, if the member has provided Customer Compensation, the member will receive an amount equal to the lesser of the Member's Share or the amount of Customer Compensation;

(ii) Second, the member will receive an amount with respect to Covered Proprietary Losses; provided, however, that the sum of payments to a member hereunder shall not exceed the Member's Share.

In the event that the amounts calculated under tranche (i) exceed \$62 million, accommodation will be prorated among members eligible to receive accommodation under tranche (i) based on the size of the amounts payable under tranche (i). In the event that tranche (i) is paid in full and the amounts calculated under tranche (ii) exceed the funds remaining from the \$62 million accommodation pool, such funds will be prorated among members eligible to receive accommodation under tranche (ii) based on the size of the amounts payable under tranche (ii). If a member's eligibility to receive funds is voided for any reason under this rule, and the funds payable to other members must be prorated hereunder, the funds available to pay other members will be increased accordingly.

(H) All payments to members under this subsection will be contingent upon the execution and delivery to Nasdaq of a release by the member of all claims by it or its affiliates against Nasdaq or its affiliates for losses that arise out of, are

associated with, or relate in any way to the Facebook, Inc. IPO Cross or to any actions or omissions related in any way to that Cross, including but not limited to the execution or confirmation of orders in Facebook, Inc. on May 18, 2012. Failure to provide the required release within 14 days after the effective date of the rule proposal described in paragraph (b)(3)(E) will void the member's eligibility to receive an accommodation pursuant to this subsection.

(I) Notwithstanding paragraph (b)(3)(D), a member that did not submit a claim prior to 11:59 p.m. ET on April 8, 2013 and that is not subject to a release executed and delivered to Nasdaq under paragraph (b)(3)(H) may submit a claim under this subsection prior to 11:59 p.m. ET on June 19, 2015 (each, a "**2015 Claim**" and collectively, the "**2015 Claims**"). All 2015 Claims shall be processed and evaluated by FINRA applying the accommodation standards set forth in paragraphs (b)(3)(A), (B), (C) of this Rule. FINRA may request such supplemental information as FINRA deems necessary to assist FINRA's evaluation of 2015 Claims. FINRA shall provide to the Nasdaq Board of Directors and the Board of Directors of Nasdaq, Inc. an analysis of the total value of eligible 2015 Claims. Nasdaq will thereafter notify members of the value of 2015 Claims and pay valid 2015 Claims in accordance with the following parameters:

(i) All payments of 2015 Claims will be contingent upon the submission to Nasdaq, not later than 7 days after the member's receiving notice of the value its 2015 Claim, of an attestation detailing Customer Compensation and Covered Proprietary Losses (as such terms are defined in paragraph (b)(3)(F) of this Rule) with respect to its 2015 Claim. Failure to provide the required attestation within the specified time limit will void the member's eligibility to receive an accommodation pursuant to this subsection. Each member shall be required to maintain books and records that detail the nature and amount of Customer Compensation and Covered Proprietary Losses with respect to 2015 Claims.

(ii) Accommodation payments for 2015 Claims will be made in two tranches of priority:

(a) First, if the member has provided Customer Compensation, the member will receive an amount equal to the lesser of the Member's Share (as defined in paragraph (b)(3)(B) of this Rule) or the amount of Customer Compensation ("**Tranche A**");

(b) Second, the member will receive an amount with respect to Covered Proprietary Losses; provided, however, that the sum of payments to a member hereunder shall not exceed the Member's Share ("**Tranche B**").

In the event that the amounts calculated under Tranche A, together with the amounts previously paid under this subsection, exceed \$62 million, the

accommodation will be prorated among members eligible to receive accommodation under Tranche A based on the size of the amounts payable under Tranche A. In the event that Tranche A is paid in full and the amounts calculated under Tranche B, together with the amounts previously paid under this subsection, exceed \$62 million, the accommodation will be prorated among members eligible to receive accommodation under Tranche B based on the size of the amounts payable under Tranche B. If a member's eligibility to receive funds is voided for any reason under this rule, and the funds payable to other members must be prorated hereunder, the funds available to pay other members will be increased accordingly.

(iii) All payments of 2015 Claims will be contingent upon the execution and delivery to Nasdaq of a release by the member of all claims by it or its affiliates against Nasdaq or its affiliates for losses that arise out of, are associated with, or relate in any way to the Facebook, Inc. IPO Cross or to any actions or omissions related in any way to that Cross, including but not limited to the execution or confirmation of orders in Facebook, Inc. on May 18, 2012. The member's failure to provide the required release within 14 days after receiving notice of the value its 2015 Claim will void the member's eligibility to receive an accommodation pursuant to this subsection.

(iv) All payments of 2015 Claims shall be made in cash. Payment to a member shall be made as soon as practicable following the completion of all documents required hereunder.

(4) In no event shall Nasdaq's total payment during a single calendar month pursuant to this rule exceed the amount determined pursuant to this rule.

(5) In the event all of the claims arising out of the use of the Nasdaq Market Center cannot be fully satisfied because in the aggregate they exceed the maximum amount of liability provided for in this Rule, then the maximum amount will be proportionally allocated among all such claims arising during a single calendar month.

(6) With the exception of claims submitted under subsection (b)(3) above, all claims for compensation pursuant to this Rule shall be in writing and must be submitted no later than 12:00 P.M. ET on the next business day following the day on which the use of the Nasdaq Market Center gave rise to such claims. Nothing in this rule shall obligate Nasdaq to seek recovery under any applicable insurance policy. Nothing in this rule shall waive Nasdaq's limitations on, or immunities from, liability as set forth in its Rules or agreements, or that otherwise apply as a matter of law.

Section 18. Obligation to Honor System Trades

(a) If a Participant, or clearing member acting on a Participant's behalf, is reported by the System, or shown by the activity reports generated by the System, as constituting a

side of a System trade, such Participant, or clearing member acting on its behalf, shall honor such trade on the scheduled settlement date.

(b) Nasdaq shall have no liability if a Participant, or a clearing member acting on the Participant's behalf, fails to satisfy the obligations in paragraph (a).

Section 19. Compliance with Rules and Registration Requirements

(a) Failure by a Participant to comply with any of the rules or registration requirements applicable to the Nasdaq Market Center identified herein shall subject such Participant to censure, fine, suspension or revocation of its registration as a Nasdaq Market Maker, Order Entry Firm, and/or Nasdaq ECN or any other fitting penalty under the Nasdaq Rules.

(b) (1) If a Participant fails to maintain a clearing relationship as required under paragraphs (a)(2) of Equity 2, Section 3, it shall be removed from the Nasdaq Market Center until such time as a clearing arrangement is reestablished.

(2) A Participant that is not in compliance with its obligations under paragraphs (a)(2) of Equity 2, Section 3 shall be notified when Nasdaq exercises its authority under paragraph (b)(1) above.

(3) The authority and procedures contained in this paragraph (b) do not otherwise limit Nasdaq's authority, contained in other provisions of the Nasdaq Rules, to enforce its rules or impose any fitting sanction.

Section 20. Customer Disclosures

No member may accept an order from a customer for execution in the premarket session or post-market session without disclosing to such customer that extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The absence of an updated underlying index value or intraday indicative value is an additional trading risk in extended hours for Derivative Securities Products.

The disclosures required pursuant to this rule may take the following form or such other form as provides substantially similar information:

(1) Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

(2) Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.

(3) Risk of Changing Prices. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading than you would during regular market hours.

(4) Risk of Unlinked Markets. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

(5) Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

(6) Risk of Wider Spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

(7) Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV"). For certain Derivative Securities Products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the pre-market and post-market sessions an investor who is unable to calculate implied values for certain Derivative Securities Products in those sessions may be at a disadvantage to market professionals.

Equity 3 Reserved[Equity Trading Rules]

Equity 4 Equity Trading Rules[Limit Up Limit Down]

4110. Use of Nasdaq on a Test Basis

Notwithstanding the listing standards set forth in the Rule 5000 Series, Nasdaq may at

any time authorize the use of its systems on a test basis for whatever studies it considers necessary and appropriate.

4120. Limit Up-Limit Down Plan and Trading Halts

(a) Authority to Initiate Trading Halts or Pauses

In circumstances in which Nasdaq deems it necessary to protect investors and the public interest, Nasdaq, pursuant to the procedures set forth in paragraph (c):

(1) may halt trading on Nasdaq of a Nasdaq-listed security to permit the dissemination of material news, provided, however, that in the Pre-Market Session (as defined in section 4120(b)(4)) Nasdaq will halt trading for dissemination of news only at the request of an issuer or pursuant to section (a)(2) below; or

(2) may halt trading on Nasdaq of a security listed on another national securities exchange during a trading halt imposed by such exchange to permit the dissemination of material news; or

(3) may halt trading on Nasdaq: (A) in a security listed on another national securities exchange when such exchange imposes a trading halt in that security because of an order imbalance or influx ("operational trading halt"); or (B) Nasdaq market makers in a security listed on Nasdaq, when the security is a derivative or component of a security listed on another national securities exchange and such exchange imposes an operational trading halt in that security. In the event that Nasdaq halts trading, Nasdaq Participants may commence quotations and trading at any time following initiation of operational trading halts, without regard to procedures for resuming trading set forth in paragraph (c); or

(4) may halt trading in an American Depositary Receipt ("ADR") or other security listed on Nasdaq, when the Nasdaq-listed security or the security underlying the ADR is listed on or registered with another national or foreign securities exchange or market, and the national or foreign securities exchange or market, or regulatory authority overseeing such exchange or market, halts trading in such security for regulatory reasons; or

(5) may halt trading in a security listed on Nasdaq when Nasdaq requests from the issuer information relating to:

(A) material news;

(B) the issuer's ability to meet Nasdaq listing qualification requirements, as set forth in the Listing Rule 5000 Series; or

(C) any other information which is necessary to protect investors and the public interest.

(6) may halt trading in a security listed on Nasdaq when

(A) extraordinary market activity in the security is occurring, such as the execution of a series of transactions for a significant dollar value at prices substantially unrelated to the current market for the security, as measured by the national best bid and offer, and

(B) Nasdaq determines that such extraordinary market activity is likely to have a material effect on the market for the security; and

(C)

(i) Nasdaq believes that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, Nasdaq;

(ii) After consultation with another national securities exchange trading the security on an unlisted trading privileges basis, Nasdaq believes that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, such other national securities exchange; or

(iii) After consultation with FINRA regarding a FINRA facility trading the security, Nasdaq believes that such extraordinary market activity is caused by the misuse or malfunction of such FINRA facility or an electronic quotation, communication, reporting, or execution system linked to such FINRA facility.

(7) may halt trading in a security that is the subject of an Initial Public Offering on Nasdaq.

(8) may halt trading in an index warrant on Nasdaq whenever Nasdaq Regulation shall conclude that such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are the following:

(A) trading has been halted or suspended in underlying stocks whose weighted value represents 20 or more of the index value;

(B) the current calculation of the index derived from the current market prices of the stocks is not available;

(C) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

(9) may halt trading in a series of Portfolio Depository Receipts, Index Fund Shares (as defined in Rule 5705), Index-Linked Exchangeable Notes, Equity Gold Shares,

Trust Certificates, Commodity-Based Trust Shares, Currency Trust Shares, Commodity Index Trust Shares, Commodity Futures Trust Shares, Partnership Units, and Managed Trust Securities (as defined in Rule 5711(a) - (h) and (j), respectively), or NextShares (as defined in Rule 5745) listed on Nasdaq if the Intraday Indicative Value (as defined in Rule 5705), for Portfolio Depository Receipts or Index Fund Shares, for derivative securities as defined in Rule 5711(a), (b), and (d) - (h), Rule 5711(j) for Managed Trust Securities, or Rule 5745 for NextShares) or the index value applicable to that series is not being disseminated as required, during the day in which the interruption to the dissemination of the Intraday Indicative Value or the index value occurs. If the interruption to the dissemination of the Intraday Indicative Value or the index value persists past the trading day in which it occurred, Nasdaq will halt trading no later than the beginning of the trading day following the interruption. Nasdaq may also exercise discretion to halt trading in a series of Portfolio Depository Receipts, Index Fund Shares, Exchange Traded Fund Shares (as defined in Rule 5704), Managed Fund Shares, Index-Linked Exchangeable Notes, Equity Gold Shares, Trust Certificates, Commodity-Based Trust Shares, Currency Trust Shares, Commodity Index Trust Shares, Commodity Futures Trust Shares, Partnership Units, Trust Units (as defined in Rule 5711(i)), Managed Trust Securities, Currency Warrants (as defined in Rule 5711(k)), or NextShares based on a consideration of the following factors: (A) trading in underlying securities comprising the index or portfolio applicable to that series has been halted in the primary market(s), (B) the extent to which trading has ceased in securities underlying the index or portfolio, or (C) the presence of other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market.

(10) shall halt trading in Derivative Securities Products (as defined in Rule 4120(b)(4)(A)) for which a net asset value ("NAV") (and in the case of Managed Fund Shares under Rule 5735, a Disclosed Portfolio, and in the case of NextShares under Rule 5745, a Composition File) is disseminated if Nasdaq becomes aware that the NAV (or in the case of Managed Fund Shares, the Disclosed Portfolio, or in the case of NextShares, the Composition File) is not being disseminated to all market participants at the same time.

Nasdaq will maintain the trading halt until such time as Nasdaq becomes aware that the NAV (or in the case of Managed Fund Shares, the Disclosed Portfolio, or in the case of NextShares, the Composition File, as applicable) is available to all market participants or, in the case of Derivative Securities Products traded on Nasdaq pursuant to unlisted trading privileges, until such time trading resumes in the listing market.

(11) shall, between 9:45 a.m. and 3:35 p.m., or in the case of an early scheduled close, 25 minutes before the close of trading, immediately pause trading for 5 minutes in any Nasdaq-listed security not covered by the Limit Up-Limit Down Plan, other than rights and warrants, when the price of such security moves a percentage specified below within a 5-minute period.

(A) The price move shall be 10% or more with respect to securities included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products;

(B) The price move shall be 30% or more with respect to all Tier 2 NMS Stocks with a price equal to or greater than \$1; and

(C) The price move shall be 50% or more with respect to all Tier 2 NMS Stocks with a price less than \$1.

The determination that the price of a stock is equal to or greater than \$1 under paragraph (a)(11)(B) above or less than \$1 under paragraph (a)(11)(C) above shall be based on the last reported closing price on Nasdaq.

At the end of the trading pause, Nasdaq will re-open the security using the Halt Cross process set forth in Nasdaq Rule 4753. In the event of a significant imbalance at the end of a trading pause, Nasdaq may delay the re-opening of a security.

Nasdaq will issue a notification if it cannot resume trading for a reason other than a significant imbalance.

Price moves under this paragraph will be calculated by changes in each consolidated last-sale price disseminated by a network processor over a five minute rolling period measured continuously. Only regular way in-sequence transactions qualify for use in calculations of price moves. Nasdaq can exclude a transaction price from use if it concludes that the transaction price resulted from an erroneous trade.

If a trading pause is triggered under this paragraph, Nasdaq shall immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934. If a primary listing market issues an individual stock trading pause, Nasdaq will pause trading in that security until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen within 10 minutes of notification of a trading pause, Nasdaq may resume trading the security.

The provisions of this paragraph shall be in effect during a pilot set to end on the earlier of the initial date of operations of the Regulation NMS Plan to Address Extraordinary Market Volatility or February 4, 2014.

Operative as of April 8, 2013

(12) Limit Up-Limit Down Mechanism.

(A) Definitions.

(1) "Plan" means the Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934, Exhibit A to Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012).

(2) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan or Exchange rules, as applicable.

(B) **Exchange Participation in the Plan.** The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes procedures to address extraordinary volatility in NMS Stocks.

(C) **Member Organization Compliance.** Member organizations shall comply with the applicable provisions of the Plan.

(D) **Exchange Compliance with the Plan.** Exchange systems shall not display or execute buy (sell) interest above (below) the Upper (Lower) Price Bands, unless such interest is specifically exempted under the Plan.

(E) **Repricing and Cancellation of Interest.** Exchange systems shall reprice and/or cancel buy (sell) interest that is priced or could be executed above (below) the Upper (Lower) Price Band. Any interest that is repriced pursuant to this Rule shall receive a new time stamp and new execution priority.

(1) **Market Orders.** If a market order with a time in force other than Immediate or Cancel cannot be fully executed at or within the Price Bands, Exchange systems shall post the unexecuted portion of the buy (sell) market order at the Upper (Lower) Price Band.

(2) **Limit-priced Interest.** Both displayable and non-displayable incoming limit-priced interest to buy (sell) that is priced above (below) the Upper (Lower) Price Band shall be repriced to the Upper (Lower) Price Band.

(a) For limit-priced orders entered via the OUCH protocol, the order shall be repriced upon entry only if the Price Bands are such that the price of the limit-priced interest to buy (sell) would be above (below) the upper (lower) Price Band. Once slid:

(i) if the Price Bands move such that the price of the order to buy (sell) would be below (above) the lower (upper) Price Band, the order will not be re-priced again. Rather, the order will either remain on the book at the same price or be cancelled back to the entering party, depending on how the entering party has configured its order entry port.

(ii) if the Price Bands move such that the price of the order to buy (sell) would be above (below) the upper (lower) Price Band, the order will not be re-priced again. Rather, the order will be cancelled.

(b) For limit-priced orders entered via RASH or FIX protocols, the order shall be eligible to be repriced by the system multiple times if the Price Bands move such that the price of resting limit-priced interest to buy (sell) would be above (below) the upper (lower) Price Band. Once slid, if the Price Bands again move such that the price of resting limit interest to buy (sell) would be below (above) the upper (lower) Price Band the order will continue to be repriced either to its original limit price or to the new price bands, whichever is less aggressive.

(3) **IOC Orders.** If an IOC order cannot be fully executed at or within the Price Bands, Exchange systems shall cancel any unexecuted portion of the IOC Order.

(4) **Routable Orders.** With the exception of Directed Orders, and orders submitted using either the DOTI or DOTZ routing strategy, the Exchange systems shall not route buy (sell) interest to an away market displaying a sell (buy) quote that is above (below) the Upper (Lower) Price Band. Orders that are eligible to be routed to away destinations will be price slid before routing if the buy (sell) is priced above (below) the Upper (Lower) Price Band.

(5) **Auction Orders.** On close or halt auction orders are not price slid or cancelled due to LULD price bands.

(6) **Sell Short Orders.** During a Short Sale Price Test, as defined in Rule 4763(b), Short Sale Orders priced below the Lower Price Band shall be repriced to the higher of the Lower Price Band or the Permitted Price, as defined in Rule 4763(b).

(F) **Trading Pause during a Straddle State.** The Exchange may declare a Trading Pause for a NMS Stock listed on the Exchange when (i) the National Best Bid (Offer) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State; and (ii) trading in that NMS Stock deviates from normal trading characteristics.

(G) If the Exchange is unable to reopen trading due to a systems or technology issue, it shall notify the Processor immediately.

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

pursuant to Rule 4754(b)(6). If a Trading Pause was initiated by another exchange, Nasdaq may resume trading following the Trading Pause upon receipt of the Price Bands from the Processor.

(13) shall halt trading in an Equity Investment Tracking Stock (as defined in Rule 5005) or Subscription Receipt (listed under Rule 5520) whenever Nasdaq halts or suspends trading in a security such Equity Investment Tracking Stock tracks or the common stock into which the Subscription Receipt is exchangeable.

(b) Trading Halts for Trading of Certain Derivative Securities Products on Nasdaq Pursuant to Unlisted Trading Privileges

(1) During Pre-Market Session. If a Derivative Securities Product begins trading on Nasdaq in the Pre-Market Session and subsequently a temporary interruption occurs in the calculation or wide dissemination of an applicable Required Value, Nasdaq may continue to trade the Derivative Securities Product for the remainder of the Pre-Market Session.

(2) During Regular Market Session. During the Regular Market Session, if a temporary interruption occurs in the calculation or wide dissemination of an applicable Required Value, and the listing market halts trading in the Derivative Securities Product, Nasdaq, upon notification by the listing market of a halt due to such temporary interruption, also shall immediately halt trading in the Derivative Securities Product on Nasdaq.

(3) Post-Market Session and Next Trading Day.

(A) If an applicable Required Value continues not to be calculated or widely disseminated after the close of the Regular Market Session, Nasdaq may trade the Derivative Securities Product in the Post-Market Session only if the listing market traded the Derivative Securities Product until the close of its regular trading session without a halt.

(B) If an applicable Required Value continues not to be calculated or widely disseminated as of the beginning of the Pre-Market Session on the next trading day, Nasdaq shall not commence trading of the Derivative Securities Product in the Pre-Market Session that day. If an interruption in the calculation or wide dissemination of an applicable Required Value continues, Nasdaq may resume trading in the Derivative Securities Product only if calculation and wide dissemination of the applicable Required Value resumes or trading in the Derivative Securities Product resumes in the listing market.

(4) Definitions. For purposes of this Rule:

(A) Derivative Securities Product means a series of Exchange Traded Fund Shares, Portfolio Depository Receipts, Index Fund Shares, Managed Fund Shares,

NextShares, or Trust Issued Receipts (as defined in Rules 5704, 5705, 5735, 5745, and 5720, respectively), a series of Commodity-Related Securities (as defined in Equity 10, Section 8), securities representing interests in unit investment trusts or investment companies, Index- Linked Exchangeable Notes, Equity Gold Shares, Trust Certificates, Commodity-Based Trust Shares, Currency Trust Shares, Commodity Index Trust Shares, Commodity Futures Trust Shares, Partnership Units, Trust Units, Managed Trust Securities, or Currency Warrants (as defined in Rule 5711(a) - (k)), or any other UTP Derivative Security (as defined in Rule 5740).

(B) Pre-Market Session means the trading session that begins at 4:00 a.m. and continues until 9:30 a.m.

(C) Post-Market Session means the trading session that begins at 4:00 p.m. or 4:15 p.m., and that continues until 8:00 p.m.

(D) Regular Market Session means the trading session from 9:30 am. until 4:00 p.m. or 4:15 p.m.

(E) Required Value shall mean (i) the value of any index or any commodity-related value underlying a Derivative Securities Product, (ii) the indicative optimized portfolio value, intraday indicative value, or other comparable estimate of the value of a share of a Derivative Securities Product updated regularly during the trading day, (iii) a net asset value in the case of a Derivative Securities Product for which a net asset value is disseminated, and (iv) a Disclosed Portfolio in the case of a Derivative Securities Product that is a series of Managed Fund Shares, as defined in Rule 5735, or Managed Trust Securities, as defined in Rule 5711(j), and a Composition File in the case of a Derivative Securities Product that is a series of NextShares, as defined in Rule 5745.

(c) Procedure for Initiating and Terminating a Trading Halt

(1) Nasdaq issuers are required to notify Nasdaq of the release of certain material news prior to the release of such information to the public as required by Rule 5250(b)(1).

(2) Except in emergency situations, notification shall be provided directly to Nasdaq's MarketWatch Department through Nasdaq's electronic disclosure system available at www.nasdaq.net. In emergency situations, issuers shall instead provide notification by telephone or facsimile.

(3) Upon receipt of information, from the issuer or other source, Nasdaq will promptly evaluate the information, estimate its potential impact on the market and determine whether a trading halt in the security is appropriate.

(4) (A) Should Nasdaq determine that a basis exists under Rule 4120(a) for initiating

a trading halt, the commencement of the trading halt will be effective at the time specified by Nasdaq in a notice posted on a publicly available Nasdaq website. In addition, Nasdaq shall disseminate notice of the commencement of a trading halt through major wire services.

(B) During any trading halt or pause for which a halt cross under Rule 4753 will not occur, orders entered during the trading halt or pause will not be accepted, unless subject to instructions that the order will be directed to another exchange as described in Rule 4758.

(5) Trading in a halted security shall resume at the time specified by Nasdaq in a notice posted on a publicly available Nasdaq website. In addition, Nasdaq shall disseminate notice of the resumption of trading through major wire services.

(6)

(A) In the case of a trading halt under Rule 4120(a)(6) based on the misuse or malfunction of an electronic quotation, communication, reporting, or execution system that is not operated by Nasdaq, Nasdaq will promptly contact the operator of the system in question (as well as any national securities exchange or FINRA facility to which such system is linked) to ascertain information that will assist Nasdaq in determining whether a misuse or malfunction has occurred, what effect the misuse or malfunction is having on trading in a security, and what steps are being taken to address the misuse or malfunction. If the operator of the system is unavailable when contacted by Nasdaq, Nasdaq will continue efforts to contact the operator of the system to ascertain information that will assist Nasdaq in determining whether the trading halt should be terminated.

(B) A trading halt initiated under Rule 4120(a)(6) shall be terminated as soon as Nasdaq determines either that the system misuse or malfunction that caused the extraordinary market activity will no longer have a material effect on the market for the security or that system misuse or malfunction is not the cause of the extraordinary market activity.

(7)

(A) A trading halt or pause initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), or (11) shall be terminated when Nasdaq releases the security for trading. For any such security listed on Nasdaq, prior to terminating the halt or pause, there will be a 5-minute Display Only Period during which market participants may enter quotations and orders in that security in Nasdaq systems. In addition, in instances where a trading halt is in effect prior to the commencement of the Display Only Period, market participants may enter orders in a security that is the subject of the trading halt on Nasdaq. Such orders will be accepted and entered into the system.

(B) At the conclusion of the 5-minute Display Only Period, the security will be

released for trading unless, at the end of a Display Only Period or during the subsequent process to release the security for trading, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will extend the Display Only Period for an additional 1-minute period. At the conclusion of the Display Only Period, trading shall immediately resume pursuant to Rule 4753.

(C) For purposes of Rule 4120(c)(7), an order imbalance shall be established as follows:

(1) When (i) the last available Current Reference Price, as defined in Rule 4753(a)(2)(A), disseminated immediately prior to the end of the Display Only Period and any of the three preceding Current Reference Prices differ by more than the greater of 5 percent or 50 cents, or (ii) all market orders will not be executed in the cross; or

(2) If, upon completion of the cross calculation, (i) the calculated price at which the security would be released for trading and any of the three preceding Current Reference Prices disseminated immediately prior to the initiation of the cross calculation differ by more than the greater of 5 percent or 50 cents, or (ii) all market orders would not be executed in the cross.

(8)

(A) A trading halt initiated under Rule 4120(a)(7) shall be terminated when Nasdaq releases the security for trading and the conditions described in this rule are satisfied. Prior to terminating the halt, there will be a 10-minute Display Only Period during which market participants may enter quotes and orders in that security in Nasdaq systems. In addition, beginning at 4:00 a.m., market participants may enter orders in a security that is the subject of an Initial Public Offering ("IPO") on Nasdaq. Such orders will be accepted and entered into the system.

After the conclusion of the 10-minute Display Only Period, the security will enter a "Pre-Launch Period" of indeterminate duration. The Pre-Launch Period shall end and the security shall be released for trading by Nasdaq when the conditions described in paragraphs (c)(8)(A)(i), (ii), and (iii) are all met.

(i) Nasdaq receives notice from the underwriter of the IPO that the security is ready to trade. The Nasdaq system will calculate the Current Reference Price at that time (the "**Expected Price**") and display it to the underwriter. If the underwriter then approves proceeding, the Nasdaq system will conduct the following validation checks:

(ii) The Nasdaq system must determine that all market orders will be executed in the cross; and

(iii) the security must pass the price validation test described below in subparagraph (B).

The failure to satisfy these conditions during the process to release the security for trading will result in a delay of the release for trading of the IPO, and a continuation of the Pre-Launch Period, until all conditions have been satisfied. The underwriter, with concurrence of Nasdaq, may determine at any point during the IPO Halt Cross process up through the conclusion of the Pre-Launch Period to postpone and reschedule the IPO. Market participants may continue to enter orders and order cancellations for participation in the cross auction during the Pre-Launch Period up to the point that the cross auction process commences.

(B) Prior to the conclusion of the Pre-Launch Period, the underwriter shall select price bands for purposes of applying the price validation test. Under the price validation test, the System compares the Expected Price with the actual price calculated by the Cross. If the actual price calculated by the Cross differs from the Expected Price by an amount in excess of the price band selected by the underwriter, the security will not be released for trading and the Pre-Launch Period will continue. The underwriter shall select an upper price band (i.e., an amount by which the actual price may not exceed the Expected Price) and a lower price band (i.e., an amount by which the actual price may not be lower than the Expected Price). If a security does not pass the price validation test, the underwriter may, but is not required to, select different price bands before recommencing the process to release the security for trading. The price bands available for selection shall be in such increments, and at such price points, as may be established from time to time by Nasdaq; the available price bands shall include \$0 but shall not be in excess of \$0.50. Nasdaq will notify member organizations and the public of changes in available price band or increments through a notice that is widely disseminated at least one week in advance of the change. In selecting available price bands and increments, Nasdaq will consider input from underwriters and other market participants and the results of past usage of price bands to adopt price bands and increments that promote efficiency in the initiation of trading and protect investors and the public interest.

(9) For purposes of this Rule and Rule 4753, the process for halting and initial pricing of a security that is the subject of an initial public offering shall also be available for the initial pricing of any other security that has not been listed on a national securities exchange immediately prior to the initial pricing, provided that a broker-dealer serving in the role of financial advisor to the issuer of the securities being listed is willing to perform the functions under Rule 4120(c)(8) that are performed by an underwriter with respect to an initial public offering. If more than one broker dealer is serving in the role of financial advisor, the issuer must designate one to perform the functions under Rule 4120(c)(8).

(10) A trading pause initiated under Rule 4120(a)(12) shall be terminated when Nasdaq releases the security for trading. For any such security listed on Nasdaq,

prior to terminating the pause, there will be a 5-minute "**Initial Display Only Period**" during which market participants may enter quotations and orders in that security in Nasdaq systems.

(A) Nasdaq will:

(i) establish the "**Auction Reference Price**", which is determined by:

(a) For a Limit Down triggered pause, the Lower Band price of the LULD Band in place at the time the trading pause was triggered; or

(b) For a Limit Up triggered pause, the Upper Band price of the LULD Band in place at the time the trading pause was triggered.

(ii) determine the upper and lower "**Auction Collar**" prices, which are determined by:

(a) For a Limit Down triggered pause, the lower Auction Collar price is derived by subtracting 5% of the Auction Reference Price, rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15, from the Auction Reference Price, and the upper Auction Collar price is the Upper Band price on the LULD Band in place at the time the trading pause was triggered.

(b) For a Limit Up triggered pause, the upper Auction Collar price is derived by adding 5% of the Auction Reference Price, rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15, from the Auction Reference Price, and the lower Auction Collar price is the Lower Band price of the LULD Band in place at the time the trading pause was triggered.

(B) At the conclusion of the Initial Display Only Period, the security will be released for trading unless, at the end of an Initial Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will extend the Display Only Period for an additional 5-minute period ("**Extended Display Only Period**"), and the Auction Collar prices will be adjusted as follows:

(i) If the Display Only Period is extended because the calculated price at which the security would be released for trading is below the lower Auction Collar price or all sell market orders would not be executed in the cross, then the new lower Auction Collar price is derived by subtracting 5% of the initial Auction Reference Price, which was rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15, from the previous lower Auction Collar price, and the upper Auction Collar price will not be changed.

(ii) If the Display Only Period is extended because the calculated price at which the security would be released for trading is above the upper Auction Collar price or all buy market orders would not be executed in the cross, then the new upper Auction Collar price is derived by adding 5% of the initial Auction Reference Price, which was rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15, to the previous upper Auction Collar price, and the lower Auction Collar price will not be changed.

(C) At the conclusion of the Extended Display Only Period, the security will be released for trading unless, at the end of the Extended Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will further extend the Display Only Period, continuing to adjust the Auction Collar prices every five minutes in the manner described in paragraph (B) above until the security is released for trading. Nasdaq shall release the security for trading at the first point there is no order imbalance.

(D) Notwithstanding paragraphs (A) - (C) above, a Trading Pause that exists at or after 3:50 p.m. in a stock shall re-open via a LULD Closing Cross pursuant to Rule 4754(b)(6).

(E) For purposes of Rule 4120(c)(10), upon completion of the cross calculation an order imbalance shall be established as follows:

(i) the calculated price at which the security would be released for trading is above (below) the upper (lower) Auction Collar price calculated under paragraphs (A), (B), or (C) above; or

(ii) all market orders would not be executed in the cross.

4121. Trading Halts Due to Extraordinary Market Volatility

This Rule shall be in effect during a pilot period that expires at the close of business on October 18, 2021. If the pilot is not either extended or approved permanently at the end of the pilot period, the prior version of Rule 4121 shall be in effect.

(a) The Exchange shall halt trading in all stocks and shall not reopen for the time periods specified in this Rule if there is a Level 1, 2, or 3 Market Decline.

(i) For purposes of this Rule, a Market Decline means a decline in price of the S&P 500® Index between 9:30 a.m. EST and 4:00 p.m. EST on a trading day as compared to the closing price of the S&P 500® Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 9:30 a.m. EST.

(ii) A "Level 1 Market Decline" means a Market Decline of 7%.

(iii) A "Level 2 Market Decline" means a Market Decline of 13%.

(iv) A "Level 3 Market Decline" means a Market Decline of 20%.

(b) Halts in Trading.

(i) If a Level 1 Market Decline or a Level 2 Market Decline occurs after 9:30 a.m. EST and up to and including 3:25 p.m. EST or in the case of an early scheduled close, 12:25 p.m. EST the Exchange shall halt trading in all stocks for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 Market Decline or a Level 2 Market Decline occurs after 3:25 p.m. EST or in the case of an early scheduled close, 12:25 p.m. EST.

(ii) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all stocks for the remainder of the trading day.

(c) Re-opening of Trading

(i) The re-opening of trading following a Level 1 or 2 trading halt shall follow the procedures set forth in 4121(d) below.

(ii) If the primary listing market halts trading in all stocks, the Exchange will halt trading in those stocks until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen a security within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in that security.

(d) Re-opening of Trading. A Level 1 or Level 2 trading halt initiated under this Rule ("MWCB Halt") shall be terminated when Nasdaq releases the security for trading. For any such security listed on Nasdaq, prior to terminating the MWCB Halt, there will be a 15-minute "Initial Display Only Period" during which market participants may enter quotations and orders in that security in Nasdaq systems.

(1) Nasdaq will:

(A) establish the "Auction Reference Price", which shall mean the Nasdaq last sale price (either round or odd lot) after 9:15 a.m. ET but prior to the MWCB Halt and, if none, the prior trading day's Nasdaq Official Closing Price ("NOCP").

(B) determine the upper and lower "MWCB Auction Collar" prices, as follows:

(i) The lower MWCB Auction Collar price is derived by subtracting 5% of the Auction Reference Price, rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15,

from the Auction Reference Price.

(ii) The upper MWCBAuction Collar price is derived by adding 5% of the Auction Reference Price, rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15, to the Auction Reference Price.

(2) At the conclusion of the Initial Display Only Period, the security will be released for trading unless, at the end of the Initial Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will extend the Display Only Period for an additional 5-minute period ("**Extended Display Only Period**"), and the MWCBAuction Collar prices will be adjusted as follows:

(A) If the Display Only Period is extended because the calculated price at which the security would be released for trading is below the lower MWCBAuction Collar price or all sell market orders would not be executed in the cross, then the new lower MWCBAuction Collar price is derived by subtracting 5% of the Auction Reference Price, which was rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15, from the previous lower MWCBAuction Collar price, and the upper MWCBAuction Collar price will not be changed.

(B) If the Display Only Period is extended because the calculated price at which the security would be released for trading is above the upper MWCBAuction Collar price or all buy market orders would not be executed in the cross, then the new upper MWCBAuction Collar price is derived by adding 5% of the Auction Reference Price, which was rounded to the nearest minimum price increment, or in the case of securities with an Auction Reference Price of \$3 or less, \$0.15, to the previous upper MWCBAuction Collar price, and the lower MWCBAuction Collar price will not be changed.

(3) At the conclusion of the Extended Display Only Period, the security will be released for trading unless, at the end of the Extended Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq will further extend the Display Only Period, continuing to adjust the MWCBAuction Collar prices every five minutes in the manner described in paragraph (2) above until the security is released for trading. During any additional Extended Display Only Period after the first Extended Display Only Period, Nasdaq shall release the security for trading at the first point there is no order imbalance.

(4) For purposes of this Rule, upon completion of the cross calculation an order imbalance shall be established as follows:

(A) the calculated price at which the security would be released for trading is above (below) the upper (lower) MWCBAuction Collar price calculated under paragraphs (1), (2), or (3) above; or

(B) all market orders would not be executed in the cross.

(5) In the event of a Level 2 Market Decline while a security is in a Level 1 MWCB Halt and has not been released for trading, Nasdaq will recalculate the lower and upper MWCB Auction Collar prices in the particular security in accordance with paragraph (1)(B) above.

(e) Publication of Halt Auction Information. At the beginning of the Initial Display Only Period and continuing through the resumption of trading, Nasdaq will disseminate by electronic means an Order Imbalance Indicator (as defined in Rule 4753(a)(3)) every second.

(f) Nothing in this Rule 4121 should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy.

4370. Additional Requirements for Nasdaq-Listed Securities Issued by Nasdaq or its Affiliates

(a) For purposes of this Rule, the terms below are defined as follows:

(1) "Nasdaq Affiliate" means The Nasdaq Stock Market, Inc. and any entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with The Nasdaq Stock Market, Inc., where "control" means that the one entity possesses, directly or indirectly, voting control of the other entity either through ownership of capital stock or other equity securities or through majority representation on the board of directors or other management body of such entity.

(2) "Affiliate Security" means any security issued by a Nasdaq Affiliate or any Exchange-listed option on any such security, with the exception of Portfolio Depository Receipts as defined in Rule 5705(a)(1)(A) and Index Fund Shares as defined in Rule 5705(b)(1)(A).

(b) Upon initial and throughout continued listing and trading of the Affiliate Security on The Nasdaq Stock Market, Nasdaq shall:

(1) provide a quarterly report to Nasdaq's Regulatory Oversight Committee detailing Nasdaq's monitoring of:

(A) the Nasdaq Affiliate's compliance with the listing requirements contained in the Rule 5000, 5100, 5200, 5300, 5400, 5500, and 5600 Series; and

(B) the trading of the Affiliate Security, which shall include summaries of all related surveillance alerts, complaints, regulatory referrals, trades cancelled or adjusted pursuant to Rule 11890, investigations, examinations, formal and

informal disciplinary actions, exception reports and trading data of such security.

(2) engage an independent accounting firm once a year to review and prepare a report on the Affiliate Security to ensure that the Nasdaq Affiliate is in compliance with the listing requirements contained in the Rule 5000, 5100, 5200, 5300, 5400, 5500, and 5600 Series and promptly provide Nasdaq's Regulatory Oversight Committee with a copy of the report prepared by the independent accounting firm.

(c) In the event that Nasdaq determines that the Nasdaq Affiliate is not in compliance with any of the listing requirements contained in the Rule 5000, 5100, 5200, 5300, 5400, 5500, and 5600 Series, Nasdaq shall file a report with the Commission within five business days of providing notice to the Nasdaq Affiliate of its non-compliance. The report shall identify the date of non-compliance, type of non-compliance and any other material information conveyed to the Nasdaq Affiliate in the notice of non-compliance. Within five business days of receipt of a plan of compliance from the Nasdaq Affiliate, Nasdaq shall notify the Commission of such receipt, whether the plan of compliance was accepted by Nasdaq or what other action was taken with respect to the plan and the time period provided to regain compliance with the Rule 5000, 5100, 5200, 5300, 5400, 5500, and 5600 Series, if any.

4702. Order Types

(a) Participants may express their trading interest in the Nasdaq Market Center by entering Orders. The Nasdaq Market Center offers a range of Order Types that behave in the manner specified for each particular Order Type. Each Order Type may be assigned certain Order Attributes that further define its behavior. All Order Types and Order Attributes operate in a manner that is reasonably designed to comply with the requirements of Rules 610 and 611 under Regulation NMS. Each Order must designate whether it is to effect a buy, a long sale, a short sale, or an exempt short sale.

Nasdaq maintains several communications protocols for Participants to use in entering Orders and sending other messages to the Nasdaq Market Center:

- OUCH is a Nasdaq proprietary protocol.
- RASH is a Nasdaq proprietary protocol.
- QIX is a Nasdaq proprietary protocol.
- FLITE is a Nasdaq proprietary protocol.
- FIX is a non-proprietary protocol.

Except where otherwise stated, all protocols are available for all Order Types and Order Attributes.

Upon entry, an Order is processed to determine whether it may execute against any contra-side Orders on the Nasdaq Book in accordance with the parameters applicable to the Order Type and Order Attributes selected by the Participant and in accordance with the priority for Orders on the Nasdaq Book provided in Rule 4757. In addition, the Order may have its price adjusted in accordance with applicable parameters and may be routed to other market centers for potential execution if designated as Routable. The Order may then be posted to the Nasdaq Book if consistent with the parameters of the Order Type and Order Attributes selected by the Participant. Thereafter, as detailed in Rules 4702, 4703, and 4758, there are numerous circumstances in which the Order on the Nasdaq Book may be modified and receive a new timestamp. The sole instances in which the modification of an Order on the Nasdaq Book will not result in a new timestamp are: (i) a decrease in the size of the Order due to execution or modification by the Participant or by the System, and (ii) a redesignation of a sell Order as a long sale, a short sale, or an exempt short sale. Whenever an Order receives a new timestamp for any reason, it is processed by the System as a new Order with respect to potential execution against Orders on the Nasdaq Book, price adjustment, routing, reposting to the Nasdaq Book, and subsequent execution against incoming Orders, except where otherwise stated.

All Orders are also subject to cancellation and/or repricing and reentry onto the Nasdaq Book in the circumstances described in Rule 4120(a)(12) (providing for compliance with Plan to Address Extraordinary Market Volatility) and Rule 4763 (providing for compliance with Regulation SHO). In all circumstances where an Order is repriced pursuant to those provisions, it is processed by the System as a new Order with respect to potential execution against Orders on the Nasdaq Book, price adjustment, routing, reposting to the Nasdaq Book, and subsequent execution against incoming Orders. If multiple Orders at a given price are repriced, the Order in which they are reentered is random, based on the respective processing time for each such Order; provided, however, that in the case of Price to Comply Orders and Post-Only Orders that have their prices adjusted upon entry because they lock a Protected Quotation but that are subsequently displayed at their original entered limit price as provided in Rules 4702(b)(1)(B) and (4)(B), they are processed in accordance with the time priority under which they were previously ranked on the Nasdaq Book.

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

- (1) (A) A "**Price to Comply Order**" is an Order Type designed to comply with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours. The Price to Comply Order is also designed to provide potential price improvement.

When a Price to Comply Order is entered, the Price to Comply Order will be executed against previously posted Orders on the Nasdaq Book that are priced equal to or better than the price of the Price to Comply Order, up to the full amount of such previously posted Orders, unless such executions would trade through a Protected Quotation. Any portion of the Order that cannot be executed in this

manner will be posted on the Nasdaq Book (and/or routed if it has been designated as Routable).

During Market Hours, the price at which a Price to Comply Order is posted is determined in the following manner. If the entered limit price of the Price to Comply Order would lock or cross a Protected Quotation and the Price to Comply Order could not execute against an Order on the Nasdaq Book at a price equal to or better than the price of the Protected Quotation, the Price to Comply Order will be displayed on the Nasdaq Book at a price one minimum price increment lower than the current Best Offer (for a Price to Comply Order to buy) or higher than the current Best Bid (for a Price to Comply Order to sell) but will also be ranked on the Nasdaq Book with a non-displayed price equal to the current Best Offer (for a Price to Comply Order to buy) or to the current Best Bid (for a Price to Comply Order to sell). For example, if a Price to Comply Order to buy at \$11 would lock a Protected Offer of \$11, the Price to Comply Order will be ranked at a non-displayed price of \$11 but will be displayed at \$10.99. An incoming Order to sell at a price of \$11 or lower would execute against the Price to Comply Order at \$11 (unless the incoming Order was an Order Type that was not immediately executable, in which case the incoming Order would behave in the manner specified for that Order Type).

During Pre-Market Hours and Post-Market Hours, a Price to Comply Order will be ranked and displayed at its entered limit price without adjustment.

(B) If a Price to Comply Order is entered through RASH, QIX, or FIX, during Market Hours the price of the Price to Comply Order will be adjusted in the following manner after initial entry and posting to the Nasdaq Book (unless the Order is assigned a Routing Order Attribute that would cause it to be routed to another market center rather than remaining on the Nasdaq Book):

- If the entered limit price of the Price to Comply Order locked or crossed a Protected Quotation and the NBBO changes, the displayed and non-displayed price of the Price to Comply Order will be adjusted repeatedly in accordance with changes to the NBBO; provided, however, that if the quotation of another market center moves in a manner that would lock or cross the displayed price of a Price to Comply Order, the prices of the Price to Comply Order will not be adjusted. For example, if a Price to Comply Order to buy at \$11.02 would cross a Protected Offer of \$11, the Order will be ranked at non-displayed price of \$11 but will be displayed at \$10.99. If the Best Offer then moves to \$11.01, the displayed price will be changed to \$11 and the Order will be ranked at a non-displayed price of \$11.01. However, if another market center then displays an offer of \$11 (thereby locking the previously displayed price of the Price to Comply Order, notwithstanding Rule 610(d) under Regulation NMS), the price of the Price to Comply Order will not be changed. The Order may be repriced repeatedly until such time as the Price to Comply Order is able to be ranked and displayed at its original entered limit price (\$11.02 in the example). The Price to Comply Order receives a new timestamp each time its

price is changed.

- If the original entered limit price of the Price to Comply Order would no longer lock or cross a Protected Quotation, the Price to Comply Order will be ranked and displayed at that price and will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

If a Price to Comply Order is entered through OUCH or FLITE, during Market Hours the price of the Price to Comply Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- If the entered limit price of the Price to Comply Order crossed a Protected Quotation and the NBBO changes so that the Price to Comply Order could be displayed at a price at or closer to its entered limit price without locking or crossing a Protected Quotation, the Price to Comply Order may either remain on the Nasdaq Book unchanged or may be cancelled back to the Participant, depending on its choice. For example, if a Price to Comply Order to buy at \$11.02 would cross a Protected Offer of \$11, the Order will be ranked at a non-displayed price of \$11 but will be displayed at \$10.99. If the Best Offer changes to \$11.01, the Order will not be repriced, but rather will either remain with a displayed price of \$10.99 but ranked at a non-displayed price of \$11 or be cancelled back to the Participant, depending on its choice. A Participant's choice with regard to maintaining the Price to Comply Order or cancelling it is set in advance for each port through which the Participant enters Orders.
- If the entered limit price of the Price to Comply Order locked a Protected Quotation, the price of the Price to Comply Order will be adjusted after initial entry only as follows. If the entered limit price would no longer lock a Protected Quotation, the Price to Comply Order may either remain on the Nasdaq Book unchanged, may be cancelled back to the Participant, or may be ranked and displayed at its original entered limit price, depending on the Participant's choice. For example, if a Price to Comply Order to buy at \$11 would lock a Protected Offer of \$11, the Price to Comply Order will be ranked at a non-displayed price of \$11 but will be displayed at \$10.99. If the Best Offer changes to \$11.01, the Price to Comply Order may either remain with a displayed price of \$10.99 but ranked at a non-displayed price of \$11, be cancelled back to the Participant, or be ranked and displayed at \$11, depending on the Participant's choice. A Participant's choice with regard to maintaining the Price to Comply Order, cancelling it, or allowing it to be displayed is set in advance for each port through which the Participant enters Orders. If the Price to Comply Order is ranked and displayed at its original entered limit price, it will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

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

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.
- Size.
- Reserve Size (available through RASH, FIX and QIX only).
- A Time-in-Force other than IOC. (A Price to Comply Order entered with a Time-in-Force of IOC would be processed as a Non-Displayed Order with a Time-in-Force of IOC).
- Designation as an ISO. In accordance with Regulation NMS, a Price to Comply Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Price to Comply Order would lock or cross.
- Routing (available through RASH, FIX and QIX only).
- Primary Pegging and Market Pegging (available through RASH, FIX, and QIX only).
- Discretion (available through RASH, FIX and QIX only).
- Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.
- Display. A Price to Comply Order is always displayed, although, as provided above, it may also have a non-displayed price and/or Reserve Size.
- Trade Now (available through OUCH, RASH, FLITE and FIX).
- Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).

(2) (A) A "Price to Display Order" is an Order Type designed to comply with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours. Price to Display Orders are available solely to Participants that are Market Makers.

When a Price to Display Order is entered, if its entered limit price would lock or cross a Protected Quotation, the Price to Display Order will be repriced to one minimum price increment lower than the current Best Offer (for a Price to Display Order to buy) or higher than the current Best Bid (for a Price to Display Order to sell). For example, if a Price to Display Order to buy at \$11 would cross a Protected

Offer of \$10.99, the Price to Display Order will be repriced to \$10.98. The Price to Display Order (whether repriced or not repriced) will then be executed against previously posted Orders on the Nasdaq Book that are priced equal to or better than the adjusted price of the Price to Display Order, up to the full amount of such previously posted Orders, unless such executions would trade through a Protected Quotation. Any portion of the Order that cannot be executed in this manner will be posted on the Nasdaq Book (and/or routed if it has been designated as Routable).

During Market Hours, the price at which a Price to Display Order is displayed and ranked on the Nasdaq Book will be its entered limit price if the Price to Display Order was not repriced upon entry, or the adjusted price if the Price to Display Order was repriced upon entry, such that the price will not lock or cross a Protected Quotation.

During Pre-Market Hours and Post-Market Hours, a Price to Display Order will be displayed and ranked at its entered limit price without adjustment.

(B) If a Price to Display Order is entered through RASH, QIX, or FIX, during Market Hours the Price to Display Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book (unless the Order is assigned a Routing Order Attribute that would cause it to be routed to another market center rather than remaining on the Nasdaq Book):

- If the entered limit price of the Price to Display Order locked or crossed a Protected Quotation and the NBBO changes, the price of the Order will be adjusted repeatedly in accordance with changes to the NBBO; provided, however, that if the quotation of another market center moves in a manner that would lock or cross the price of a Price to Display Order, the price of the Price to Display Order will not be adjusted. For example, if a Price to Display Order to buy at \$11.02 would cross a Protected Offer of \$11, the Order will be displayed and ranked at \$10.99. If the Best Offer then moves to \$11.01, the displayed/ranked price will be changed to \$11. However, if another market center then displays an offer of \$11 (thereby locking the previously displayed price of the Price to Display Order, notwithstanding Rule 610(d) under Regulation NMS), the price of the Price to Display Order will not be changed. The Order may be repriced repeatedly until such time as the Price to Display Order is able to be displayed and ranked at its original entered limit price (\$11.02 in the example). The Price to Display Order receives a new timestamp each time its price is changed.
- If the original entered limit price of the Price to Display Order would no longer lock or cross a Protected Quotation, the Price to Display Order will be displayed and ranked at that price and will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

If a Price to Display Order is entered through OUCH or FLITE, during Market

Hours the Price to Display Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- If the entered limit price of the Price to Display Order locked or crossed a Protected Quotation and the NBBO changes so that the Price to Display Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Price to Display Order may either remain on the Nasdaq Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. For example, if a Price to Display Order to buy at \$11.02 would cross a Protected Offer of \$11, the Order will be ranked and displayed at \$10.99. If the Best Offer changes to \$11.01, the Price to Display Order will not be repriced, but rather will either remain at its current price or be cancelled back to the Participant, depending on its choice. A Participant's choice with regard to maintaining the Price to Display Order or cancelling it is set in advance for each port through which the Participant enters Orders.

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

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation.
- Size.
- Reserve Size (available through RASH, FIX and QIX only).
- A Time-in-Force other than IOC. (A Price to Display Order entered with a Time-in-Force of IOC would be processed as a Non-Displayed Order with a Time-in-Force of IOC).
- Designation as an ISO. In accordance with Regulation NMS, a Price to Display Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Price to Display Order would lock or cross.
- Routing (available through RASH, FIX and QIX only).
- Primary Pegging and Market Pegging (available through RASH, FIX, and QIX only).
- Discretion (available through RASH, FIX and QIX only).
- Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.

- Attribution. All Price to Display Orders are Attributable Orders.
- Display. A Price to Display Order is always displayed (but may also have Reserve Size).

(3) (A) A "Non-Displayed Order" is an Order Type that is not displayed to other Participants, but nevertheless remains available for potential execution against incoming Orders until executed in full or cancelled. In addition to the Non-Displayed Order Type, there are other Order Types that are not displayed on the Nasdaq Book. Thus, "Non- Display" is both a specific Order Type and an Order Attribute of certain other Order Types.

When a Non-Displayed Order is entered, the Non-Displayed Order will be executed against previously posted Orders on the Nasdaq Book that are priced equal to or better than the price of the Non-Displayed Order, up to the full amount of such previously posted Orders, unless such executions would trade through a Protected Quotation. Any portion of the Non-Displayed Order that cannot be executed in this manner will be posted to the Nasdaq Book (unless the Non-Displayed Order has a Time-in-Force of IOC) and/or routed if it has been designated as Routable.

During Market Hours, the price at which a Non-Displayed Order is posted is determined in the following manner. If the entered limit price of the Non-Displayed Order would lock a Protected Quotation, the Non-Displayed Order will be placed on the Nasdaq Book at the locking price. If the Non-Displayed Order would cross a Protected Quotation, the Non-Displayed Order will be repriced to a price that would lock the Protected Quotation and will be placed on the Nasdaq Book at that price. For example, if a Non-Displayed Order to buy at \$11 would cross a Protected Offer of \$10.99, the Non-Displayed Order will be repriced and posted at \$10.99. A Non-Displayed Order to buy at \$10.99 would also be posted at \$10.99.

During Pre-Market Hours and Post-Market Hours, a Non-Displayed Order will be posted at its entered limit price without adjustment.

(B) If a Non-Displayed Order is entered through RASH, QIX, or FIX, during Market Hours the Non-Displayed Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book (unless the Order is assigned a Routing Order Attribute that would cause it to be routed to another market center rather than remaining on the Nasdaq Book):

- If the original entered limit price of a Non-Displayed Order is higher than the Best Offer (for an Order to buy) or lower than the Best Bid (for an Order to sell) and the NBBO moves toward the original entered limit price of the Non-Displayed Order, the price of the Non-Displayed Order will be adjusted repeatedly in accordance with changes to the NBBO. For example, if a Non-Displayed Order to buy at \$11.02 would cross a Protected Offer of \$11, the Non-Displayed Order will be priced and posted at \$11. If the Best Offer then

changes to \$11.01, the price of the Non-Displayed Order will be changed to \$11.01. The Order may be repriced repeatedly in this manner, receiving a new timestamp each time its price is changed, until the Non-Displayed Order is posted at its original entered limit price. The Non-Displayed Order will not thereafter be repriced under this paragraph (B), except as provided below with respect to crossing a Protected Quotation.

- If, after being posted to the Nasdaq Book, the NBBO changes so that the Non-Displayed Order would cross a Protected Quotation, the Non-Displayed Order will be repriced at a price that would lock the new NBBO and receive a new timestamp. For example, if a Non-Displayed Order to buy at \$11 would lock a Protected Offer of \$11, the Non-Displayed Order will be posted at \$11. If the Best Offer then changes to \$10.99, the Non-Displayed Order will be repriced at \$10.99, receiving a new timestamp. The Non-Displayed Order may be repriced and receive a new timestamp repeatedly.

If a Non-Displayed Order is entered through OUCH or FLITE, during Market Hours the Non-Displayed Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- If the original entered limit price of the Non-Displayed Order locked or crossed a Protected Quotation and the NBBO changes so that the Non-Displayed Order could be posted at a price at or closer to its original entered limit price without crossing a Protected Quotation, the Non-Displayed Order may either remain on the Nasdaq Book unchanged or may be cancelled back to the Participant, depending on its choice. For example, if a Non-Displayed Order to buy at \$11.02 would cross a Protected Offer of \$11, the Order will be priced at \$11. If the Best Offer changes to \$11.01, the Order will not be repriced, but rather will either remain at its current \$11 price or be cancelled back to the Participant, depending on its choice. A Participant's choice with regard to maintaining the Non-Displayed Order or cancelling it is set in advance for each port through which the Participant enters Orders.
- If, after a Non-Displayed Order is posted to the Nasdaq Book, the NBBO changes so that the Non-Displayed Order would cross a Protected Quotation, the Non-Displayed Order will be cancelled back to the Participant. For example, if a Non-Displayed Order to buy at \$11 would lock a Protected Offer of \$11, the Non-Displayed Order will be posted at \$11. If the Best Offer then changes to \$10.99, the Non-Displayed Order will be cancelled back to the Participant.

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

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

- Size.
 - Minimum Quantity.
 - Time-in-Force.
 - Designation as an ISO. In accordance with Regulation NMS, a Non-Displayed Order designated as an ISO would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Non-Displayed Order would cross. As discussed above, a Non-Displayed Order would be accepted at a price that locked a Protected Quotation, even if the Order was not designated as an ISO, because the non-displayed nature of the Order allows it to lock a Protected Quotation under Regulation NMS. Accordingly, the System would not interpret receipt of a Non-Displayed Order marked ISO that locked a Protected Quotation as the basis for determining that the Protected Quotation had been executed for purposes of accepting additional Orders at that price level.
 - Routing (available through RASH, FIX and QIX only).
 - Primary Pegging and Market Pegging (available through RASH, FIX, and QIX only).
 - Pegging to the Midpoint (see Rule 4703(d) with respect to differences between OUCH and FLITE and RASH, FIX, and QIX).
 - Discretion (available through RASH, FIX and QIX only).
 - Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.
 - Trade Now (available through OUCH, RASH, FLITE and FIX).
 - Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).
- (4) (A) A "**Post-Only Order**" is an Order Type designed to have its price adjusted as needed to post to the Nasdaq Book in compliance with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours, or to execute against locking or crossing quotations in circumstances where economically beneficial to the Participant entering the Post-Only Order.

During Market Hours, a Post-Only Order is evaluated at the time of entry with respect to locking or crossing other Orders on the Nasdaq Book, Protected

Quotations, and potential execution as follows:

- If a Post-Only Order would lock or cross a Protected Quotation, the Post Only Order may either be adjusted or be cancelled back to the Participant, depending on the Participant's choice; provided, however, the Post-Only Order will execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds \$0.01 per share. If the Participant elects to have the Post Only Order adjusted, the price of the Order will first be adjusted. If the Order is Attributable, its adjusted price will be one minimum price increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers). If the Order is not Attributable, its adjusted price will be equal to the current Best Offer (for bids) or the current Best Bid (for offers). However, the Order will not post or execute until the Order, as adjusted, is evaluated with respect to Orders on the Nasdaq Book.

— If the adjusted price of the Post-Only Order would not lock or cross a Order on the Nasdaq Book, the Order will be posted in the same manner as a Price to Comply Order (if it is not Attributable) or a Price to Display Order (if it is Attributable). Specifically, if the Post-Only Order is not Attributable, it will be displayed on the Nasdaq Book at a price one minimum price increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers) but will be ranked on the Nasdaq Book with a non-displayed price equal to the current Best Offer (for bids) or to the current Best Bid (for offers). For example, if a Post-Only Order to buy at \$11 would lock a Protected Offer of \$11, the Order will be ranked at a non-displayed price of \$11 but will be displayed at \$10.99. If the Post-Only Order is Attributable, it will be ranked and displayed on the Nasdaq Book at a price one minimum increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers). Thus, in the preceding example, the Post-Only Order to buy would be ranked and displayed at \$10.99.

— If the adjusted price of the Post-Only Order would lock or cross a displayed Order at its displayed price on the Nasdaq Book, the Post Only Order may either be adjusted or be cancelled back to the Participant, depending on the Participant's choice; provided, however, the Post-Only Order will execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or

exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds \$0.01 per share. If the Participant elects to have the Post Only Order adjusted, the Post Only Order will be repriced, ranked, and displayed at one minimum price increment below the current best displayed price to sell on the Nasdaq Book (for bids) or above the current best displayed price to buy on the Nasdaq Book (for offers); provided, however, the Post-Only Order will execute if it meets the criteria above. For example, if a Participant entered a Non-Attributable Post-Only Order to buy at \$11.01, another market center is displaying a Protected Offer at \$11, and there is an Order on the Nasdaq Book to sell at \$11, the adjusted price of the Post- Only Order will be \$11. However, because the Post-Only Order would be executable against the Order on the Nasdaq Book and would receive \$0.01 price improvement (as measured against the original \$11.01 price of the Post- Only Order), the Post-Only Order would execute.

— If the adjusted price of the Post-Only Order would lock or cross a non-displayed price on the Nasdaq Book, the Post-Only Order will be posted in the same manner as a Price to Comply Order; provided, however, the Post-Only Order will execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds \$0.01 per share. For example, if a Participant entered a Non-Attributable Post-Only Order to buy at \$11.01, another market center is displaying a Protected Offer at \$11, and there is a Non-Displayed Order on the Nasdaq Book to sell at \$11, the adjusted price of the Post-Only Order will be \$11. However, because the Post-Only Order would be executable against the Non-Displayed Order on the Nasdaq Book and would receive \$0.01 price improvement (as measured against the original \$11.01 price of the Post-Only Order), the Post-Only Order would execute.

- If the Post-Only Order would not lock or cross a Protected Quotation but would lock or cross a displayed Order at its displayed price on the Nasdaq Book, the Post Only Order may either be adjusted or be cancelled back to the Participant, depending on the Participant's choice; provided, however, the Post-Only Order will execute if (i) it is priced below \$1.00 and the value of

price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book (as measured against the original limit price of the Order) equals or exceeds \$0.01 per share. If the Participant elects to have the Post Only Order adjusted, the Post Only Order will be repriced, ranked, and displayed at one minimum price increment below the current best-priced Order to sell on the Nasdaq Book (for bids) or above the current best-priced Order to buy on the Nasdaq Book (for offers); provided, however, the Post-Only Order will execute if it meets the criteria above. For example, if a Participant entered a Post-Only Order to buy at \$11.02, the Best Offer on an away exchange was \$11.04, and there was a Displayed Order on the Nasdaq Book to sell at \$11.02, the Post-Only Order would be ranked and displayed at \$11.01. However, if a Participant entered a Post-Only Order to buy at \$11.03, the Order would execute against the Order on the Nasdaq Book at \$11.02, receiving \$0.01 per share price improvement.

- If the Post-Only Order would not lock or cross a Protected Quotation but would lock or cross a non-displayed Order on the Nasdaq Book, the Post-Only Order will be posted, ranked, and displayed at its limit price; provided, however, the Post-Only Order will execute if (i) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Nasdaq Book and subsequently provided liquidity, or (ii) it is priced at \$1.00 or more and the value of price improvement associated with executing against an Order on the Nasdaq Book equals or exceeds \$0.01 per share. For example, if a Participant entered a Post-Only Order to buy at \$11.02, the Best Offer was \$11.04, and there was a Non-Displayed Order on the Nasdaq Book to sell at \$11.02, the Post-Only Order would be ranked and displayed at \$11.02. However, if a Participant entered a Post-Only Order to buy at \$11.03, the Order would execute against the Order on the Nasdaq Book at \$11.02, receiving \$0.01 per share price improvement.
- If a Post-Only Order is entered with a Time-in-Force of IOC, the Order will be evaluated for possible execution in the same manner as any other Post-Only Order but will be cancelled rather than posted if the Order cannot execute.
- If a Post-Only Order would not lock or cross an Order on the Nasdaq Book or any Protected Quotation, it will be posted on the Nasdaq Book at its entered limit price.

During Pre-Market and Post-Market Hours, a Post-Only Order will be processed in a

manner identical to Market Hours with respect to locking or crossing Orders on the Nasdaq Book, but will not be cancelled or have its price adjusted with respect to locking or crossing the quotations of other market centers.

(B) If a Post-Only Order is entered through RASH, QIX, or FIX, during System Hours the Post-Only Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- If the original entered limit price of the Post-Only Order is not being displayed, the displayed price (and non-displayed price, if any) of the Order will be adjusted repeatedly in accordance with changes to the NBBO or the best price on the Nasdaq Book, as applicable; provided, however, that if the quotation of another market center moves in a manner that would lock or cross the displayed price of a Post-Only Order, the price(s) of the Post-Only Order will not be adjusted. For example, if a Non-Attributable Post-Only Order to buy at \$11.02 would cross a Protected Offer of \$11, the Order will be ranked at a non-displayed price of \$11 but will be displayed at \$10.99. If the Best Offer then moves to \$11.01, the displayed price will be changed to \$11 and the non-displayed price at which the Order is ranked will be changed to \$11.01. However, if another market center then displays an offer of \$11 (thereby locking the previously displayed price of the Post-Only Order notwithstanding Rule 610(d) under Regulation NMS), the price of the Post-Only Order will not be changed. The Order may be repriced repeatedly until such time as the Post-Only Order is able to be displayed at its original entered limit price (\$11.02 in the example). The Post-Only Order receives a new timestamp each time its price is changed.
- If the original entered limit price of the Post-Only Order would no longer lock or cross a Protected Quotation or a displayed Order on the Nasdaq Book, the Post-Only Order will be ranked and displayed at that price and will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

If a Post-Only Order is entered through OUCH or FLITE, the Post-Only Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- During Market Hours, if the original entered limit price of the Post-Only Order locked or crossed a Protected Quotation, the Post-Only Order may be adjusted after initial entry in the same manner as a Price to Comply Order (or a Price to Display Order, if it is Attributable). Thus, in the case of a Non-Attributable Post-Only Order that crossed a Protected Quotation, if the NBBO changed so that the Post-Only Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Post-Only Order may either remain on the Nasdaq Book unchanged or may be cancelled back to the Participant, depending on its choice. In the case of a Non-Attributable Post-Only Order that locked a

Protected Quotation, if the limit price would no longer lock a Protected Quotation, the Post-Only Order may either remain on the Nasdaq Book unchanged, may be cancelled back to the Participant, or may be ranked and displayed at its original entered limit price, depending on the Participant's choice, and will not thereafter be adjusted under this paragraph (B). If the Post-Only Order is displayed at its original entered limit price, it will receive a new timestamp. Finally, in the case of an Attributable Post-Only Order that locked or crossed a Protected Quotation, if the NBBO changed so that the Post-Only Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Post-Only Order may either remain on the Nasdaq Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. A Participant's choice with regard to adjustment of Post-Only Orders is set in advance for each port through which the Participant enters Orders.

- During System Hours, if the original entered limit price of the Post-Only Order locked or crossed a displayed Order on the Nasdaq Book and the Nasdaq Book changes so that the original entered limit price would no longer lock or cross an Order on the Nasdaq Book, the Post-Only Order may either remain on the Nasdaq Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. For example, if a Post-Only Order to buy at \$11 would lock a displayed Order on the Nasdaq Book priced at \$11, the Post-Only Order will be ranked and displayed at \$10.99. If the Order at \$11 is cancelled or executed, the Post-Only Order may either remain with a displayed price of \$10.99 or be cancelled back to the Participant, depending on the Participant's choice. A Participant's choice with regard to maintaining the Post-Only Order or cancelling it is set in advance for each port through which the Participant enters Orders.

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

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.
- Size.
- Time-in-Force; provided, however, that a Post-Only Order with a Time-in-Force of IOC may not be entered through RASH, QIX, or FIX.
- Designation as an ISO. In accordance with Regulation NMS, a Post-Only Order designated as an ISO that locked or crossed a Protected Quotation would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Post-Only Order would

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

- Attribution.
- Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.
- Display. A Post-Only Order is always displayed, although as provided above, may also have a non-displayed price.
- Trade Now (available through OUCH, RASH, FLITE and FIX).
- Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).

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

A Midpoint Peg Post-Only Order must be assigned a limit price. When a Midpoint Peg Post-Only Order is entered, it will be priced at the midpoint between the NBBO,

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

A Midpoint Peg Post-Only Order that would be assigned a price of \$1 or less per share will not be accepted.

(B) If a Midpoint Peg Post-Only Order is entered through RASH, QIX, or FIX, the Midpoint Peg Post-Only Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- The price of the Midpoint Peg Post-Only Order will be updated repeatedly to equal the midpoint between the NBBO; provided, however, that the Order will not be priced higher (lower) than the limit price of an Order to buy (sell). In the event that the midpoint between the NBBO becomes higher than (lower than) the limit price of an Order to buy (sell), the price of the Order will stop updating and the Order will post (with a Non-Display Attribute) at its limit price, but will resume updating if the midpoint becomes lower than (higher than) the limit price of an Order to buy (sell). Similarly, if a Midpoint Peg Post-Only Order is on the Nasdaq Book and subsequently the NBBO is crossed, or if there is no NBBO, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid NBBO that is not crossed. The Midpoint Peg Post-Only Order receives a new timestamp each time its price is changed.

If a Midpoint Peg Post-Only Order is entered through OUCH or FLITE, the

Midpoint Peg Post-Only Order may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- The price at which the Midpoint Peg Post-Only Order is ranked on the Nasdaq Book is the midpoint between the NBBO, unless the Order has a limit price that is lower than the midpoint between the NBBO for an Order to buy (higher than the midpoint between the NBBO for an Order to sell), in which case the Order will be ranked on the Nasdaq Book at its limit price. The price of the Order will not thereafter be adjusted based on changes to the NBBO. However, a Midpoint Peg Post-Only Order entered through OUCH or FLITE will be cancelled back to the Participant after initial entry and posting to the Nasdaq Book if any of the following conditions are met:
- There is no National Best Bid and/or National Best Offer;
- The Order to buy (sell) is entered with a limit price above (below) the Midpoint of the NBBO and is ranked at the Midpoint of the NBBO; thereafter, the NBBO changes so that the Midpoint changes and the Order is no longer at the NBBO Midpoint;
- The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint of the NBBO and is ranked at its limit price; thereafter, the NBBO changes so that the Midpoint of the NBBO is lower (higher) than the limit price of the Order;
- The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint of the NBBO and is ranked at its limit price, thereafter the NBBO becomes crossed, such that the Midpoint of the crossed NBBO remains equal to or higher (lower) than the limit price of the Order, and then a new sell (buy) Order is received at a price that locks or crosses the limit price of the resting Midpoint Peg Post-Only Order; or
- The Order to buy (sell) is entered at a limit price that is greater than (less than) the Midpoint of the NBBO and is therefore ranked at the Midpoint of the NBBO, thereafter the NBBO becomes crossed but the Midpoint does not change, and then a new sell (buy) Order is received at a price that locks or crosses the Midpoint of the NBBO.

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

- Price of more than \$1 per share.
- Size.
- Time-in-Force; provided, however, that a Midpoint Peg Post-Only Order with

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

- Pegging to the midpoint is required for Midpoint Peg Post-Only Orders entered through RASH, QIX or FIX. As discussed above, the price of a Midpoint Peg Post-Only Order entered through OUCH or FLITE will be pegged to the midpoint upon entry and not adjusted thereafter.
- Minimum Quantity.
- Non-Display. All Midpoint Peg Post-Only Orders are Non-Displayed.
- Trade Now (available through OUCH, RASH, FLITE and FIX).
- Midpoint Trade Now (available through OUCH, RASH, FLITE and FIX).

(6) (A) A "Supplemental Order" is an Order Type with a Non-Display Order Attribute that is held on the Nasdaq Book in order to provide liquidity at the NBBO through a special execution process described in Rule 4757(a)(1)(D). A Supplemental Order may be entered through the OUCH protocol only.

Upon entry, a Supplemental Order will always post to the Nasdaq Book at a price equal to the Best Bid (for buys) or the Best Offer (for sells). Thereafter, the Supplemental Order may execute against an Order that is designated as eligible for routing, after the Order has executed against all other liquidity on the Nasdaq Book but before routing. An Order will execute against a Supplemental Order(s) only at the NBBO, only if the NBBO is not locked or crossed, and only if the Order can be executed in full. If a Supplemental Order is not executed in full, the remaining portion of the Supplemental Order shall remain on the Nasdaq Book as a Supplemental Order until the Supplemental Order is fully executed, the Supplemental Order is cancelled by the Participant that entered the Supplemental Order, or the size of the Supplemental Order is reduced to less than one normal unit of trading (in which case the Supplemental Order will be cancelled automatically).

(B) The following Order Attributes may be assigned to a Supplemental Order:

- Price. The Price of a Supplemental Order to buy is always equal to the Best Bid, and the price of a Supplemental Order to sell is always equal to the Best

Offer.

- Size. All Supplemental Orders must be entered with a size of one or more normal units of trading. When a Supplemental Order is reduced to less than one normal unit of trading, the remainder of the Supplemental Order will be cancelled automatically.
- A Time-in-Force other than IOC. A Supplemental Order may be entered at any time during Pre-Market Hours or Market Hours, but is available for potential execution only during Market Hours. Any Supplemental Orders still on the Nasdaq Book at the conclusion of Market Hours will be cancelled. Supplemental Orders may not participate in the Nasdaq Opening Cross or the Nasdaq Closing Cross.
- Primary Pegging. A Supplemental Order is not pegged to the NBBO through the regular Primary Pegging Order Attribute, and therefore does not have its price adjusted continually. However, if an incoming Order is potentially executable against a Supplemental Order, the System will set the price of the Supplemental Order at the NBBO on the same side of the market, with no offset. As a result, a Supplemental Order may only execute at the NBBO.
- Non-Display. All Supplemental Orders are Non-Displayed.

(7) (A) A "Market Maker Peg Order" is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Equity 2, Section 5(a)(2). The displayed price of the Market Maker Peg Order is set with reference to a "Reference Price" in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH, FIX or QIX only. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) (including Nasdaq), or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security.

Upon entry, the displayed price of a Market Maker Peg Order to buy (sell) is automatically set by the System at the Designated Percentage (as defined in Equity 2, Section 5) away from the Reference Price in order to comply with the quotation requirements for Market Makers set forth in Equity 2, Section 5(a)(2). For example, if the National Best Bid is \$10 and the Designated Percentage for the security is 8%, the displayed price of a Market Marker Peg Order to buy would be \$9.20. If the limit price of the Order is not within the Designated Percentage, the Order will be sent back to the Participant.

Once a Market Maker Peg Order has posted to the Nasdaq Book, it is repriced if needed as the Reference Price changes. Specifically, if as a result of a change to the Reference Price, the difference between the displayed price of the Market Maker Peg Order and the Reference Price exceeds the Defined Limit (as defined in Equity 2, Section 5), a Market Maker Peg Order to buy (sell) will be repriced to the Designated Percentage away from the Reference Price. In the foregoing example, if the Defined Limit is 9.5% and the National Best Bid increased to \$10.17, such that the displayed price of the Market Maker Peg Order would be more than 9.5% away, the Order will be repriced to \$9.36, or 8% away from the National Best Bid. Note that prices will be rounded in a manner to ensure that they are calculated and displayed at a level that is consistent with the Designated Percentage and the permissible minimum increment of \$0.01 or \$0.0001, as applicable. If the limit price of the Order is not within the Designated Percentage, the Order will be sent back to the Participant.

Similarly, if as a result of a change to the Reference Price, the displayed price of a Market Maker Peg Order to buy (sell) is at least one minimum price variation more than (less than) a price that is 4% less than (more than) the Reference Price, rounded up (down), then the Market Maker Peg Order to buy (sell) will be repriced to the Designated Percentage away from the Reference Price. For example, if the National Best Bid is \$10 and the Designated Percentage for the security is 8%, the displayed price of a Market Maker Peg Order to buy would initially be \$9.20. If the National Best Bid then moved to \$9.57, such that the displayed price of the Market Maker Peg Order would be a minimum of \$0.01 more than a price that is 4% less than the National Best Bid, rounded up (i.e. $\$9.57 - (\$9.57 \times 0.04) = \$9.1872$, rounding up to \$9.19), the Order will be repriced to \$8.81, or 8% away from the National Best Bid.

Market Maker Peg Orders entered with a pegging offset will not be accepted.

A new timestamp is created for a Market Maker Peg Order each time that it is repriced. In the absence of a Reference Price, a Market Maker Peg Order will be cancelled (if on the Nasdaq Book) or rejected (if it is an incoming Order). If, after entry, a Market Maker Peg Order has a displayed price based on a Reference Price other than the NBBO and such Market Maker Peg Order is established as the National Best Bid or National Best Offer, the Market Maker Peg Order will not be subsequently repriced in accordance with this rule until a new Reference Price is established. Additionally, if after entry, a Market Maker Peg Order has a displayed price based on the NBBO, and the NBBO subsequently shifts such that the displayed price of the Market Maker Peg Order to buy (sell) is equal to or greater (less) than the National Best Bid (or National Best Offer), the Market Maker Peg Order will not be subsequently repriced in accordance with this Rule until a new Reference Price is established that is more aggressive than the displayed price of the Market Maker Peg Order. In such cases, the new Reference Price may be established by a change in the NBBO based on another market center's quotation or by the entry into the System of any Displayed Order with a price better than the displayed price of the Market Maker Peg Order, whether the new Order is at a price that is lower than, higher than

or equal to the prior Reference Price.

Notwithstanding the availability of Market Maker Peg Order functionality, a Market Maker remains responsible for entering, monitoring, and resubmitting, as applicable, quotations that meet the requirements of Equity 2, Section 5.

(B) The following Order Attributes may be assigned to a Market Maker Peg Order:

- Price. As discussed above, the displayed price of a Market Maker Peg Order is established by the Nasdaq Market Center based on the Reference Price, the Designated Percentage, the Defined Limit, and the 4% minimum difference from the Reference Price.
- Size.
- A Time-in-Force other than IOC or GTC.
- Participation in the Nasdaq Opening Cross, Nasdaq Halt Cross and/or the Nasdaq Closing Cross.
- Attribution. All Market Maker Peg Orders are Attributable.
- Display. Market Maker Peg Orders are always Displayed.

(8) (A) A "Market On Open Order" or "MOO Order" is an Order Type entered without a price that may be executed only during the Nasdaq Opening Cross. Subject to the qualifications provided below, MOO Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to 9:28 a.m. ET. An MOO Order may not be cancelled or modified at or after 9:28 a.m. ET. An MOO Order shall execute only at the price determined by the Nasdaq Opening Cross.

(B) The following Order Attributes may be assigned to a Market On Open Order:

- Price. An MOO Order is entered without a price and shall execute only at the price determined by the Nasdaq Opening Cross.
- Size.
- Time-in-Force. An MOO Order may execute only in the Nasdaq Opening Cross. However, a Participant may designate the Time-in-Force for an MOO Order either by designating a Time-in-Force of "On Open" or by entering another Order Type with a Market Pegging Attribute and flagging the Order to participate in the Nasdaq Opening Cross. An MOO Order entered through RASH or FIX with a Time-in-Force of IOC and flagged to participate in the Nasdaq Opening Cross that is entered after the time of the Nasdaq Opening

Cross will be accepted but will be converted into a Non-Displayed Order with a Time-in-Force of IOC and a price established using the Market Pegging Order Attribute with no offset. An Order with a Market Pegging Attribute and a Time-in-Force other than IOC that is flagged to participate in the Nasdaq Opening Cross and entered at or after 9:28 a.m. will be held and entered into the System after the completion of the Nasdaq Opening Cross. All other MOO Orders entered at or after 9:28 a.m. will be rejected.

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

(9) (A) A "Limit On Open Order" or "LOO Order" is an Order Type entered with a price that may be executed only in the Nasdaq Opening Cross, and only if the price determined by the Nasdaq Opening Cross is equal to or better than the price at which the LOO Order was entered. Subject to the qualifications provided below, LOO Orders may be entered, cancelled, and/or modified between 4 a.m. ET and immediately prior to 9:28 a.m. ET.

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

- Price.
- Size.
- Time-in-Force. In general, an LOO Order may execute only in the Nasdaq Opening Cross. However, a Participant may designate the Time-in-Force for an LOO Order either by designating a Time-in-Force of "On Open," in which case the Order will execute solely in the Nasdaq Opening Cross, or by entering another Order Type and Time-in-Force and flagging the Order to participate in the Nasdaq Opening Cross. In the latter case, if the Participant designates a Time-in-Force of IOC, the Order will participate solely in the Nasdaq Opening Cross. If the Participant enters a Time-in-Force that continues after the time of the Nasdaq Opening Cross, the Order will participate in the Nasdaq Opening Cross like an LOO Order, while operating thereafter in accordance with its designated Order Type and Order Attributes (if not executed in full in the Nasdaq Opening Cross). Such an Order may be referred to as an "Opening Cross/Market Hours Order." If such an Order has a Time-in-Force that continues until at least the time of the Nasdaq Closing Cross, the Order may be referred to as a "Cross to Cross Order."

Following the Nasdaq Opening Cross, an Opening Cross/Market Hours Order may not operate as a Post-Only Order, Midpoint Peg Post-Only Order, a Supplemental Order, a Retail Order, or an RPI Order. In the case of a Market Maker Peg Order entered prior to 9:28 a.m. ET that is also designated to participate in the Nasdaq Opening Cross, the price of the Order for purposes of operating as an LOO Order will be established on entry and will not thereafter be pegged until after the completion of the Nasdaq Opening Cross.

An Opening Cross/Market Hours Order that is entered between 9:28 a.m. and the time of the Nasdaq Opening Cross will be (i) held and entered into the System after the completion of the Nasdaq Opening Cross if it has been assigned a Pegging Attribute or Routing Attribute, (ii) treated as an Opening Imbalance Only Order and entered into the System after the completion of the Nasdaq Opening Cross if entered through RASH, QIX, or FIX but not assigned a Pegging Attribute or Routing Attribute, or (iii) treated as an Opening Imbalance Only Order and cancelled after the Nasdaq Opening Cross if entered through OUCH or FLITE. An Opening Cross/Market Hours Order entered through RASH or FIX after the time of the Nasdaq Opening Cross will be accepted but the Nasdaq Opening Cross flag will be ignored. A Routable Order flagged to participate in the Nasdaq Opening Cross with a Time-in-Force other than IOC and entered at or after 9:28 a.m. will be held and entered into the System after the Nasdaq Opening Cross. All other LOO Orders and Opening Cross/Market Hours Orders entered at or after 9:28 a.m. will be rejected.

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

(10) (A) An "Opening Imbalance Only Order" or "OIO Order" is an Order Type entered with a price that may be executed only in the Nasdaq Opening Cross and only against MOO Orders, LOO Orders, or Early Market Hours Orders (as defined in Rule 4752). OIO Orders may be entered between 4:00 a.m. ET until the time of execution of the Nasdaq Opening Cross, but may not be cancelled or modified at or after 9:28 a.m. ET. If the entered price of an OIO Order to buy (sell) is higher than (lower than) the highest bid (lowest offer) on the Nasdaq Book, the price of the OIO Order will be modified repeatedly to equal the highest bid (lowest offer) on the Nasdaq Book; provided, however, that the price of the Order will not be moved beyond its stated limit price. Thus, for example, if an OIO Order to buy was entered with a price of \$11 and the current highest bid on the Nasdaq Book was \$10.99, the OIO Order would be priced at \$10.99. If the highest bid subsequently became \$10.98, the OIO Order would again be repriced. However, if the highest bid moved to \$11.01, the OIO Order would not be repriced.

(B) The following Order Attributes may be assigned to an Opening Imbalance Only Order:

- Price.
- Size.
- Time-in-Force. An OIO Order may execute only in the Nasdaq Opening Cross. An OIO Order entered after the time of the execution of the Nasdaq Opening Cross will be rejected.
- Participation in the Nasdaq Opening Cross is required for this Order Type.

(11) (A) A "Market On Close Order" or "MOC Order" is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. Subject to the qualifications provided below, MOC Orders may be entered between 4 a.m. ET and immediately prior to 3:55 p.m. ET. MOC Orders may be 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 3:58 p.m. ET, an MOC Order can be cancelled and/or modified only 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). MOC Orders cannot be cancelled or modified at or after 3:58 p.m. ET for any reason. An MOC Order shall execute only at the price determined by the Nasdaq Closing Cross.

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

- Price. An MOC Order is entered without a price and shall execute only at the price determined by the Nasdaq Closing Cross.
- Size.
- Time-in-Force. An MOC Order may execute only in the Nasdaq Closing Cross. However, a Participant may designate the Time-in-Force for an MOC Order either by designating a Time-in-Force of "On Close" or by entering a Time-in-Force of IOC and flagging the Order to participate in the Nasdaq Closing Cross. All MOC Orders entered at or after 3:55 p.m. ET will be rejected. Participation in the Nasdaq Closing Cross is required for this Order Type.

(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, and only if the price determined by the Nasdaq Closing Cross is equal to or better than the price at which the LOC Order was entered. 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) re-priced 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.

(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. However, 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 by entering another Order Type and Time-in-Force and flagging the Order to participate in the Nasdaq Closing Cross.

In the latter case, if the Participant designates a Time-in-Force of IOC, the Order will participate solely in the Nasdaq Closing Cross. 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.

If the Participant enters a Time-in-Force that continues after the time of the Nasdaq Closing Cross, the Order will participate in the Nasdaq 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). Such an Order may be referred to as a "Closing Cross/Extended Hours Order."

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) (A) An "Imbalance Only Order" or "IO Order" is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. IO Orders may be entered between 4:00 a.m. ET until the time of execution of the Nasdaq Closing Cross, but may not be cancelled or modified at or after 3:50 p.m. ET. Between 3:50 p.m. ET and immediately prior to 3:58 p.m. ET, however, an IO Order can 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). IO Orders cannot be cancelled or modified at or after 3:58 p.m. ET for any reason.

If the price of an IO Order to buy (sell) is higher than (lower than) the highest bid (lowest offer) on the Nasdaq Book, the price of the IO Order will be modified repeatedly to equal the highest bid (lowest offer) on the Nasdaq Book; provided, however, that the price of the Order will not be moved beyond its stated limit price. Thus, for example, if an IO Order to buy was entered with a price of \$11 and the current highest bid on the Nasdaq Book was \$10.99, the IO Order would be priced at \$10.99. If the highest bid subsequently became \$10.98, the IO Order would again be repriced. However, if the highest bid moved to \$11.01, the IO Order would not be repriced.

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

- Price.
- Size.
- Time-in-Force. An IO Order may execute only in the Nasdaq Closing Cross. An IO Order entered after the time of the Nasdaq Closing Cross will be rejected.
- Participation in the Nasdaq Closing Cross is required for this Order Type.

(14) (A) A "Midpoint Extended Life Order" is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will not be eligible to execute until a minimum period of 10 milliseconds ("Holding Period") has passed after acceptance of the Order by the System. Eligible Midpoint Extended Life Orders may only execute against other eligible Midpoint Extended Life Orders and M-ELO+CB Orders. Buy (sell) Midpoint Extended Life Orders will be ranked in time order at the midpoint among other Buy (Sell) Midpoint Extended Life Orders and buy (sell) MELO+ CB Orders. A Midpoint Extended Life Order may be cancelled at any time. If a Midpoint Extended Life Order is modified by a member (other than to decrease the size of the Order or to modify the marking of a sell Order as long, short, or short exempt) during the Holding Period, the System will restart the Holding Period. If a Midpoint Extended Life Order is modified by a member

(other than to decrease the size of the Order or to modify the marking of a sell Order as long, short, or short exempt) after it is eligible to execute, the Order will have to satisfy a new Holding Period to become eligible to execute.

If a limit price is assigned to a Midpoint Extended Life Order, the Order will be: (1) eligible for execution in time priority if upon acceptance of the Order by the System, the midpoint price is within the limit set by the participant; or (2) held until the midpoint falls within the limit set by the participant at which time the Holding Period will commence and thereafter the System will make the Order eligible for execution in time priority. For example, if the Best Bid was \$11 and the Best Offer was \$11.06, the price of the Midpoint Extended Life Order would be \$11.03. If a participant enters a Midpoint Extended Life Order to buy with a limit of \$11.02, the Holding Period would not begin until the midpoint price reached \$11.02. If a Midpoint Extended Life Order has met the Holding Period requirement but the midpoint is no longer within its limit, it will nonetheless be ranked in time priority among other Midpoint Extended Life Orders and M-ELO+CBs if the NBBO later moves such that it is within the Order's limit price. Midpoint Extended Life Orders will not execute if there is a resting non-displayed Order priced more aggressively than the midpoint between the NBBO, and will be held for execution until the resting non-displayed Order is no longer on the Nasdaq Book or the midpoint of the NBBO matches the price of the resting non-displayed Order.

Midpoint Extended Life Orders in existence at the time a halt is initiated will be ineligible to execute and held by the System until trading has resumed and the NBBO has been received by Nasdaq.

Nasdaq will publish on Nasdaqtrader.com weekly aggregated number of shares and transactions of Midpoint Extended Life Orders executed on Nasdaq by security. The weekly aggregated data would be published with a delay of two weeks for NMS stocks in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility, and four weeks for all other NMS stocks. Nasdaq will also publish on Nasdaqtrader.com monthly aggregated block-sized trading statistics of total shares and total transactions of Midpoint Extended Life Orders executed on Nasdaq. A transaction would be considered "block-sized" if it meets any of the following categories of criteria: (1) 10,000 or more shares; (2) \$200,000 or more in value; (3) 10,000 or more shares and \$200,000 or more in value; (4) 2,000 to 9,999 shares; (5) \$100,000 to \$199,999 in value; or (6) 2,000 to 9,999 shares and \$100,000 to \$199,999 in value. For each of these categories, Nasdaq will publish monthly transaction count and share executed volume information. The data will be published no earlier than one month following the end of the month for which trading was aggregated.

(B) The following Order Attributes may be assigned to a Midpoint Extended Life Order:

- Minimum Quantity.

- Size. A Midpoint Extended Life Order must be entered with a size of at least one round lot. Any shares of a Midpoint Extended Life Order remaining after an execution that are less than a round lot will be cancelled by the System.
- A Time-in-Force other than IOC; provided that regardless of the Time-in-Force entered, a Midpoint Extended Life Order may not be active outside of Market Hours. A Midpoint Extended Life Order entered during Pre-Market Hours will be held by the System in time priority until Market Hours. Midpoint Extended Life Orders entered during Post-Market Hours will not be accepted by the System. A Midpoint Extended Life Order remaining unexecuted after 4:00 p.m. ET will be cancelled by the System.
- Non-Display. All Midpoint Extended Life Orders are Non-Displayed.

(15) A "Midpoint Extended Life Order Plus Continuous Book" or "M-ELO+CB" is an Order Type that has all of the characteristics and attributes of a Midpoint Extended Life Order, as set forth above in subparagraph (14), except as follows:

- A M-ELO+CB that satisfies the Holding Period shall be eligible to execute (at the midpoint of the NBBO) against other eligible M-ELO+CBs, eligible Midpoint Extended Life Orders, and as described below, Non-Displayed Orders with Midpoint Pegging and Midpoint Peg Post-Only Orders (collectively, "Midpoint Orders") resting on the Exchange's Continuous Book. A M-ELO+CB shall be eligible to execute against a Midpoint Order if: (i) the Midpoint Order has the Midpoint Trade Now Attribute enabled; (ii) no other order is resting on the Continuous Book that has a more aggressive price than the current midpoint of the NBBO; (iii) the Midpoint Order has rested on the Exchange's Continuous Book for a minimum of 10 milliseconds after the NBBO midpoint falls within the limit set by the participant; and (iv) the Midpoint Order satisfies any minimum quantity requirement of the M-ELO+CB. A buy (sell) MELO+ CB will be ranked in time order at the midpoint among other buy (sell) MELO+ CBs, buy (sell) Midpoint Extended Life Orders, and buy (sell) Midpoint Orders, as of the time when such Orders become eligible to execute.
- QIX is not available for the entry of a M-ELO+CB.
- Nasdaq will include M-ELO+CB executions in the statistical information it publishes on Nasdaqtrader.com for M-ELOs.

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 time of the Order's receipt by the Nasdaq Market Center;
- the Nasdaq Opening Cross (or 9:30 a.m. ET in the case of a security for which no Nasdaq Opening Cross occurs);
- Market Hours, beginning after the completion of the Nasdaq Opening Cross (or at 9:30 a.m. ET in the case of a security for which no Nasdaq Opening Cross occurs);
- the Nasdaq Closing Cross (or the end of Market Hours in the case of a security for which no Nasdaq Closing Cross occurs);
- 7:00 a.m. ET, in the case of an Order using the SCAN or RTFY routing strategy that is entered prior to 7:00 a.m. ET;
- 8:00 a.m. ET, in the case of an Order using the SCAN or RTFY routing strategy that is entered prior to 8:00 a.m. ET
- the beginning of the Display-Only Period, in the case of a security that is the subject of a trading halt and for which trading will resume pursuant to a halt cross; and
- the resumption of trading, in the case of a security that is the subject of a trading halt and for which trading resumes without a halt cross.

The available times for deactivating Orders are:

- "Immediate" (i.e., immediately after determining whether the Order is marketable);
- the end of Market Hours;
- the end of System Hours;
- one year after entry; or
- a specific time identified by the Participant; provided, however, that an Order specifying an expire time beyond the current trading day will be cancelled at the end of the current trading day.

Notwithstanding the Time-in-Force originally designated for an Order, a Participant may always cancel an Order after it is entered.

The following Times-in-Force are referenced elsewhere in Nasdaq's Rules by the

designations noted below:

- (1) An Order that is designated to deactivate immediately after determining whether the Order is marketable may be referred to as having a Time in Force of "Immediate or Cancel" or "IOC". Except as provided in Rule 4702 with respect to Opening Cross/Market Hours Orders and Closing Cross/Extended Hours Orders, MOO, LOO, OIO, MOC, LOC and OI Orders all have a Time in Force of IOC, because they are designated for execution in the Nasdaq Opening Cross or the Nasdaq Closing Cross, as applicable, and are cancelled after determining whether they are executable in such cross. Such an Order may also be referred to as having a Time-in-Force of "On Open" or "On Close", respectively. An MOO, LOO, OIO, MOC, LOC or IO Order, or any other Order with a Time-in-Force of IOC entered between 9:30 a.m. ET and 4:00 p.m. ET, may be referred to as having a Time-in-Force of "Market Hours Immediate or Cancel" or "MIOC". An Order with a Time-in-Force of IOC that is entered at any time between 4:00 a.m. ET and 8:00 p.m. ET may be referred to as having a Time-in-Force of "System Hours Immediate or Cancel" or "SIOC".
- (2) An Order that is designated to deactivate at 8:00 p.m. may be referred to as having a Time in Force of "System Hours Day" or "SDAY".
- (3) An Order that is designated to deactivate one year after entry may be referred to as a "Good-till-Cancelled" or "GTC" Order. If a GTC Order is designated as eligible for execution during Market Hours only, it may be referred to as having a Time in Force of "Market Hours Good-till-Cancelled" or "MGTC". If a GTC is designated as eligible for execution during System Hours, it may be referred to as having a Time in Force of "System Hours Good-till-Cancelled" or "SGTC".
- (4) An Order that is designated to deactivate at the time specified in advance by the entering Participant may be referred to as having a Time-in-Force of "System Hours Expire Time" or "SHEX".
- (5) An Order that is designated to activate at any time during Market Hours and deactivate at the completion of the Nasdaq Closing Cross may be referred to as having a Time-in-Force of "Market Hours Day" or "MDAY". An Order entered with a Time-in-Force of MDAY after the completion of the Nasdaq Closing Cross will be rejected.
- (6) An Order that is designated to activate when entered and deactivate at the completion of the Nasdaq Closing Cross may be referred to as having a Time in Force of "Good-till- Market Close" or "GTMC". GTMC Orders entered after 4:00 p.m. ET will be rejected.
- (7) A Participant entering an Order using the SCAN or RTFY routing strategy may designate the Order to activate upon entry, at 7:00 a.m. ET if entered prior to 7:00 a.m. ET on the same day, or at 8:00 a.m. ET if entered prior to 8:00 a.m. ET on the same day.

(b) **Size.** Except as otherwise provided, an Order may be entered in any whole share size between one share and 999,999 shares. Orders for fractional shares are not permitted. The following terms may be used to describe particular Order sizes:

- (1) "normal unit of trading" or "round lot" means the size generally employed by traders when trading a particular security, which is 100 shares in most instances;
- (2) "mixed lot" means a size of more than one normal unit of trading but not a multiple thereof; and
- (3) "odd lot" means a size of less than one normal unit of trading.

(c) **Price.** With limited exceptions, all Orders must have a price, such that they will execute only if the price available is equal to or better than the price of the Order. The maximum price that the System will accept is \$199,999.99. MOO and MOC Orders are not assigned a price by the entering party and execute at the price of the Nasdaq Opening Cross and Nasdaq Closing Cross, respectively. Moreover, certain Orders have a price that is determined by the Nasdaq Market Center based on the NBBO or other reference prices, rather than by the Participant. As described below with respect to the Pegging Order Attribute, an Order may have a price that is pegged to the opposite side of the market, in which case the Order will behave like a "market order" or "unpriced order" (i.e., an Order that executes against accessible liquidity on the opposite side of the market, regardless of its price).

(d) **Pegging.** Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO; provided, however, that if Nasdaq is the sole market center at the Best Bid or Best Offer (as applicable), then the price of any Displayed Order with Primary Pegging (as defined below) will be set with reference to the highest bid or lowest offer disseminated by a market center other than Nasdaq. An Order with a Pegging Order Attribute may be referred to as a "Pegged Order." For purposes of this rule, the price to which an Order is pegged will be referred to as the Inside Quotation, the Inside Bid, or the Inside Offer, as appropriate. There are three varieties of Pegging:

- Primary Pegging means Pegging with reference to the Inside Quotation on the same side of the market. For example, if the Inside Bid was \$11, an Order to buy with Primary Pegging would be priced at \$11.
- Market Pegging means Pegging with reference to the Inside Quotation on the opposite side of the market. For example, if the Inside Offer was \$11.06, an Order to buy with Market Pegging would be priced at \$11.06.
- Midpoint Pegging means Pegging with reference to the midpoint between the Inside Bid and the Inside Offer (the "Midpoint"). Thus, if the Inside Bid was \$11 and the Inside Offer was \$11.06, an Order with Midpoint Pegging would be priced at \$11.03. An Order with Midpoint Pegging is not displayed. An Order with Midpoint

Pegging may be executed in sub-pennies if necessary to obtain a midpoint price.

Pegging is available only during Market Hours. An Order with Pegging may specify a limit price beyond which the Order may not be executed; provided, however, that if an Order has been assigned a Pegging Order Attribute and a Discretion Order Attribute, the Order may execute at any price within the discretionary price range, even if beyond the limit price specified with respect to the Pegging Order Attribute. If an Order with Pegging is priced at its limit price, the price of the Order may nevertheless be changed to a less aggressive price based on changes to the Inside Quotation. In addition, an Order with Primary Pegging or Market Pegging may specify an Offset Amount, such that the price of the Order will vary from the Inside Quotation by the selected Offset Amount. The Offset Amount may be either aggressive or passive. Thus, for example, if a Participant entered an Order to buy with Primary Pegging and a passive Offset Amount of \$0.05 and the Inside Bid was \$11, the Order would be priced at \$10.95. If the Participant selected an aggressive Offset Amount of \$0.02, however, the Order would be priced at \$11.02. An Order with Primary Pegging and an Offset Amount will not be Displayed, unless the Order is Attributable. An Order with Midpoint Pegging will not be Displayed. An Order with Market Pegging and no Offset behaves as a "market order" with respect to any liquidity on the Nasdaq Book at the Inside Quotation on the opposite side of the market because it is immediately executable at that price. If, at the time of entry, there is no price to which a Pegged Order can be pegged, the Order will be rejected; provided, however, that a Displayed Order that has Market Pegging, or an Order with a Non-Display Attribute that has Primary Pegging or Market Pegging, will be accepted at its limit price. In the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer are locked, the Order will be priced at the locking price, if the Inside Bid and Inside Offer are crossed or if there is no Inside Bid and/or Inside Offer, the Order will not be accepted. However, even if the Inside Bid and Inside Offer are locked, an Order with Midpoint Pegging that locked an Order on the Nasdaq Book would execute (provided, however, that a Midpoint Peg Post-Only Order would execute or post as described in Rule 4702(b)(5)(A)).

Primary Pegging and Market Pegging are available through RASH, QIX, and FIX only. An Order entered through OUCH or FLITE with Midpoint Pegging will have its price set upon initial entry to the Midpoint, unless the Order has a limit price, and that limit price is lower than the Midpoint for an Order to buy (higher than the Midpoint for an Order to sell), in which case the Order will be ranked on the Nasdaq Book at its limit price. The price of the Order will not thereafter be adjusted based on changes to the Inside Bid or Offer. However, an Order with Midpoint Pegging entered through OUCH or FLITE will be cancelled back to the Participant after initial entry and posting to the Nasdaq Book if any of following conditions are met:

- There is no Inside Bid and/or Inside Offer;
- The Order to buy (sell) is entered with a limit price above (below) the Midpoint and is ranked at the Midpoint; thereafter the Inside Bid and/or Inside Offer change so that the Midpoint changes and the Order is no longer at the Midpoint;

- The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint and is ranked at its limit price; thereafter, the Inside Bid and/or Inside Offer change so that the Midpoint is lower (higher) than the limit price of the Order;
- The Order to buy (sell) is entered at a limit price that is equal to or less than (greater than) the Midpoint and is ranked at its limit price.;thereafter the Inside Bid and Inside Offer become crossed, such that the Midpoint of the crossed Quotation remains equal to or higher (lower) than the limit price of the Order, and then a new sell (buy) Order is received at a price that locks or crosses the limit price of the resting Order marked for Midpoint Pegging; or
- The Order to buy (sell) is entered at a limit price that is greater than (less than) the Midpoint and is therefore ranked at the Midpoint; thereafter the Inside Bid and Inside Offer become crossed but the Midpoint does not change, and then a new sell (buy) Order is received at a price that locks or crosses the Midpoint of the Inside Bid and Inside Offer.

An Order entered through RASH, QIX or FIX with Pegging will have its price set upon initial entry and will thereafter have its price reset in accordance with changes to the relevant Inside Quotation. An Order with Pegging receives a new timestamp whenever its price is updated and therefore will be evaluated with respect to possible execution (and routing, if it has been assigned a Routing Order Attribute) in the same manner as a newly entered Order. If the price to which an Order is pegged is not available, the Order will be rejected. For an Order with Midpoint Pegging, if the Inside Bid and Inside Offer become crossed or if there is no Inside Bid and/or Inside Offer, the Order will be removed from the Nasdaq Book and will be re-entered at the new midpoint once there is a valid Inside Bid and Inside Offer that is not crossed.

Primary Pegging Orders and Market Pegging Orders are subject to a collar. Any portion of a Primary Pegging Order or Market Pegging Order that would execute, either on the Exchange or when routed to another market center, at a price of more than \$0.25 or 5 percent worse than the NBBO at the time when the order reaches the System, whichever is greater, will be cancelled.

Orders with Midpoint Pegging will be cancelled by the System when a trading halt is declared, and any Orders with Midpoint Pegging entered during a trading halt will be rejected.

(e) **Minimum Quantity.** Minimum Quantity is an Order Attribute that allows a Participant to provide that an Order will not execute unless a specified minimum quantity of shares can be obtained. An Order with a Minimum Quantity Order Attribute may be referred to as a "Minimum Quantity Order." For example, a Participant could enter an Order with a Size of 1000 shares and specify a Minimum Quantity of 500 shares.

A Participant may specify two alternatives with respect to the processing of a Minimum

Quantity Order at time of entry:

- First, the Participant may specify that the minimum quantity condition may be satisfied by execution against multiple Orders. In that case, upon entry, the System would determine whether there were one or more posted Orders executable against the incoming Order with an aggregate size of at least the minimum quantity (500 shares in the above example). If there were not, the Order would post on the Nasdaq Book in accordance with the characteristics of its underlying Order Type.
- Second, the Participant may specify that the minimum quantity condition must be satisfied by execution against one or more Orders, each of which must have a size that satisfies the minimum quantity condition. If there are such Orders but there are also other Orders that do not satisfy the minimum quantity condition, the Minimum Quantity Order will execute against Orders on the Nasdaq Book in accordance with Rule 4757 (pertaining to execution priority) until it reaches an Order that does not satisfy the minimum quantity condition, and then the remainder of the Order will be cancelled. For example, if a Participant entered an Order to buy at \$11 with a size of 1,500 shares and a minimum quantity condition of 500 shares, and there were three Orders to sell at \$11 on the Nasdaq Book, two with a size of 500 shares each and one with a size of 200 shares, with the 200 share Order ranked in time priority between the 500 share Orders, the 500 share Order with the first time priority would execute and the remainder of the Minimum Quantity Order would be cancelled. Alternatively, if the Order would lock or cross Orders on the Nasdaq Book but none of the resting Orders would satisfy the minimum quantity condition, an Order with a minimum quantity condition to buy (sell) will be repriced to one minimum price increment lower than (higher than) the lowest price (highest price) of such Orders. For example, if there was an Order to buy at \$11 with a minimum quantity condition of 500 shares, and there were resting Orders on the Nasdaq Book to sell 200 shares at \$10.99 and 300 shares at \$11, the Order would be repriced to \$10.98 and ranked at that price.

Once posted to the Nasdaq Book, a Minimum Quantity Order retains its Minimum Quantity Order Attribute, such that the Order may execute only against incoming Orders with a size of at least the minimum quantity condition. An Order that has a Minimum Quantity Order Attribute and that posts to the Nasdaq Book will not be displayed.

Upon entry, an Order with a Minimum Quantity Order Attribute must have a size of at least one round lot. An Order entered through OUCH or FLITE may have a minimum quantity condition of any size of at least one round lot. An Order entered through RASH, QIX or FIX must have a minimum quantity of one round lot or any multiple thereof, and a mixed lot minimum quantity condition will be rounded down to the nearest round lot. In the event that the shares remaining in the size of an Order with a Minimum Quantity Order Attribute following a partial execution thereof are less than the minimum quantity specified by the Participant entering the Order, the minimum quantity value of the Order will be reduced to the number of shares remaining, unless otherwise noted in these rules. An Order with a Minimum Quantity Order Attribute may not be displayed; if a

Participant marks an Order with both a Minimum Quantity Order Attribute and a Display Order Attribute, the System will accept the Order but will give a Time-in-Force of IOC, regardless of the Time-in-Force marked by the Participant. An Order marked with a Minimum Quantity Order Attribute and a Routing Order Attribute will be rejected, unless otherwise noted in these rules. An Order with a Minimum Quantity Order Attribute is ineligible to participate in the Nasdaq Opening, Halt or Closing Crosses, and is not included in the calculation of the Cross price.

(f) Routing. Routing is an Order Attribute that allows a Participant to designate an Order to employ one of several Routing Strategies offered by Nasdaq, as described in Rule 4758; such an Order may be referred to as a "Routable Order." Upon receipt of an Order with the Routing Order Attribute, the System will process the Order in accordance with the applicable Routing Strategy. In the case of a limited number of Routing Strategies, the Order will be sent directly to other market centers for potential execution. For most other Routing Strategies, the Order will attempt to access liquidity available on Nasdaq in the manner specified for the underlying Order Type and will then be routed in accordance with the applicable Routing Strategy. Shares of the Order that cannot be executed are then returned to Nasdaq, where they will (i) again attempt to access liquidity available on Nasdaq and (ii) post to the Nasdaq Book or be cancelled, depending on the Time-in-Force of the Order. Under certain Routing Strategies, the Order may be routed again if the System observes an accessible quotation of another market center, and returned to Nasdaq again for potential execution and/or posting to the Nasdaq Book. In connection with the trading of securities governed by Regulation NMS, all Orders shall be routed for potential execution in compliance with Regulation NMS. Where appropriate, Routable Orders will be marked as Intermarket Sweep Orders.

(g) Discretion. Discretion is an Order Attribute under which an Order has a non-displayed discretionary price range within which the entering Participant is willing to trade; such an Order may be referred to as a "Discretionary Order." Thus, an Order with Discretion has both a price (for example, buy at \$11) and a discretionary price range (for example, buy up to \$11.03). Depending on the Order Type used, the price may be displayed (for example, a Price to Display Order) or non-displayed (for example, a Non-Displayed Order). The discretionary price range is always non-displayed. In addition, it should be noted that the Discretion Order Attribute may be combined with the Pegging Order Attribute, in which case either the price of the Order or the discretionary price range or both may be pegged in the ways described in Rule 4702(d) with respect to the Pegging Order Attribute. For example, an Order with Discretion to buy might be pegged to the Best Bid with a \$0.05 passive Offset and might have a discretionary price range pegged to the Best Bid with a \$0.02 passive Offset. In that case, if the Best Bid was \$11, the price of the Order would be \$10.95, with a discretionary price range up to \$10.98. If the Best Bid moved to \$10.99, the price of the Order would then be \$10.94, with a discretionary price range up to \$10.97. Alternatively, if the price of the Order was pegged but the discretionary price range was not, the price of the Order would be \$10.94, but the discretionary price range would continue to range up to \$10.98. Likewise, if the discretionary price range was pegged but the price of the Order was not, the Order would remain priced at \$10.95 but with a discretionary price range of up to \$10.97. A

Participant may also specify a limit price beyond which the discretionary price range may not extend.

Under the circumstances described below, the Nasdaq Market Center processes an Order with Discretion by generating a Non-Displayed Order with a Time-in-Force of IOC (a "Discretionary IOC") that will attempt to access liquidity available within the discretionary price range. The Discretionary IOC will not be permitted to execute, however, if the price of the execution would trade through a Protected Quotation. If more than one Order with Discretion satisfies conditions that would cause the generation of a Discretionary IOC simultaneously, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order. Whenever a Discretionary IOC is generated, the underlying Order with Discretion will be withheld or removed from the Nasdaq Book and will then be routed and/or placed on the Nasdaq Book if the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, with its price determined by the underlying Order Type and Order Attributes selected by the Participant. Because the circumstances under which a Discretionary IOC will be generated are dependent upon a range of factors, several specific scenarios are described below.

- If an Order has been assigned a Discretion Order Attribute, but has not been assigned a Routing Order Attribute, upon entry of the Order, the Nasdaq Market Center will automatically generate a Discretionary IOC with a price equal to the highest price for an Order with Discretion to buy (lowest price for an Order with Discretion to sell) within the discretionary price range and a size equal to the full size of the underlying Order to determine if there are any Orders within the discretionary price range on the Nasdaq Book. If the Discretionary IOC does not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. Thus, for example, if a Participant enters a Price to Display Order to buy at \$11 with a discretionary price range of up to \$11.03, upon entry the Nasdaq Market Center will generate a Discretionary IOC to buy priced at \$11.03. If there is an Order on the Nasdaq Book to sell priced at \$11.02 and an execution at \$11.02 would not trade through a Protected Quotation, the Discretionary IOC will execute against the Order on the Nasdaq Book, up to the full size of each Order. Any remaining size of the Price to Display Order would post to the Nasdaq Book in accordance with its parameters.
- After the Order posts to the Nasdaq Book, the Nasdaq Market Center System will examine whether at any time there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. In doing so, the Nasdaq Market Center System will examine all Orders (including Orders that are not Displayed). If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the highest price for an Order to buy (lowest price for an Order to sell) within the discretionary price range and a size equal to the full size of the Order.

- If an Order that uses a passive routing strategy (i.e., a strategy that does not seek routing opportunities after posting to the Nasdaq Book) has been assigned a Discretion Order Attribute but does not have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System's routing broker may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. The Nasdaq Market Center System will then examine whether at any time there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. In doing so, the Nasdaq Market Center System will examine all Orders (including Orders that are not Displayed). If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book.
- If an Order that uses a reactive routing strategy (i.e., a strategy that seeks routing opportunities after posting to the Nasdaq Book) has been assigned a Discretion Order Attribute but does not have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not

exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. The Nasdaq Market Center System will then examine whether at any time there is an Order on the Nasdaq Book or an accessible quotation at another trading venue with a price in the discretionary price range against which the Order with Discretion could execute. In examining the Nasdaq Book, the Nasdaq Market Center System will examine all Orders (including Orders that are not Displayed). If the Nasdaq Market Center System observes such an Order or quotation, it will generate a Discretionary IOC with a price equal to the price of such the Order or quotation and a size equal to the applicable size of the Order on the Nasdaq Book or the displayed size of the quotation.

- If an Order that uses a passive routing strategy has been assigned a Discretion Order Attribute and does have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. Thereafter, the Order will not generate further Discretionary IOCs unless the Order is updated in a manner that causes it to receive a new timestamp, in which case the Order will behave in the same manner as a newly entered Order.
- If an Order that uses a reactive routing strategy has been assigned a Discretion Order Attribute and does have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there

are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. The Nasdaq Market Center System will then examine whether at any time there is an Order on the Nasdaq Book or an accessible quotation at another trading venue with a price in the discretionary price range against which the Order with Discretion could execute. In examining the Nasdaq Book, the Nasdaq Market Center System will examine Displayed Orders but will not examine Non-Displayed Orders. If the Nasdaq Market Center System observes such an Order or quotation, it will generate a Discretionary IOC with a price equal to the price of such the Order or quotation and a size equal to the applicable size of the Order on the Nasdaq Book or the displayed size of the quotation.

(h) **Reserve Size.** Reserve Size is an Order Attribute that permits a Participant to stipulate that an Order Type that is displayed may have its displayed size replenished from additional non-displayed size. An Order with Reserve Size may be referred to as a "Reserve Order." At the time of entry, the displayed size of such an Order selected by the Participant must be one or more normal units of trading; an Order with a displayed size of a mixed lot will be rounded down to the nearest round lot. A Reserve Order with displayed size of an odd lot will be accepted but with the full size of the Order displayed. Reserve Size is not available for Orders that are not displayed; provided, however, that if a Participant enters Reserve Size for a Non-Displayed Order with a Time-in-Force of IOC, the full size of the Order, including Reserve Size, will be processed as a Non-Displayed Order.

Whenever a Participant enters an Order with Reserve Size, the full size of the Order will be presented for potential execution in compliance with Regulation NMS; thereafter, unexecuted portions of the Order will be processed as two Orders: a Displayed Order (with the characteristics of its selected Order Type) and a Non-Displayed Order. For example, a Participant might enter a Price to Display Order with 200 shares displayed and an additional 3,000 shares non-displayed. Upon entry, the Order would attempt to execute against available liquidity on the Nasdaq Book, up to 3,200 shares. Thereafter, unexecuted portions of the Order would post to the Nasdaq Book as a Displayed Price to Display Order and a Non-Displayed Order; provided, however, that if the remaining total size is less than the display size stipulated by the Participant, the Displayed Order will post without Reserve Size. Thus, if 3,050 shares executed upon entry, the Price to Display Order would post with a size of 150 shares and no Reserve Size.

When an Order with Reserve Size is posted, if there is an execution against the Displayed Order that causes its size to decrease below a normal unit of trading, another Displayed Order will be entered at the limit price and size stipulated by the Participant while the size of the Non-Displayed Order will be reduced by the same amount. Any remaining

size of the original Displayed Order will remain on the Nasdaq Book. The new Displayed Order will receive a new timestamp, but the Non-Displayed Order (and the original Displayed Order, if any) will not; although the new Displayed Order will be processed by the System as a new Order in most respects at that time, if it was designated as Routable, the System will not automatically route it upon reentry. For example, if a Price to Comply Order with Reserve Size posted with a Displayed Size of 200 shares, along with a Non-Displayed Order of 3,000 and the 150 shares of the Displayed Order was executed, the remaining 50 shares of the original Price to Comply Order would remain, a new Price to Comply Order would post with a size of 200 shares and a new timestamp, and the Non-Displayed Order would be decremented to 2,800 shares. Because a new Displayed Order is entered and the Non-Displayed Order is not reentered, there are circumstances in which the Displayed Order may receive a different price than the Non-Displayed Order. For example, if, upon reentry, a Price to Display Order would lock or cross a newly posted Protected Quotation, the price of the Order will be adjusted but its associated Non-Displayed Order would not be adjusted. In that circumstance, it would be possible for the better priced Non-Displayed Order to execute prior to the Price to Display Order.

In addition, the Participant may stipulate that the original and subsequent displayed size will be an amount randomly determined based on factors selected by the Participant (a "Random Reserve"). When a Participant stipulates use of a Random Reserve, the Participant would select both (i) a nominal displayed size and (ii) a range size, which may be any share amount less than the nominal displayed size. The actual displayed size will then be randomly determined by the System from a range of normal trading units in which the minimum size is the nominal displayed size minus the range size, and the maximum size is (i) the minimum size plus (ii) an amount that is two times the range size minus one round lot. For example, if the nominal displayed size is 600 shares and the range size is 500, the minimum displayed size will be 100 shares (600-500), and the maximum size will be 1,000 shares ((600-500) + ((2 x 500) - 100)).

When the Displayed Order with Reserve Size is executed and replenished, applicable market data disseminated by Nasdaq will show the execution and decrementation of the Displayed Order, followed by replenishment of the Displayed Order.

In all cases, if the remaining size of the Non-Displayed Order is less than the fixed or random amount stipulated by the Participant, the full remaining size of the Non-Displayed Order will be displayed and the Non-Displayed Order will be removed.

(i) **Attribution.** Attribution is an Order Attribute that permits a Participant to designate that the price and size of the Order will be displayed next to the Participant's MPID in market data disseminated by Nasdaq. An Order with Attribution is referred to as an "**Attributable Order**" and an Order without attribution is referred to as a "**Non-Attributable Order.**"

(j) **Intermarket Sweep Order.** Designation of an Order as an Intermarket Sweep Order, or ISO, is an Order Attribute that allows the Order to be executed within the Nasdaq Market Center by Participants at multiple price levels without respect to Protected

Quotations of other market centers within the meaning of Rule 600(b) under Regulation NMS. ISOs are immediately executable within the Nasdaq Market Center against Orders against which they are marketable. An Order designated as an ISO may not be assigned a Routing Order Attribute; provided, however, that an Order using the Directed Order strategy may be designated as an ISO with respect to the market center to which it is directed. In connection with the trading of securities governed by Regulation NMS, Intermarket Sweep Orders shall be executed exclusively within the System and the entering Participant shall be responsible for compliance with Rules 610 and 611 under Regulation NMS with respect to order protection and locked and crossed markets with respect to such Orders. Orders eligible for execution outside the System shall be processed in compliance with Regulation NMS, including accessing Protected Quotations and resolving locked and crossed markets, as instructed.

Simultaneously with the routing of an ISO to the System, one or more additional limit orders, as necessary, are routed by the entering Participant to execute against the full displayed size of any Protected Quotation with a price that is superior to the price of the Order identified as an Intermarket Sweep Order (as defined in Rule 600(b) under Regulation NMS). These additional routed orders must be identified as Intermarket Sweep Orders.

Upon receipt of an ISO, the System will consider the stated price of the ISO to be available for other Orders to be entered at that price, unless the ISO is not itself accepted at that price level (for example, a Post-Only Order that has its price adjusted to avoid executing against an Order on the Nasdaq Book) or the ISO is not Displayed.

In addition, as described with respect to various Order Types, such as the Price to Comply Order, Orders on the Nasdaq Book that had their price adjusted may be eligible to be reentered at the stated price of the ISO. For example, if a Price to Comply Order to buy at \$11 would lock a Protected Offer at \$11, the Price to Comply Order will be posted with a non-displayed price of \$11 and a displayed price of \$10.99. If the System then receives an ISO to buy at \$11, the ISO will be posted at \$11 and the Price to Comply Order will be reentered at \$11 (if the Participant opted to have its Orders reentered). The respective priority of such reentered Orders will be maintained among multiple repriced Orders; however, other new Orders may also be received after receipt of the ISO but before the repricing of the Price to Comply Order is complete; accordingly, the priority of an Order on the Nasdaq Book vis-à-vis a newly entered Order is not guaranteed.

(k) **Display.** Display is an Order Attribute that allows the price and size of an Order to be displayed to market participants via market data feeds. All Orders that are Attributable are also displayed, but an Order may be displayed without being Attributable. As discussed in Rule 4702, a Non-Displayed Order is a specific Order Type, but other Order Types may also be non-displayed if they are not assigned a Display Order Attribute; however, depending on context, all Orders that are not displayed may be referred to as "Non-Displayed Orders." An Order with a Display Order Attribute may be referred to as a "Displayed Order."

(l) **Participation in the Nasdaq Opening Cross or the Nasdaq Closing Cross.** All Order Types except Midpoint Peg Post-Only Orders and Supplemental Orders and Midpoint Extended Life Orders and M-ELO+CBs participate in the Nasdaq Opening Cross and/or the Nasdaq Closing Cross if the Order has a Time-in-Force that would cause the Order to be in effect at the time of the Nasdaq Opening Cross and/or Nasdaq Closing Cross. MOO Orders, LOO Orders, and IOI Orders participate in the Nasdaq Opening Cross in the manner specified in Rule 4752. Other Order Types eligible to participate in the Nasdaq Opening Cross operate as "**Market Hours Orders**" or "**Open Eligible Interest**" as specified in Rule 4752. MOC Orders, LOC Orders and IO Orders participate in the Nasdaq Closing Cross in the manner specified in Rule 4754. Other Order Types eligible to participate in the Nasdaq Closing Cross operate as "Close Eligible Interest" in the manner specified in Rule 4754. For purposes of the Nasdaq Opening Cross or Closing Cross, an Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book shall be deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order.

(m) **Trade Now.** Trade Now is an Order Attribute that allows a resting Order that becomes locked by an incoming Displayed Order to execute against a locking or crossing Order(s) as a liquidity taker, and any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority.

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

(n) **Midpoint Trade Now.** Midpoint Trade Now is an Order Attribute that allows: (i) a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order to execute against a locking or crossing Order(s) as a liquidity taker; and (ii) a Non-Displayed Order with Midpoint Pegging or a Midpoint Peg Post-Only Order (collectively, "**Midpoint Orders**") to execute against a M-ELO+CB, subject to the eligibility requirements set forth below. Any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority.

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

- A resting Order that is entered with the Midpoint Trade Now Order Attribute will execute against locking interest automatically.
- If there is a resting Order on the Nasdaq Book without the Midpoint Trade Now Attribute that is locked at its non-displayed price by a Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Attribute, as applicable) will be able to execute against the Midpoint Peg Post-Only Order at the locking price. The resting Order will remain on the Nasdaq Book and will retain its priority relative to other resting orders on the same side of the market after the subsequent Order has executed against the Midpoint Peg Post-Only Order.
- When a participant enables the Midpoint Trade Now Attribute for a Midpoint Order, then the Midpoint Order will also be eligible to execute against a M-ELO+CB after the Midpoint Order rests on the Continuous Book for a minimum of one-half second after the NBBO midpoint falls within the limit set by the participant and provided that the Midpoint Order satisfies any minimum quantity requirement of the M-ELO+CB.
- If there is a resting Midpoint Order on the Nasdaq Book without the Midpoint Trade Now Attribute, a new incoming Midpoint Order with the Midpoint Trade Now Attribute will be able to execute against a MELO+CB. The resting Midpoint Order will remain on the Nasdaq Book and will retain its priority relative to other resting orders on the same side of the market after the subsequent Midpoint Order with Midpoint Trade Now has executed against the M-ELO+CB.

4752. Opening Process

(a) **Definitions.** For the purposes of this rule the term:

(1) **"Imbalance"** shall mean the number of shares of buy or sell MOO, LOO or Early Market Hours orders that may not be matched with other MOO, LOO, Early Market Hours, or OIO order shares at a particular price at any given time.

(2) **"Order Imbalance Indicator"** shall mean a message disseminated by electronic means containing information about MOO, LOO, OIO, and Early Market Hours orders and the price at which those orders would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

(A) **"Current Reference Price"** shall mean:

(i) The single price that is at or within the current Nasdaq Market Center best bid and offer at which the maximum number of shares of MOO, LOO, OIO, and Early Market Hours orders can be paired.

(ii) If more than one price exists under subparagraph (i), the Current Reference

Price shall mean the price that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at which shares will remain unexecuted in the cross.

(iv) If more than one price exists under subparagraph (iii), the Current Reference Price shall mean the price that minimizes the distance from the bid-ask midpoint of the inside quotation prevailing at the time of the order imbalance indicator dissemination.

(B) the number of shares represented by MOO, LOO, OIO, and Early Market Hours orders that are paired at the Current Reference Price;

(C) the size of any Imbalance;

(D) the buy/sell direction of any Imbalance; and

(E) indicative prices at which the Nasdaq Opening Cross would occur if the Nasdaq Opening Cross were to occur at that time and the percent by which the indicative prices are outside the then current Nasdaq Market Center best bid or best offer, whichever is closer. The indicative prices shall be:

(i) "Near Clearing Price" which shall mean the price at which both the MOO, LOO, OIO, and Early Market Hours orders and Open Eligible Interest in the Nasdaq Market Center would execute, and

(ii) "Far Clearing Price" which shall mean the price at which the MOO, LOO, OIO, and Early Market Hours orders in the Nasdaq Opening Book would execute.

(iii) If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

(3) "**Limit On Open Order**" or "**LOO**" shall have the meaning provided in Rule 4702.

(4) "**Market on Open Order**" or "**MOO**" shall have the meaning provided in Rule 4702.

(5) "**Nasdaq Opening Cross**" shall mean the process for determining the price at which orders shall be executed at the open and for executing those orders.

(6) "**Opening Imbalance Only Order**" or "**OIO**" shall have the meaning provided in Rule 4702.

(7) "Market Hours Orders" shall mean any order that may be entered into the system and designated with a time-in-force of MIOC, MDAY, MGTC. Market Hours Orders shall be designated as "Early Market Hours Orders" if entered into the system prior to 9:28 a.m. and shall be treated as market-on-open and limit-on-open orders, as appropriate, for the purposes of the Nasdaq Opening Cross. Orders entered into the system at 9:28 a.m. or after shall be designated as "Late Market Hours Orders" and shall be treated as imbalance-only orders for the purposes of the cross. Beginning at 9:28 a.m., requests to cancel or modify Market Hours Orders shall be suspended until after completion of the Opening Cross at which time such requests shall be processed, to the extent that such orders remain available within the System.

(8) "Open Eligible Interest" shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of SDAY, SGTC, SHEX, or GTMC.

(9) "Nasdaq Order Imbalance Snapshot" shall mean a message disseminated by electronic means containing a subset of information contained in the Order Imbalance Indicator using a format optimized for newswire services.

(b) Trading Prior To Normal Market Hours. The system shall process all eligible Quotes/Orders at 4:00 a.m.:

(1) At 4:00 a.m., the system shall add in time priority all eligible Orders in accordance with each order's defined characteristics.

(2) No earlier than between 9:25 a.m. and 9:30 a.m., the system shall open all remaining unopened Quotes in accordance with each firm's instructions.

(3) Nasdaq Quoting Market Participants may instruct Nasdaq to open their Quotes as follows:

(A) At the price of the firm's quote when the quote was closed by the participant during the previous trading day with a normal unit of trading displayed size;

(B) At a price and size entered by the participant between 4:00 a.m. and 9:24:59 a.m.

(4) All trades executed prior to 9:30 shall be automatically appended with the ".T" modifier

(c) System securities in which no Nasdaq Opening Cross occurs shall begin trading at 9:30 a.m. by integrating Market Hours orders into the book in time priority and executing in accordance with market hours rules.

(d) Processing of Nasdaq Opening Cross. For System securities, the Nasdaq Opening

Cross shall occur at 9:30, and market hours trading shall commence when the Nasdaq Opening Cross concludes.

(1) Beginning at 9:28 a.m., Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every second until market open.

(2) (A) The Nasdaq Opening Cross shall occur at the price that maximizes the number of shares of MOO, LOO, OIO, Early Market Hours orders, and executable quotes and orders in the Nasdaq Market Center to be executed.

(B) If more than one price exists under subparagraph (A), the Nasdaq Opening Cross shall occur at the price that minimizes the number of shares of buy or sell MOO, LOO or Early Market Hours orders that may not be matched with other MOO, LOO, Early Market Hours, Open Eligible Interest, or OIO order shares.

(C) If more than one price exists under subparagraph (B), the Nasdaq Opening Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

(D) If more than one price exists under subparagraph (C), the Nasdaq Opening Cross shall occur at the price that minimizes the distance from the bid-ask midpoint of the inside quotation prevailing at 9:30 a.m.

(E) If the Nasdaq Opening Cross price established by subparagraphs (A) through (D) is outside the benchmarks established by Nasdaq by a threshold amount, the Nasdaq Opening Cross shall occur at a price within the threshold amounts that best satisfies the conditions of subparagraphs (A) through (D). Nasdaq management shall set and modify such benchmarks and thresholds from time to time upon prior notice to market participants.

(F) Opening Cross Eligibility: In addition to the Nasdaq Opening Cross price process of subparagraphs (A) through (E), each security in the Nasdaq Opening Cross must also pass one of the Opening Cross Price Tests in subparagraphs (i) through (iii) below or all MOO, LOO, OIO, and Early Market Hours orders in the Nasdaq Opening Cross in the security will be cancelled back to Participants, no Nasdaq Opening Cross in that security will occur, and the security will open for regular market hours trading consistent with paragraph (c) above. Each Opening Cross Price Test applies a price range within which the Opening Cross Price, as calculated by subparagraphs (A) through (E) above, must fall to pass the individual Opening Cross Price Test. For each Opening Cross Price Test, Nasdaq will calculate the price range by using a threshold applied to the unique measures under each test. Nasdaq will establish and publish the thresholds used in the Opening Cross Price Tests below. Nasdaq management shall set and modify the Opening Cross Price Test thresholds from time to time upon prior notice to market participants.

(i) Opening Cross Price Test A. For Nasdaq listed securities, the Opening Cross price range for Test A is established by adding and subtracting the Opening Cross Price Test A threshold from the Nasdaq Official Closing Price of the security for the previous trading day. For non-Nasdaq listed securities, the Opening Cross price range for Test A is established by adding and subtracting the Opening Cross Price Test A threshold from the consolidated closing price of the security for the previous trading day. For new Exchange Traded Products that do not have a Nasdaq Official Closing Price, the Opening Cross price range is established by adding and subtracting the Opening Cross Price Test A threshold from the offering price. For securities subject to a corporate action where the Exchange can calculate a derived price based on the terms of the corporate action, the Opening Cross price range for Test A is established by adding and subtracting the Opening Cross Price Test A threshold from such derived price. If the Nasdaq Opening Cross price is higher or lower than the Opening Cross price range established by this subparagraph or the security does not have a Nasdaq Official Closing Price or consolidated closing price for the previous trading day, offering price, or derived price, as applicable, Opening Cross Price Test B will be performed.

(ii) Opening Cross Price Test B. The Opening Cross price range for Test B is established by adding and subtracting the Opening Cross Price Test B threshold from the Nasdaq last sale (either round or odd lot) after 9:15 a.m. ET but prior to the Opening Cross. If the Nasdaq Opening Cross price is higher or lower than the Opening Cross price range established by this subparagraph or if there is no Nasdaq last sale, Opening Cross Price Test C will be performed.

(iii) Opening Cross Price Test C. The Opening Cross price range for Test C is established by adding to and subtracting the Opening Cross Price Test C threshold from the Nasdaq best bid (for Opening Cross prices that would be higher than the price used under subparagraph (i) above) or Nasdaq best offer (for Opening Cross prices that would be lower than the price used under subparagraph (i) above). For purposes of this test, if a security does not have a Nasdaq Official Closing Price or consolidated closing price for the previous trading day, offering price, or derived price, as applicable, Nasdaq will use a price of \$0. If the Nasdaq Opening Cross price is higher or lower than the Opening Cross price range established by this subparagraph all Orders in the Opening Cross will be cancelled back to Participants, no Opening Cross will occur, and the security will open for regular market hours trading consistent with paragraph (c) above.

(G) If the Nasdaq Opening Cross price established by subparagraphs (A) through (F) would result in the partial execution of a buy (sell) Order that was deemed to have a price at one minimum price increment below (above) the price of a Post-Only Order (pursuant to Rule 4703(l)), then the Nasdaq Opening Cross will occur at the price of the Order's original ranked price.

(3) If the Nasdaq Opening Cross price is selected and fewer than all shares of MOO, LOO, OIO and Early Market Hours Orders that are available in the Nasdaq Market Center would be executed, all Quotes and Orders shall be executed at the Nasdaq Opening Cross price in the following priority:

(A) MOO and Early Market Hours market peg orders, with time as the secondary priority;

(B) LOO orders, Early Market Hours limit orders, OIO orders, SDAY limit orders, SGTC limit orders, GTMC limit orders, SHEX limit orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Opening Cross price based on limit price with time as the secondary priority. An Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book in Early Market Hours, and which has been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority behind all orders at the price at which the Order was posted to the Nasdaq Book;

(C) LOO orders, OIO Orders, Early Market Hours and displayed interest of quotes, SDAY limit orders, SGTC limit orders, GTMC limit orders, and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority;

(D) Reserve interest of quotes, SDAY limit orders, SGTC limit orders, and GTMC limit orders and SHEX limit orders at the Nasdaq Opening Cross price with time as the secondary priority; and

(4) All Quotes and Orders executed in the Nasdaq Opening Cross shall be executed at the Nasdaq Opening Cross price, trade reported anonymously, and disseminated via a national market system plan. The Nasdaq Opening Cross price shall be the Nasdaq Official Opening Price for stocks that participate in the Nasdaq Opening Cross.

4753. Nasdaq Halt Cross

(a) Definitions.

For the purposes of this rule the term:

(1) "Imbalance" shall mean the number of shares of Eligible Interest that may not be matched with other order shares at a particular price at any given time.

(2) "Market Order Imbalance" shall mean the number of shares of Eligible Interest entered through market orders that would not be matched with other order shares at the time of the dissemination of an Order Imbalance Indicator.

(3) "Order Imbalance Indicator" shall mean a message disseminated by electronic means containing information about Eligible Interest and the price at which such interest would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

(A) "Current Reference Price" shall mean:

(i) The single price at which the maximum number of shares of Eligible Interest can be paired.

(ii) If more than one price exists under subparagraph (i), the Current Reference Price shall mean the price that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at which shares will remain unexecuted in the cross.

(iv) If more than one price exists under subparagraph (iii), the Current Reference Price shall mean:

a. In the case of an IPO, the price that is closest to the Issuer's Initial Public Offering Price;

b. In the case of the initial pricing of a security listing under Listing Rules IM-5315-1, IM-5405-1, or IM-5505-1, for a security that has had recent sustained trading in a Private Placement Market (as defined in Rule 5005(a)(34)) prior to listing, the most recent transaction price in that market or, if none, a price determined by the Exchange in consultation with the financial advisor to the issuer identified pursuant to Rule 4120(c)(9).

c. In the case of another halt type in which the security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the trading halt;

d. In the case of another halt type in which the security has not already traded during normal market hours on that trading day, the price that is closest to the previous Nasdaq Official Closing Price; and

e. In the case of the initial pricing of a security that traded in the over-the-counter market pursuant to FINRA Form 211 immediately prior to the initial pricing, the price that is closest to the most recent transaction price in that market.

Notwithstanding the foregoing, the Order Imbalance Indicator will not include the Current Reference Price if there is a Market Order Imbalance.

- (B) the number of shares of Eligible Interest that are paired at the Current Reference Price;
- (C) the size of any Imbalance or Market Order Imbalance, as applicable;
- (D) the buy/sell direction of any Imbalance or Market Order Imbalance, as applicable; and
- (E) indicative prices at which the Nasdaq Halt Cross would occur if the Nasdaq Halt Cross were to occur at that time. The indicative prices shall be:
- (i) The Far Clearing Price which shall be the same as the Current Reference Price, and
- (ii) The Near Clearing Price which shall be the same as the Current Reference Price.
- (F) For purposes of a Trading Pause initiated pursuant to Rule 4120(a)(12), "Order Imbalance Indicator" will include Auction Reference Prices and Auction Collars, as defined in Rule 4120(c)(10)(A).
- (G) For purposes of a MWCB Halt initiated pursuant to Rule 4121, "Order Imbalance Indicator" will include Auction Reference Prices and MWCB Auction Collars, as defined in Rule 4121(d).
- (4) "**Nasdaq Halt Cross**" shall mean the process for determining the price at which Eligible Interest shall be executed at the open of trading for a halted security and for executing that Eligible Interest.
- (5) "**Eligible Interest**" shall mean any quotation or any order that has been entered into the system and designated with a time-in-force that would allow the order to be in force at the time of the Halt Cross.
- (6) "**Nasdaq Order Imbalance Snapshot**" shall mean a message disseminated by electronic means containing a subset of information contained in the Order Imbalance Indicator using a format optimized for newswire services.
- (b) **Processing of Nasdaq Halt Cross.** For Nasdaq-listed securities that are the subject of a trading halt or pause initiated pursuant to Rule 4120(a)(1), (4), (5), (6), (7) or (11), the Nasdaq Halt Cross shall occur at the time specified by Nasdaq pursuant to Rule 4120, and Market hours trading shall commence when the Nasdaq Halt Cross concludes.
- (1) At the beginning of the Display Only Period and continuing through the resumption of trading, Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every second.

(2) (A) The Nasdaq Halt Cross shall occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed.

(B) If more than one price exists under subparagraph (A), the Nasdaq Halt Cross shall occur at the price that minimizes any Imbalance.

(C) If more than one price exists under subparagraph (B), the Nasdaq Halt Cross shall occur at the entered price at which shares will remain unexecuted in the cross.

(D) If more than one price exists under subparagraph (C), the Nasdaq Halt Cross shall occur at:

(i) In the case of an IPO, the price that is closest to the Issuer's Initial Public Offering Price;

(ii) In the case of the initial pricing of a security listing under Listing Rules IM-5315-1, IM-5405-1, or IM-5505-1, for a security that has had recent sustained trading in a Private Placement Market (as defined in Rule 5005(a)(34)) prior to listing, the most recent transaction price in that market or, if none, a price determined by the Exchange in consultation with the financial advisor to the issuer identified pursuant to Rule 4120(c)(9).

(iii) In the case of another halt type in which the security has already traded during normal market hours on that trading day, the price that is closest to the last Nasdaq execution prior to the trading halt;

(iv) In the case of another halt type in which the security has not already traded during normal market hours on that trading day, the price that is closest to the previous Nasdaq Official Closing Price; and

(v) In the case of the initial pricing of a security that traded in the over-the-counter market pursuant to FINRA Form 211 immediately prior to the initial pricing, the price that is closest to the most recent transaction price in that market.

(E) If the Nasdaq Halt Cross price established by subparagraphs (A) through (D) would result in the partial execution of a buy (sell) Order that was deemed to have a price at one minimum price increment below (above) the price of a Post-Only Order (pursuant to Rule 4703(1)), then the Nasdaq Halt Cross will occur at the price of the Order's original ranked price.

(3) If the Nasdaq Halt Cross price is selected and fewer than all shares of Eligible Interest that are available in the Nasdaq Market Center would be executed, all Eligible Interest shall be executed at the Nasdaq Halt Cross price in price/time priority. An Order to buy (sell) that is locked or crossed at its non-displayed price by

a Post-Only Order on the Nasdaq Book, and which has been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority ahead of all orders one minimum price increment below (above) the price of the Post-Only Order but behind all orders at the price at which the Order was posted to the Nasdaq Book.

(4) All Eligible Interest executed in the Nasdaq Halt Cross shall be executed at the Nasdaq Halt Cross price, trade reported anonymously, and disseminated via a national market system plan. The Nasdaq Halt Cross price shall be the Nasdaq Official Opening Price for stocks that participate in the Nasdaq Halt Cross unless the stock has already been traded during normal market hours on that trading day.

(c) Nasdaq-listed securities that are the subject of a trading halt initiated pursuant to Rule 4120(a) and in which no Halt Cross occurs, shall open for trading at the time specified by Nasdaq pursuant to Rule 4120 in the following manner:

(1) Orders shall be added to the book in time priority.

(2) The Nasdaq Official Opening Price for such securities shall be the first Nasdaq market center execution following trade resumption unless the security has already traded during Market hours on that trading day.

(d) For purposes of the Nasdaq Halt Cross, an Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book prior to the trading halt shall be deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order.

4754. Nasdaq Closing Cross

(a) **Definitions.** For the purposes of this rule the term:

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

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

(3) "**Imbalance Only Order**" or "**IO**" shall have the meaning provided in Rule 4702.

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

(5) "**Market on Close Order** or **MOC**" shall have the meaning provided in Rule

4702.

(6) "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.

(7) "Order Imbalance Indicator" shall mean a message disseminated by electronic means containing information about MOC, LOC, IO, and Close Eligible Interest and the price at which those orders would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

(A) "Current Reference Price" shall mean:

(i) The single price that is at or within the current Nasdaq Market Center best bid and offer at which the maximum number of shares of MOC, LOC, and IO orders can be paired.

(ii) If more than one price exists under subparagraph (i), the Current Reference Price shall mean the price that minimizes any Imbalance.

(iii) If more than one price exists under subparagraph (ii), the Current Reference Price shall mean the entered price at which shares will remain unexecuted in the cross.

(iv) If more than one price exists under subparagraph (iii), the Current Reference Price shall mean the price that minimizes the distance from the bid-ask midpoint of the inside quotation prevailing at the time of the order imbalance indicator dissemination.

(B) the number of shares represented by MOC, LOC, and IO orders that are paired at the Current Reference Price;

(C) the size of any Imbalance;

(D) the buy/sell direction of any Imbalance; and

(E) indicative prices at which the Nasdaq Closing Cross would occur if the Nasdaq Closing Cross were to occur at that time and the percent by which the indicative prices are outside the then current Nasdaq Market Center best bid or best offer, whichever is closer. The indicative prices shall be:

(i) "Far Clearing Price" which shall mean the price at which the MOC, LOC, and IO orders would execute, and

(ii) "Near Clearing Price" which shall mean the price at which the MOC, LOC, IO, and Close Eligible Interest would execute.

(iii) If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

(8) "Nasdaq Order Imbalance Snapshot" shall mean a message disseminated by electronic means containing a subset of information contained in the Order Imbalance Indicator using a format optimized for newswire services.

(9) "First Reference Price" shall mean the Current Reference Price in the Early Order Imbalance Indicator disseminated at 3:50 p.m. ET, or 10 minutes prior to the early closing time on a day when Nasdaq closes early.

(10) "Early Order Imbalance Indicator" shall mean a message disseminated by electronic means containing the same information as the Order Imbalance Indicator, except that it will exclude information about indicative prices, as set forth in subparagraph (a)(7)(E) herein.

(11) "Second Reference Price" shall mean the Current Reference Price in the Order Imbalance Indicator disseminated at 3:55 p.m. ET, or five minutes prior to the early closing time on a day when Nasdaq closes early.

(b) Processing of Nasdaq Closing Cross. The Nasdaq Closing Cross will begin at 4:00:00 p.m. EST, and post-market hours trading will commence when the Nasdaq Closing Cross concludes.

(1) Early Order Imbalance Indicator and Order Imbalance Indicator.

(A) Beginning at 3:50 p.m., or 10 minutes prior to the early closing time on a day when Nasdaq closes early, Nasdaq shall disseminate by electronic means an Early Order Imbalance Indicator every 10 seconds until the Order Imbalance Indicator begins to disseminate.

(B) Beginning at 3:55 p.m., or five minutes prior to the early closing time on a day when Nasdaq closes early, Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every second until market close.

(2) (A) The Nasdaq Closing Cross will occur at the price that maximizes the number of shares of Eligible Interest in the Nasdaq Market Center to be executed.

(B) If more than one price exists under subparagraph (A), the Nasdaq Closing Cross shall occur at the price that minimizes the number of shares of buy or sell MOC or LOC orders that cannot be matched with other MOC or LOC, Close Eligible interest, or IO order shares.

(C) If more than one price exists under subparagraph (B), the Nasdaq Closing Cross shall occur at the entered price at which shares will remain unexecuted in

the cross.

(D) If more than one price exists under subparagraph (C), the Nasdaq Closing Cross shall occur at: a price that minimizes the distance from the System bid-ask midpoint at the time of the Nasdaq Closing Cross.

(E) If the Nasdaq Closing Cross price established by subparagraphs (A) through (D) above is outside the benchmarks established by Nasdaq by a threshold amount, the Nasdaq Closing Cross will occur at a price within the threshold amounts that best satisfies the conditions of subparagraphs (A) through (D) above. Nasdaq management shall set and modify such benchmarks and thresholds from time to time upon prior notice to market participants.

(F) If the Nasdaq Closing Cross price established by subparagraphs (A) through (E) would result in the partial execution of a buy (sell) Order that was deemed to have a price at one minimum price increment below (above) the price of a Post-Only Order (pursuant to Rule 4703(l)), then the Nasdaq Closing Cross will occur at the price of the Order's original ranked price.

(3) If the Nasdaq Closing Cross price is selected and fewer than all MOC, LOC IO and Close Eligible Interest would be executed, orders will be executed at the Nasdaq Closing Cross price in the following priority:

(A) MOC orders, with time as the secondary priority;

(B) LOC orders, limit orders, IO orders, displayed quotes and reserve interest priced more aggressively than the Nasdaq Closing Cross price based on price with time as the secondary priority. An Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book, and which has been deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order, shall be ranked in time priority behind all orders at the price at which the Order was posted to the Nasdaq Book;

(C) LOC orders, IO Orders displayed interest of limit orders, and displayed interest of quotes at the Nasdaq Closing Cross price with time as the secondary priority;

(D) Reserve interest at the Nasdaq Closing Cross price with time as the secondary priority; and

(E) Unexecuted MOC, LOC, and IO orders will be canceled.

(4) All orders executed in the Nasdaq Closing Cross will be executed at the Nasdaq Closing Cross price, trade reported anonymously, and disseminated via the consolidated tape. The Nasdaq Closing Cross price will be the Nasdaq Official Closing Price for stocks that participate in the Nasdaq Closing Cross. Fifteen

minutes after the close of trading, Nasdaq will disseminate via the network processor a trade message setting the Nasdaq Official Closing Price as the official Consolidated Last Sale Price in each Nasdaq-listed security in which one round lot or more is executed in the Nasdaq Closing Cross where the closing price differs from the Consolidated Last Sale Price.

(A) If a Nasdaq-listed security that is an exchange-traded product ("ETP" and as defined below in (vii) for purposes of this rule) does not have a closing cross then the time-weighted average midpoint ("T-WAM") of the NBBO will be used as the Nasdaq Official Closing Price with the following parameters:

(i) The T-WAM price will be a time-weighted average midpoint value calculation that uses eligible quotes during the time period 3:58:00 p.m. - 3:59:55 p.m. based on quotes observed each second.

(ii) In cases where the T-WAM is reflected as the Nasdaq Official Closing Price, the T-WAM calculation will only use eligible quotes that meet the following validation logic: An eligible quote is defined as a quote whose spread is no greater than a value of 10% of the midpoint price. All quoted spreads within the TWAM's stated time period in Rule 4754(b)(4)(A)(i) above that are greater than 10% of the midpoint would be excluded from the T-WAM calculation. The TWAM will also exclude crossed NBBO markets.

(iii) If there are no eligible quotes within the price validation logic or if the ETP is halted, then Nasdaq will use the Consolidated Last Sale price prior to 4:00:00 p.m. as the Nasdaq Official Closing Price.

(iv) For an ETP that is already listed on Nasdaq and does not have any eligible quotes for the T-WAM methodology or any Consolidated Last Sale prices that day, the Nasdaq Official Closing Price will be the prior day's Nasdaq Official Closing Price.

(v) For an ETP that has transferred its listing to Nasdaq and does not have any eligible quotes for the T-WAM methodology or any Consolidated Last Sale prices that day, the Nasdaq Official Closing Price will be the prior day's closing price as disseminated by the primary listing market that previously listed the ETP.

(vi) For an ETP that is a new Nasdaq listing and it does not have any eligible quotes for the T-WAM methodology or any Consolidated Last Sale prices that day, the Nasdaq Official Closing Price will not be disseminated.

(vii) Exchange-Traded Product for purposes of this rule means a series of Portfolio Depository Receipts, Index Fund Shares, Managed Fund Shares, or Trust Issued Receipts (as defined in Nasdaq Rules 5705(a), 5705(b), 5735, and 5720, respectively); securities linked to the performance of indexes and

commodities (including currencies) (as defined in Nasdaq Rule 5710); Index-Linked Exchangeable Notes, Equity Gold Shares, Trust Certificates, Commodity-Based Trust Shares, Currency Trust Shares, Commodity Index Trust Shares, Commodity Futures Trust Shares, Partnership Units, Trust Units, Managed Trust Securities, or Currency Warrants (as defined in Rule 5711(a) - (k)).

(5) Auxiliary Procedures. When significant trading volume is expected at the close of Market hours, Nasdaq may apply auxiliary procedures for the Closing Cross to ensure a fair and orderly market. The determination to implement auxiliary procedures for the Closing Cross shall be made by the President of Nasdaq or any Executive Vice President designated by the President. Nasdaq shall inform market participants of such auxiliary procedures as far in advance as practicable. Auxiliary procedures shall include:

(A) Setting an earlier time or times for the end of the order entry periods set forth in paragraph (a) for IO, MOC, and LOC orders. Nasdaq may end the order entry period as early as 3:40 p.m.

(B) Setting an earlier time for the order modification and cancellation periods in paragraph (a) for IO, MOC, and LOC orders. Nasdaq may end the order modification and cancellation periods as early as 3:40 p.m.

(C) Setting an earlier time for the dissemination times and frequencies set forth in paragraph (b) for the Order Imbalance Indicator. Nasdaq may begin disseminating the Order Imbalance Indicator as early as 3:40 p.m. and may increase or decrease the frequency with which the Order Imbalance Indicator is disseminated.

(D) Adjusting the threshold values set forth in subparagraph (b)(2)(E) to no greater than 20 percent.

(6) LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause. When a Trading Pause pursuant to Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m., the stock shall resume trading via a modified Nasdaq Closing Cross ("**LULD Closing Cross**"). The LULD Closing Cross shall operate as defined in this rule with the following exceptions:

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

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

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

(B) Nasdaq shall continue disseminating the NOII every second until After Hours Trading begins. The Near Price, Far Price, and Reference Prices contained in the NOII will all represent the price at which the LULD Closing Cross would execute should the cross conclude at that time. If marketable buy (sell) shares would remain unexecuted above (below) the Near Clearing Price or Far Clearing Price, Nasdaq shall disseminate an indicator for "market buy" or "market sell".

(C) Orders eligible to participate:

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

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

(iii) During the pause and prior to 4:00pm, new orders (other than MOC or LOC orders) may be entered, modified, and cancelled and may participate in the LULD Closing Cross. After 4:00pm, entry of market pegged orders is prohibited. New Imbalance Only Orders may also be entered and modified to increase shares represented, but can't be cancelled during the pause.

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

(7) Contingency Procedures. When a disruption occurs that prevents the execution of the Closing Cross as set forth above, Nasdaq shall apply the Contingency

Procedures pursuant to this paragraph (7).

Nasdaq will employ the Contingency Procedures only if it determines that the standard procedures are unavailable.

The determination to implement the Contingency Procedures shall be made by the President of Nasdaq or any Senior Executive designated by the President. If such disruption occurs, Nasdaq shall publicly announce at the earliest possible time the initiation of the Contingency Procedures via system status alerts, Equity Trader Alerts, and email notification directories. If Nasdaq determines to initiate the Contingency Procedures, the following provisions shall apply.

(A) If Nasdaq determines to follow the Contingency Procedures for one or more securities at or before 3:00 p.m., Nasdaq will designate an alternate exchange and the Nasdaq Official Closing Price for those securities will be:

(i) the official closing price established for such security under the rules of the designated alternate exchange; or

(ii) if there is no official closing price in a security on the designated alternate exchange, the Nasdaq Official Closing Price will be the volume-weighted average price ("VWAP") of the consolidated last-sale eligible prices of the last five minutes of trading during regular trading hours, including any closing transactions on an exchange and any trade breaks or corrections up to the time the VWAP is processed; or

(iii) if there were no consolidated last-sale eligible trades in the last five minutes of trading during regular trading hours, the Nasdaq Official Closing Price of such security will be the last consolidated last-sale eligible trade for such security during regular trading hours on that trading day; or

(iv) if there were no consolidated last-sale eligible trades the Nasdaq Official Closing Price of such security will be the prior day's Nasdaq Official Closing Price; or

(v) If no Nasdaq Official Closing Price for a security can be determined under subsections (i), (ii), (iii) or (iv) above, the Exchange would not publish an Official Closing Price for such security.

(B) If Nasdaq determines to follow the Contingency Procedures for one or more securities after 3:00 p.m., the Nasdaq Official Closing Price for those securities will be:

(i) the VWAP of the consolidated last-sale eligible prices of the last five minutes of trading during regular trading hours, including any closing transactions on an exchange and any trade breaks or corrections up to the time

the VWAP is processed; or

(ii) if there were no consolidated last-sale eligible trades in the last five minutes of trading during regular trading hours, the Nasdaq Official Closing Price of such security will be the last consolidated last-sale eligible trade for such security during regular trading hours on that trading day; or

(iii) if there were no consolidated last-sale eligible trades on the day in question, the Nasdaq Official Closing Price of such security will be the prior day's Nasdaq Official Closing Price; or

(iv) If no Nasdaq Official Closing Price for a security can be determined under subsections (i), (ii) or (iii) above, the Exchange would not publish an Official Closing Price for such security.

(C) Nasdaq shall cancel all open interest designated for the Nasdaq close residing in Nasdaq systems to give members the opportunity to route their orders to alternative execution venues.

(D) After hours trading shall begin either as scheduled at 4:00 p.m. or upon resolution of the disruption that triggered Nasdaq to operate the Contingency Procedures.

4756. Entry and Display of Quotes and Orders

(a) **Entry of Orders**—Participants can enter orders into the System, subject to the following requirements and conditions:

(1) Participants shall be permitted to transmit to the System multiple orders at a single as well as multiple price levels. Each order shall indicate the amount of Reserve Size (if applicable).

(2) The System shall time-stamp an order which shall determine the time ranking of the order for purposes of processing the order.

(3) Orders can be entered into the System (or previously entered Orders cancelled or modified) from 4:00 a.m. until 8:00 p.m. ET. Participants may modify a previously entered Order without cancelling it or affecting the priority of the Order on the Nasdaq Book solely for the purpose of modifying the marking of a sell Order as long, short, or short exempt; provided, however, that such a modification may be made only with respect to Orders entered through OUCH or FLITE; and provided further, that if an Order is redesignated as short, a Short Sale Period is in effect under Rule 4763, and the Order is not priced at a Permitted Price or higher under Rule 4763(e), the Order will be cancelled. In addition, a partial cancellation of an Order to reduce its share size will not affect the priority of the Order on the book; provided, however, that such a partial cancellation may not be made with respect to an MOO Order, an LOO Order, an OIO Order, an MOC Order, an LOC Order, an

IO Order, or a Pegged Order (including a Discretionary Order that is Pegged). Except as provided in Rule 4761, all other modifications of orders will result in the replacement of the original order with a new order with a new time stamp.

(4) Each Order is subject to a daily limit on the number of changes that may occur with respect to the Order; if the daily limit is reached, the Order will be cancelled. The number of permissible changes may vary by Order Type or Order Attribute and may change from time to time. Nasdaq will post on its website what is considered a change for a particular Order Type and Order Attribute, and the current limits on the number of such changes.

(b) **Entry of Quotes**—Nasdaq Market Makers and Nasdaq ECNs can enter Quotes into the System from 4:00 a.m. to 8:00 p.m. Eastern Time. Quotes will be processed as Attributable Orders, with such time-in-force designation as the Nasdaq Market Maker or Nasdaq ECN may assign. Entry of Quotes will be subject to the requirements and conditions set forth in section (a) above.

(c) **Display of Quotes and Orders**—The System will display quotes and orders submitted to the System as follows:

(1) **System Book Feed**—quotes and orders resident in the System available for execution will be displayed via the System Book Feed.

(2) **Best Priced Order Display** - Pursuant to Rule 602 of Regulation NMS under the Exchange Act, Nasdaq will transmit for display to the appropriate network processor for each System Security:

(i) the highest price to buy wherein the aggregate size of all displayed buy interest in the System greater than or equal to that price is one round lot or greater;

(ii) the aggregate size of all displayed buy interest in the System greater than or equal to the price in (i), rounded down to the nearest round lot;

(iii) the lowest price to sell wherein the aggregate size of all displayed sell interest in the System less than or equal to that price is one round lot or greater; and

(iv) the aggregate size of all displayed sell interest in the System less than or equal to the price in (iii), rounded down to the nearest round lot.

(3) **Exceptions**—The following exceptions shall apply to the display parameters set forth in paragraphs (1) and (2) above:

(A) **Reserve Size**—Reserve Size shall not be displayed in the System, but shall be accessible as described in Rule 4757.

(B) **Discretionary Orders**—The discretionary portion of Discretionary Orders

shall not be displayed but shall be made available for execution only upon the appearance of contra-side marketable trading interest, and shall be executed pursuant to Rule 4751(f) and Rule 4757.

(C) **Non-Displayed Orders**—Non-Displayed Orders are not displayed in the System, and have lower priority within the System than an equally priced Displayed Order, regardless of time stamp, and shall be executed pursuant to Rule 4757.

(4) Beginning March 5, 2007, in connection with the trading of securities governed by Regulation NMS, pursuant to Rule 600(b)(4) of Regulation NMS under the Act, Nasdaq has implemented such systems, procedures, and rules as are necessary to render it capable of meeting the requirements for automated quotations, as defined in Rule 600(b)(3) of Regulation NMS under the Act; and immediately to identify its quotations as manual whenever it has reason to believe it is not capable of displaying automated quotations. Nasdaq has adopted policies and procedures for notifying members and other trading centers that it has reason to believe it is not capable of displaying automated quotations or, once manual, that it has restored the ability to display automated quotations and is preparing to identify its quotation as automated. In addition, Nasdaq has adopted policies and procedures for responding to notices that it receives from other trading centers indicating that they have elected to use the "self-help" exception of Rule 611(b)(1) of Regulation NMS under the Act.

4757. Book Processing

(a) Orders on the Nasdaq Book shall be presented for execution against incoming Orders in the order set forth below:

(1) Price/Display/Time Execution Algorithm. The System shall present Orders on the Nasdaq Book for execution against incoming Order in accordance with a price/display/time algorithm:

(A) Price. Better priced Orders will be presented for execution first. For example, an Order on the Nasdaq Book to buy at \$10.00 will be ranked ahead of an Order to buy at \$9.99.

(B) Display and Time. Equally priced Orders with a Display Attribute will be ranked in time priority.

(C) Non-Display and Time. Orders with a Non-Display Attribute, including the Non-Displayed portion of an Order with Reserve Size, will be ranked in time priority.

(D) Supplemental Orders in accordance with the following process: Between 9:30 a.m. and 4:00 p.m., an Order with a Routing Attribute that has not been fully executed pursuant Rule 4757(a)(1)(A) - (C) shall be matched against posted Supplemental Orders in price/time priority among such Orders. An Order will be

matched against Supplemental Order(s) only at the NBBO, and only if the size of the Order is less than or equal to the aggregate size of Supplemental Order interest available at the price of the Order. In addition, a Supplemental Order will not execute if the NBBO is locked or crossed.

(2) Decrementation - Upon execution, an order shall be reduced by an amount equal to the size of that execution.

(3) Price Improvement - Any potential price improvement resulting from an execution in the System shall accrue to the taker of liquidity.

Example:

Buy order resides on Nasdaq book at 10.

Incoming order to sell priced at 9 comes into the System

Order executes at 10 (seller get \$1 price improvement)

(4) Exception: Anti-Internalization - Market participants may direct that quotes/orders entered into the System not execute against quotes/orders entered under the same MPID. In addition, market participants using the OUCH order entry protocol may assign to orders entered through a specific order entry port a unique group identification modifier that will prevent quotes/orders with such modifier from executing against each other. In such a case, a market participant may elect from the following options:

(i) if the interacting quotes/orders are equivalent in size, both quotes/orders will be cancelled back to their entering parties. If the interacting quotes/orders are not equivalent in size, share amounts equal to size of the smaller of the two quotes/orders will be cancelled back to their originating parties with the remainder of the larger quote/order being retained by the System for potential execution;

(ii) regardless of the size of the interacting quotes/orders, cancelling the oldest of them in full; or

(iii) regardless of the size of the interacting quotes/orders, cancelling the most recent of them in full.

The foregoing options may be applied to all orders entered under the same MPID, or, in the case of market participants using the OUCH order entry protocol, may be applied to all orders entered through a specific order entry port.

(b) Market Access. In addition to the Exchange Rules regarding routing to away trading centers, Nasdaq Execution Services, as defined in Rule 4758(b), has, pursuant

to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by Nasdaq Execution Services to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements of Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

(c) Limit Order Protection ("LOP"). LOP is a feature of the Nasdaq Market Center that prevents certain Limit Orders at prices outside of pre-set standard limits ("**LOP Limit**") from being accepted by the System.

(i) Applicability. LOP applies to all Quotes and Orders, including Quotes and Orders that have been modified, where the modification results in a new timestamp and priority. LOP does not apply to Orders with Market and Primary Pegging, Market Maker Peg Orders or Intermarket Sweep Orders. A Midpoint Pegging Order with a discretion price would not be subject to LOP. LOP is operational each trading day, except for orders designated for opening, reopening and closing crosses and initial public offerings. LOP is not operational during trading halts and pauses. LOP would not apply in the event there is no established LOP Reference Price or the National Best Bid, when used as the LOP Reference Price, is equal to or less than \$0.50.

(ii) LOP Limit. The LOP Limit shall be the greater of 10% of the LOP Reference Price or \$0.50 for all securities across all trading sessions.

(iii) LOP Reference Price. The LOP Reference Price shall be the current National Best Bid or Best Offer, the bid for sell orders and the offer for buy orders.

(iv) LOP Reference Threshold. The LOP Reference Threshold for buy orders will be the LOP Reference Price (offer) plus the applicable LOP Limit. The LOP Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the applicable LOP Limit.

(v) Acceptance of Orders. LOP will reject incoming Limit Orders that exceed the LOP Reference Threshold. Limit Orders will be rejected if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will be rejected if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order.

4758. Order Routing

(a) Order Routing Process

(1) The Order Routing Process shall be available to Participants during System Hours, unless otherwise noted in these rules, and shall route orders as described below. All routing of orders shall comply with Rule 611 of Regulation NMS under the Exchange Act.

(A) The System provides a variety of routing options. Routing options may be combined with all available Order Types and Times-in-Force, with the exception of Order Types and Times-in-Force whose terms are inconsistent with the terms of a particular routing option. The System will consider the quotations only of accessible markets. The term "**System routing table**" refers to the proprietary process for determining the specific trading venues to which the System routes Orders and the Order in which it routes them. Nasdaq reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are:

(i) **DOT** is a routing option for orders that the entering firm wishes to designate for participation in the NYSE or NYSE American opening or closing processes. DOT orders are routed directly to NYSE or NYSE American, as appropriate. A DOT order may be designated to participate in the opening or closing only (as provided in the specifications of the destination market) or to remain in force after the opening or closing, as applicable. If a DOT order has been designated to participate in the opening only and is entered after the security has opened, the order will nevertheless be routed to NYSE or NYSE American; based on its designation as opening only, such an order would be expected to be rejected by the destination market, and would also be cancelled by Nasdaq if returned by the destination market. If a DOT order has been designated to participate in the closing only and is entered at 3:45 p.m. Eastern Time or later (or in the case of an early closing, is entered 15 minutes prior to the close or later), the order will be rejected. After attempting to execute in the opening or closing process, if applicable, DOT orders that are not designated opening or closing only and that have not been fully executed, rejected, or cancelled by the market to which they were routed thereafter check the System for available shares and are converted into SCAN or STGY orders, depending on the designation of the entering firm. DOT orders that are not designated as opening or closing only orders but that are entered after the time of the opening or closing, as applicable, will also be converted into SCAN or STGY orders, depending on the designation of the entering firm. DOT orders that are designated to participate in an opening process and that are received by Nasdaq before the destination market can receive them will be held until such time as the destination market can receive them. DOT orders entered in non-NYSE or NYSE American securities will be treated as SCAN or STGY orders depending on the designation of the firm.

(ii) a. **DOTI** is a routing option for orders that the entering firm wishes to direct to the NYSE or NYSE American without returning to the Nasdaq Market Center. DOTI orders check the System for available shares and then are sent to destinations on the System routing table before being sent to NYSE or NYSE American, as appropriate. DOTI orders do not return to the Nasdaq Market Center book after routing. A DOTI order may be designated to participate in the opening or closing only (as provided in the specifications of the destination market) or to remain in force after the opening or closing, as applicable. If a

DOTI order has been designated to participate in the opening only and is entered after the security has opened, the order will nevertheless be routed to NYSE or NYSE American; based on its designation as opening only, such an order would be expected to be rejected by the destination market, and would also be cancelled by Nasdaq if returned by the destination market. If a DOTI order has been designated to participate in the closing only and is entered at 3:45 p.m. Eastern Time or later (or in the case of an early closing, is entered 15 minutes prior to the close or later), the order will be rejected.

b. The entering firm may alternatively elect to have DOTI orders check the System for available shares and thereafter be directly sent to NYSE or NYSE American as appropriate.

c. DOTI orders that are designated to participate in an opening process and that are received by Nasdaq before the destination market can receive them will be held until such time as the destination market can receive them.

(iii) **STGY** is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another accessible market center, the System shall route the order to the locking or crossing market center. **SKNY** is a form of **STGY** in which the entering firm instructs the System to bypass any market centers included in the **STGY** System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

(iv) **SCAN** is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. **SKIP** is a form of **SCAN** in which the entering firm instructs the System to bypass any market centers included in the **SCAN** System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

(v) a. **TFTY** is a routing option under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

b. **RTFY** is a routing option available for an order that qualifies as a Designated Retail Order under which orders check the System for available

shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain unexecuted after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. RTFY is designed to allow orders to participate in the opening, reopening and closing process of the primary listing market for a security.

(vi) **MOPP** is a routing option under which orders route only to Protected Quotations and only for displayed size. If shares remain unexecuted after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(vii) **SAVE** is a routing option under which orders may either (i) route to the Nasdaq Equities Market and Nasdaq PSX, check the System, and then route to other destinations on the System routing table, or (ii) may check the System first and then route to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(viii) **SOLV** is a routing option under which orders may either (i) route to the Nasdaq BX Equities Market and Nasdaq PSX, check the System, and then route to other destinations on the System routing table, or (ii) may check the System first and then route to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, should the order subsequently be locked or crossed by another accessible market center, the System shall route the order to the locking or crossing market center.

(ix) A "**Directed Order**" is an Order designed to use a routing strategy under which the Order is directed to an automated trading center (as defined in Regulation NMS) other than Nasdaq, as directed by the entering party, without checking the Nasdaq Book. If unexecuted, the order (or unexecuted portion thereof) shall be returned to the entering party. A Directed Order is not an Order Type, but rather than Order using the Directed Order routing strategy.

Directed Orders may be designated as Intermarket Sweep Orders by the entering party to execute against the full displayed size of any Protected Bid or Protected Offer (as defined in Rule 600(b) of Regulation NMS under the Act). A broker-dealer that designates an order as an Intermarket Sweep Order has the responsibility of complying with Rules 610 and 611 of Regulation NMS.

Directed Orders may not be directed to a facility of an exchange that is an affiliate of Nasdaq except for Directed Orders directed to the Nasdaq BX

Equities Market or to the Nasdaq PSX facility of Nasdaq PHLX.

(x) LIST is a routing option designed to allow orders to participate in the opening and/or closing process of the primary listing market for a security, and to follow additional routing logic as described below. A LIST order received before the security has opened on its primary listing market will be routed to the primary listing market for participation in that market's opening process. A LIST order may be designated to participate in the opening or closing only (as provided in the specifications of the destination market) or to remain in force after the opening or closing, as applicable. If a LIST order has been designated to participate in the opening only and is entered after the security has opened, the order will nevertheless be routed to the primary listing market; based on its designation as opening only, such an order would be expected to be rejected by the destination market, and would also be cancelled by Nasdaq if returned by the destination market. If a LIST order is received by Nasdaq before the destination market is able to receive orders for its opening process, the order will be held until such time as the destination market can receive it.

After the security has opened on its primary listing market, a LIST order that has not been designated opening only and that has not been fully executed, rejected, or cancelled by the market to which it was routed will be returned to the Nasdaq system. Thereafter, the order will check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. Any remaining shares will be posted on the book. In addition, if a LIST order is entered after the security has opened on the primary listing market (but before a time that is two minutes before market close) and the order has not been designated to participate in the opening only, Nasdaq will check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table, with remaining shares posted on the book. Once on the book, if the order is subsequently locked or crossed by another market center, the System will not route the order to the locking or crossing market center. Two minutes before market close, all LIST orders on the book will begin routing to the security's primary listing market for participation in its closing process. If a LIST order is received at or after a time that is two minutes before market close but before market close, Nasdaq will check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table; remaining shares will be routed to the security's primary listing market to participate in its closing process. After the security has closed on the primary listing market, a LIST order that has not been designated as a closing only or MDAY order and that has not been fully executed, rejected, or cancelled by the market to which it was routed will be returned to the Nasdaq System and shares unexecuted in the closing process will be posted to the Nasdaq book. If a LIST order has been designated to participate in the closing only and is entered after the security has closed, the order will nevertheless be routed to the primary listing market unless the primary market for the security is NYSE or NYSE American; based

on its designation as closing only, such an order would be expected to be rejected by the destination market, and would also be cancelled by Nasdaq if returned by the destination market. For NYSE and NYSE American securities, if a LIST order has been designated to participate in the closing only and is entered at 3:45 p.m. Eastern Time or later (or in the case of an early closing, is entered 15 minutes prior to the close or later), the order will be rejected. LIST orders received after market close that have not been designated as closing only and are eligible, based on the orders' time-in-force, to participate in the after-hours market will check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table. Any remaining shares will be posted to the Nasdaq book.

If trading in the security is stopped across all markets, LIST orders will be sent to the primary listing market to participate in the re-opening process. When normal trading resumes, unexecuted shares will be removed from the primary listing market and posted on the Nasdaq book.

(xi) **CART** is a routing option under which orders route to the Nasdaq BX Equities Market and Nasdaq PSX and then check the System. If shares remain un-executed, they are posted to the book or cancelled. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(xii) **QDRK** is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(xiii) **QCST** is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS and to certain, but not all, exchanges. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

Orders that do not check the System for available shares prior to routing may not be sent to a facility of an exchange that is an affiliate of Nasdaq, except for orders that are sent to the Nasdaq BX Equities Market or to the Nasdaq PSX facility of Nasdaq PHLX.

(xiv) **MOPB** is a routing option under which orders route only to Protected

Quotations and only for displayed size. If shares remain unexecuted after routing, they will be immediately cancelled. The entire MOPB order will be cancelled immediately if, at the time of entry, there is an insufficient share quantity in the MOPB order to fulfill the displayed size of all Protected Quotations.

(xv) **SCAR** is a routing option under which orders will check the System for available shares and simultaneously route to the Nasdaq BX Equities Market and Nasdaq PSX in accordance with the System routing table. If shares remain unexecuted after routing, they are posted on the book or cancelled. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(xvi) **MIDP** is a routing option under which a Non-Displayed Order to buy (sell) with a Midpoint Pegging Order Attribute will check the System for available shares and then route to destinations on the System routing table that support midpoint eligible orders with a limit price that is at the lesser (greater) of: (1) the current NBO (NBB); or (2) the Order's entered limit price (if applicable). If shares remain unexecuted after routing, the Order will check the System for available shares with remaining shares posted on the Nasdaq Book (unless an IOC Order) as a Non-Displayed Order with a Midpoint Pegging Order Attribute. If the entered limit price of a buy (sell) Order entered with MIDP is less (greater) than the current Midpoint price, the Order will not be routed but will instead be posted on the Nasdaq Book as a Non-Displayed Order with a Midpoint Peg Order Attribute, unless the Order has a Time-in-Force of IOC, in which case the Order will be cancelled. If the NBBO updates so that a resting Order with MIDP should be updated to a new midpoint price, it will be routed again and if shares remain unexecuted after routing, the Order will check the System for available shares with remaining shares reposted to the Nasdaq Book. A member may specify a Minimum Quantity Order Attribute on a MIDP Order. If upon entry the Order size is less than the Minimum Quantity designated by the member, the Order will be rejected. If at any point during the routing process, but prior to the Order returning to post on the Nasdaq Book, the remaining size of the Order becomes less than the specified Minimum Quantity, the Order will be cancelled back to the member. If shares remain unexecuted after routing, the Order will check the System for available shares with remaining shares posted on the Nasdaq Book (unless an IOC Order) as a Non-Displayed Order with a Midpoint Pegging Order Attribute with the minimum quantity condition specified by the member upon entry of the Order. An Order with the MIDP routing option will only be accepted with a Time-in-Force of Market Hours DAY or IOC. Unexecuted shares of an Order with the MIDP routing option will check the System for available shares with remaining shares cancelled after routing if the Order has a Time-in-Force of IOC. An Order with the MIDP routing option may not be flagged to participate in any of the Nasdaq Crosses.

(B) **Priority of Routed Orders.** Regardless of the routing option selected, orders sent by the System to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System.

(b) Routing Broker

(1) All routing by the System shall be performed by The Nasdaq Stock Market LLC's affiliated broker-dealer, Nasdaq Execution Services, LLC ("NES"), which, in turn, shall route orders to other market centers as directed by The Nasdaq Stock Market LLC either directly or through one or more third-party unaffiliated routing broker-dealers. The Nasdaq Stock Market LLC will determine the logic that provides when, how, and where orders are routed away to other exchanges. Except as provided in subparagraph (8) below, the routing broker(s) cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

(2) NES will not engage in any business other than: (a) as an outbound router for The Nasdaq Stock Market LLC and (b) any other activities it may engage in as approved by the Commission

(3) NES shall operate as a facility, as defined in Section 3(a)(2) of the Act, of The Nasdaq Stock Market LLC.

(4) For purposes of SEC Rule 17d-1, the designated examining authority of NES shall be a self-regulatory organization unaffiliated with The Nasdaq Stock Market LLC or any of its affiliates. The Nasdaq Stock Market LLC and NES may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.

(5) The Nasdaq Stock Market LLC shall be responsible for filing with the Securities and Exchange Commission rule changes related to the operation of, and fees for services provided by, NES and NES shall be subject to exchange non-discrimination requirements.

(6) The books, records, premises, officers, agents, directors and employees of NES as a facility of The Nasdaq Stock Market LLC shall be deemed to be the books, records, premises, officers, agents, directors and employees of The Nasdaq Stock Market LLC for purposes of, and subject to oversight pursuant to, the Exchange Act. The books and records of NES as a facility of the Nasdaq Stock market LLC shall be subject at all times to inspection and copying by the Commission.

(7) Use of NES to route orders to other market centers will be optional. Parties that do not desire to use NES must enter orders into The Nasdaq Stock Market LLC as immediate-or-cancel orders or any other order-type available through The Nasdaq Stock Market LLC that is ineligible for routing.

(8) NES shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between The Nasdaq Stock Market LLC and its facilities (including NES as its routing facility) and any other entity; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).

(c) **Market Access.** In addition to the Exchange Rules regarding routing to away trading centers, NES has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NES to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements under Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

(d) Cancellation of Orders and Error Account

(1) Nasdaq or NES may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at Nasdaq, NES, or a routing destination. Nasdaq or NES shall provide notice of the cancellation to affected members as soon as practicable.

(2) NES shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at NES, Nasdaq, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ("error positions").

(A) For purposes of this Rule 4758(d), an error position shall not include any position that results from an order submitted by a member to Nasdaq that is executed on Nasdaq and automatically processed for clearance and settlement on a locked-in basis.

(B) Except as provided in Rule 4758(d)(2)(C), NES shall not (i) accept any positions in its error account from an account of a member, or (ii) permit any member to transfer any positions from the member's account to NES's error account.

- (C) If a technical or systems issue results in Nasdaq not having valid clearing instructions for a member to a trade, NES may assume that member's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.
- (3) In connection with a particular technical or systems issue, NES or Nasdaq shall either (i) assign all resulting error positions to members in accordance with subparagraph (A) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (B) below. Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.
- (A) NES or Nasdaq shall assign all error positions resulting from a particular technical or systems issue to the members affected by that technical or systems issue if NES or Nasdaq:
- (i) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the members affected by that technical or systems issue;
 - (ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the members affected by that technical or systems issue; and
 - (iii) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (d)(1) above.
- (B) If NES or Nasdaq is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected members in accordance with subparagraph (A) above, or if NES or Nasdaq determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (d)(1) above, then NES shall liquidate the error positions as soon as practicable. NES shall:
- (i) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and
 - (ii) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and NES/Nasdaq associated with the liquidation of the error positions.
- (4) NES and Nasdaq shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to members or the liquidation of error positions, as well as records

associated with the liquidation of error positions through the third-party broker-dealer.

4759. Data Feeds Utilized

(a) The Nasdaq System consumes quotation data from the below proprietary and network processor feeds for the handling, routing, and execution of orders, as well as for the regulatory compliance processes related to those functions. The Primary Source of data is used unless it is delayed by a configurable amount compared to the Secondary Source of data. The Exchange will revert to the Primary Source of data once the delay has been resolved. The configurable amount described in this rule will be made available to members via Equity Trader Alert.

<u>Market Center</u>	<u>Primary Source Quotes</u>	<u>Secondary Source Quotes</u>
<u>A - NYSE American</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>B - Nasdaq BX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>C - NYSE National</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>D - FINRA ADF</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>H - MIAX Pearl</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>J - CBOE EDGA</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>K - CBOE EDGX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>L - LTSE</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>M - NYSE Chicago</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>N - NYSE</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>P - NYSE Arca</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>T/Q - Nasdaq</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>

<u>U – MEMX</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>V - IEX</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>X - Nasdaq PSX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>Y - CBOE BYX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>Z - CBOE BZX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>

(b) SIP Trade and Administrative Data. The SIP is the Primary Source of trade and administrative messages such as limit-up limit-down price bands, market-wide circuit breaker decline and status messages, Regulation SHO state messages, halts and resumes, and last sale information. Where available, the Direct Feeds are the Secondary Source of such information.

4760. Anonymity

(a) Transactions executed in the System shall be cleared and settled anonymously. The transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities.

(b) Nasdaq shall reveal a Participant's identity in the following circumstances:

(1) when a registered clearing agency ceases to act for a participant, or the Participant's clearing firm, and the registered clearing agency determines not to guarantee the settlement of the Participant's trades;

(2) for regulatory purposes or to comply with an order of an arbitrator or court;

(3) if both Participants to the transaction consent;

(4) Unless otherwise instructed by a member, Nasdaq will reveal to a member, no later than the end of the day on the date an anonymous trade was executed, when the member's Quote or Order has been decremented by another Quote or Order submitted by that same member.

4761. Issuer Corporate Actions Related to a Dividend, Payment or Distribution

(a) Except as provided below, the Nasdaq Market Center will automatically cancel open quotes and/or orders in all Nasdaq Market Center eligible securities resident in the system in response to issuer corporate actions, including any dividend (whether payable in cash or securities or both), payment, distribution, forward or reverse stock split, symbol change, or change in primary listing venue, immediately prior to the opening of the

System at 4:00 a.m. on the ex-date of such actions.

(b) A member may designate that all orders with a time-in-force of good-till-cancelled that are entered through one or more order entry ports specified by the member will be processed in the following manner in the event of certain issuer corporate actions as specified below. The member may opt for the processing provided in this paragraph (b) on a port-by-port basis, but all of the provisions of this paragraph shall apply to all good-till-cancelled orders entered through a port that has been specified by the member hereunder.

(1) Cash Dividend. If an issuer is paying a cash dividend, the price of an order to buy will be reduced by the amount of the sum of all dividends payable, rounded up to the nearest whole cent; provided, however, that there will be no adjustment if the sum of all dividends is less than \$0.01. For example, if the sum of all dividends is \$0.381, the price of the order will be reduced by \$0.39. An order to sell will be retained but will receive no price adjustment.

(2) Forward Stock Split or Stock Dividend. If an issuer is implementing a forward stock split or a stock dividend (i.e., a corporate action in which additional shares are issued to holders), the order will be cancelled if its size is less than one round lot. If the order's size is greater than one round lot, (i) the size of the order will be multiplied by the ratio of post-action shares to pre-action shares, with the result rounded downward to the nearest whole share, and (ii) the price of the order will be multiplied by the ratio of pre-action shares to post-action shares, with the result rounded down to the nearest whole penny in the case of orders to buy and rounded up to the nearest whole penny in the case of orders to sell. For example, if a member has entered a good-till-cancelled order to buy 375 shares at \$10.95 per share and the issuer implemented a split or dividend under which an additional 1.25 shares would be issued for each share outstanding, the size of the order would be adjusted to 843 shares ($375 \times 2.25/1 = 843.75$, rounded down to 843) and the price of the order would be adjusted to \$4.86 per share ($\$10.95 \text{ per share} \times 1/2.25 = \4.8667 per share , rounded down to \$4.86 per share). An order to sell at the same price and size would be adjusted to 843 shares with a price of \$4.87 per share.

(3) Combination of Cash Dividend and Forward Stock Split or Stock Dividend. If an issuer is implementing a cash dividend and a forward stock split or stock dividend on the same date, the adjustments described above will both be applied, in the order described in the notice of the corporate actions received by Nasdaq.

(4) For other corporate actions, including symbol changes, changes in primary listing venue, reverse stock splits, and dividends payable in either cash or securities at the option of the stockholder, the order will be cancelled.

(5) All of the foregoing changes will be effected immediately prior to the opening of the System at 4:00 a.m. on the ex-date of the applicable corporate action. Open orders that are retained will be re-entered by the System (as adjusted above)

immediately prior to the opening of the System, such that they will retain time priority over new orders entered at or after 4:00 a.m.

4762. Clearly Erroneous Transactions

All matters related to clearly erroneous transactions executed in the System shall be initiated and adjudicated pursuant to Rule 11890.

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

(a) **Definitions.** For purposes of this Rule, the terms "covered security", "listing market", and "national best bid" shall have the same meaning as in Rule 201 of Regulation SHO.

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

(c) **Determination of Trigger Price.** For covered securities for which the Exchange is the listing market, the System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the single plan processor.

(1) The System will not calculate the Trigger Price of a covered security until:

(A) after the completion of the Nasdaq Opening Cross pursuant to Rule 4752(d), for securities in which a Nasdaq Opening Cross occurs, or

(B) after the System begins trading pursuant to Rule 4752(c) for securities in which no Nasdaq Opening Cross occurs.

(2) If a covered security did not trade on the Exchange on the prior trading day (due to a trading halt, trading suspension, or otherwise), the Exchange's determination of the Trigger Price shall be based on the last sale price on the Exchange for that security on the most recent day on which the security traded.

(d) **Duration of Short Sale Price Test.** If the Short Sale Price Test is triggered by the listing market with respect to a covered security, the Short Sale Price Test shall remain in effect until the close of trading on the next trading day, as provided for in Regulation SHO Rule 201(b)(1)(ii) (the "Short Sale Period").

(1) If the Exchange determines pursuant to Rule 4762 that the Short Sale Price Test for a covered security was triggered because of a clearly erroneous execution, the Exchange may lift the Short Sale Price Test before the Short Sale Period ends for securities for which the Exchange is the listing market or, for securities listed on

- another market, notify the other market of the Exchange's determination that the triggering transaction was a clearly erroneous execution. The Exchange may also lift the Short Sale Price Test before the Short Sale Period ends, for a covered security for which the Exchange is the listing market, if the Exchange has been informed by another exchange or a self-regulatory organization ("SRO") that a transaction in the covered security that occurred at the Trigger Price was a clearly erroneous execution, as determined by the rules of that exchange or SRO.
- (2) If the Exchange determines that the prior day's closing price for a listed security is incorrect in the System and resulted in an incorrect determination of the Trigger Price, the Exchange may correct the prior day's closing price and lift the Short Sale Price Test before the Short Sale Period ends.
- (e) Re-pricing of Orders during Short Sale Period.** Except as provided below, during the Short Sale Period, short sale orders that are limited to the national best bid or lower and short sale market orders will be re-priced by the System one minimum allowable price increment above the current national best bid ("Permitted Price"). To reflect declines in the national best bid, the Exchange will continue to re-price a short sale order at the lowest Permitted Price down to the order's original limit price, or if a market order, until the order is filled. Non-displayed orders between the Nasdaq bid and offer at the time of receipt will also be re-priced upward to a Permitted Price to correspond with a rise in the national best bid.
- (1) During the Short Sale Period, immediate or cancel ("IOC") orders requiring that all or part of the order be executed immediately will be executed to the extent possible at a Permitted Price and higher and then cancelled, and will not be re-priced. Inter-market sweep orders not marked "short exempt" will be handled in the same manner as IOC orders.
- (2) During the Short Sale Period, short sale orders that are Limit-on-Open and Market-on-Open Orders defined in Nasdaq Rule 4752(a)(3) and (a)(4) and Limit-on-Close and Market-on-Close Orders defined in Nasdaq Rule 4754(a)(4) and (a)(5) shall be re-priced as described above, unless the spread between the national best bid and offer is \$0.01 and there is no resting non-displayed Order that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book that is subject to be price adjusted at the time of the Nasdaq Opening Cross or the Nasdaq Closing Cross pursuant to Rule 4703(l). In that case, such orders shall be converted to Mid-Point Peg Orders defined in Nasdaq Rule 4703(d). Once converted, such orders will be priced at the midpoint of the national best bid and offer and may execute in subpennies if necessary to obtain a midpoint price.
- (3) During the Short Sale Period, if an order was entered as a long sale order or a short sale exempt order but is subsequently marked pursuant to Nasdaq Rule 4756(a)(3) as a short sale order, the System will cancel the order unless it is priced at a Permitted Price or higher.

(f) Execution of Permissible Orders during the Short Sale Period. During the Short Sale Period, the System will execute and display a short sale order without regard to whether the order is at a Permitted Price or higher if, at the time of initial display of the short sale order, the order was at a price above the then current national best bid. Short sale orders that are entered into the Exchange prior to the Short Sale Period but are not displayed will be re-priced as described in (e) above.

(g) Short Exempt Orders. During the Short Sale Period, the System will execute and display orders marked "short exempt" without regard to whether the order is at a Permitted Price or higher. The System will accept orders marked "short exempt" at any time when the System is open for order entry, regardless of whether the Short Sale Price Test has been triggered.

4770. Compliance with Regulation NMS Plan to Implement a Tick Size Pilot

(a) Tick Size Pilot Program

(1) Definitions.

(A) "Plan" means the Tick Size Pilot Plan Submitted to the Securities and Exchange Commission Pursuant to Rule 608(a)(3) of Regulation NMS under the Exchange Act.

(B) "Pilot Test Groups" means the three test groups established under the Plan, consisting of 400 Pilot Securities each, which satisfy the respective criteria established by the Plan for each such test group.

(C) Reserved.

(D) "Trade-at Intermarket Sweep Order" means a limit order for a Pilot Security that meets the following requirements:

(i) When routed to a Trading Center, the limit order is identified as a Trade-at Intermarket Sweep Order; and

(ii) Simultaneously with the routing of the limit order identified as a Trade-at Intermarket Sweep Order, one or more additional limit orders, as necessary, are routed to execute against the full size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a Trade-at Intermarket Sweep Order. These additional routed orders also must be marked as Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders.

(E) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan, Regulation NMS under the Exchange Act, or Exchange rules, as applicable.

- (2) Exchange Participation in the Plan. The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes a Tick Size Pilot Program that will allow the Securities and Exchange Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the common stocks of small capitalization companies.
- (3) Member Compliance. Members shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the applicable requirements of the Plan.
- (4) Exchange Compliance with the Plan. Exchange systems will not display, quote or trade in violation of the applicable quoting and trading requirements for a Pilot Security specified in the Plan and this Rule, unless such quotation or transaction is specifically exempted under the Plan.
- (5) Pilot Securities That Drop Below \$1.00 during the Pilot Period. If the price of a Pilot Security drops below \$1.00 during regular trading on any given business day, such Pilot Security will continue to be subject to the Plan and the requirements enumerated in (c)(1)-(3) below and will continue to trade in accordance with such Rules as if the price of the Pilot Security had not dropped below \$1.00. However, if the Closing Price of a Pilot Security on any given business day is below \$1.00, such Pilot Security will be moved out of its respective Pilot Test Group into the Control Group, and may then be quoted and traded at any price increment that is currently permitted by Exchange rules for the remainder of the Pilot Period. Notwithstanding anything contained herein to the contrary, at all times during the Pilot Period, Pilot Securities (whether in the Control Group or any Pilot Test Group) will continue to be subject to the requirements contained in Paragraph (b).

(b) Compliance with Data Collection Requirements

- (1) Policies and Procedures Requirement. A Member that operates a Trading Center shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Items I and II of Appendix B of the Plan, and a Member that is a Market Maker shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Item IV of Appendix B of the Plan and Item I of Appendix C of the Plan.
- (2) The Exchange shall collect and transmit to the SEC the data described in Items I and II of Appendix B of the Plan relating to trading activity in Pre-Pilot Securities and Pilot Securities on a Trading Center operated by the Exchange. The Exchange shall transmit such data to the SEC in a pipe delimited format, on a disaggregated basis by Trading Center, within 30 calendar days following month end for:
- (A) Each Pre-Pilot Data Collection Security for the period beginning six months

prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(B) Each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period. The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the Member that generated the data.

(3) Daily Market Maker Participation Statistics Requirement

(A) A Member that is a Market Maker shall collect and transmit to their DEA data relating to Item IV of Appendix B of the Plan, with respect to activity conducted on any Trading Center in Pre-Pilot Securities and Pilot Securities in furtherance of its status as a Market Maker, including a Trading Center that executes trades otherwise than on a national securities exchange, for transactions that have settled or reached settlement date. Market Makers shall transmit such data in a format required by their DEA by 12:00 p.m. EST on T+4:

(i) For transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) For transactions in each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) A Member that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (3)(A) above to the Financial Industry Regulatory Authority, Inc. ("FINRA"). Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 in accordance with paragraphs (3)(A)(i) and (ii) above.

(C) The Exchange shall transmit the data collected by the DEA or FINRA pursuant to paragraphs (3)(A) and (B) above relating to Market Maker activity on a Trading Center operated by the Exchange to the SEC in a pipe delimited format within 30 calendar days following month end. The Exchange shall also make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the Trading Center that generated the data.

(4) Market Maker Profitability

(A) A Member that is a Market Maker shall collect and transmit to their DEA the data described in Item I of Appendix C of the Plan with respect to executions on any Trading Center that have settled or reached settlement date. Market Makers

shall transmit such data in a format required by their DEA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in each:

(i) Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) A Member that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (4)(A) above to FINRA. Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in accordance with paragraphs (4)(A)(i) and (ii) above.

(5) Market Maker Registration Statistics. The Exchange shall collect and transmit to the SEC the data described in Item III of Appendix B of the Plan relating to daily Market Maker registration statistics in a pipe delimited format within 30 calendar days following month end for:

(A) For transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through the trading day immediately preceding the Pilot Period; and

(B) For transactions in each Pilot Security for the period beginning on the first day of the Pilot Period through six months after the end of the Pilot Period.

The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge.

(c) Compliance with Quoting and Trading Restrictions

(1) Pilot Securities in Test Group One will be subject to the following requirement: No member may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the national best bid and national best offer ("NBBO") or best protected bid and best protected offer ("PBBO") and orders entered in a Participant-operated retail liquidity program may be ranked and accepted in increments of less than \$0.05. Pilot Securities in Test Group One may continue to trade at any price increment that is currently permitted by Equity 1, Section 1(a)(13).

(2) Pilot Securities in Test Group Two shall be subject to the following requirements:

(A) No member may display, rank, or accept from any person any displayable or

non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO and orders entered in a Participant-operated retail liquidity program may be ranked and accepted in increments of less than \$0.05.

(B) Absent any of the exceptions listed in (C) below, no member may execute orders in any Pilot Security in Test Group Two in price increments other than \$0.05. The \$0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(C) Pilot Securities in Test Group Two may trade in increments less than \$0.05 under the following circumstances:

(i) Trading may occur at the midpoint between the NBBO or the PBBO;

(ii) Retail Investor Orders may be provided with price improvement that is at least \$0.005 better than the PBBO;

(iii) Negotiated Trades may trade in increments less than \$0.05; and

(iv) Execution of a customer order to comply with Rule 5320A following the execution of a proprietary trade by the member at an increment other than \$0.05, where such proprietary trade was permissible pursuant to an exception under the Plan.

(3) Pilot Securities in Test Group Three shall be subject to the following requirements:

(A) No member may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO and orders entered in a Participant-operated retail liquidity program may be ranked and accepted in increments of less than \$0.05.

(B) Absent any of the exceptions listed in (C) below, no member may execute orders in any Pilot Security in Test Group Three in price increments other than \$0.05. The \$0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(C) Pilot Securities in Test Group Three may trade in increments less than \$0.05 under the following circumstances:

(i) Trading may occur at the midpoint between the NBBO or PBBO;

(ii) Retail Investor Orders may be provided with price improvement that is at least \$0.005 better than the Best Protected Bid or the Best Protected Offer;

(iii) Negotiated Trades may trade in increments less than \$0.05; and

(iv) Execution of a customer order to comply with Rule 5320A following the execution of a proprietary trade by the member at an increment other than \$0.05, where such proprietary trade was permissible pursuant to an exception under the Plan.

(D) Pilot Securities in Test Group Three will be subject to the following Trade-at Prohibition:

(i) "Trade-at Prohibition" means the prohibition against executions by a Trading Center of a sell order for a Pilot Security at the price of a Protected Bid or the execution of a buy order for a Pilot Security at the price of a Protected Offer during regular trading hours.

(ii) Absent any of the exceptions listed in (iii) below, no member may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer.

(iii) Members may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer if any of the following circumstances exist:

(a) The order is executed as agent or riskless principal by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within a member that has a displayed quotation as agent or riskless principal, via either a processor or an SRO Quotation Feed, at a price equal to the traded-at Protected Quotation, that was displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;

(b) The order is executed by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within a member that has a displayed quotation for the account of that Trading Center on a principal (excluding riskless principal) basis, via either a processor or an SRO Quotation Feed, at a price equal to the traded-at Protected Quotation, that was displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;

(c) The order is of Block Size at the time of origin and may not be:

(A) an aggregation of non-block orders; or

(B) broken into orders smaller than Block Size prior to submitting the order to a Trading Center for execution;

- (d) The order is a Retail Investor Order executed with at least \$0.005 price improvement;
- (e) The order is executed when the Trading Center displaying the Protected Quotation that was traded at was experiencing a failure, material delay, or malfunction of its systems or equipment;
- (f) The order is executed as part of a transaction that was not a "regular way" contract;
- (g) The order is executed as part of a single-priced opening, reopening, or closing transaction on the Exchange;
- (h) The order is executed when a Protected Bid was priced higher than a Protected Offer in the Pilot Security;
- (i) The order is identified as a Trade-at Intermarket Sweep Order;
- (j) The order is executed by a Trading Center that simultaneously routed Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders to execute against the full displayed size of the Protected Quotation that was traded at;
- (k) The order is executed as part of a Negotiated Trade;
- (l) The order is executed when the Trading Center displaying the Protected Quotation that was traded at had displayed, within one second prior to execution of the transaction that constituted the Trade-at, a Best Protected Bid or Best Protected Offer, as applicable, for the Pilot Security with a price that was inferior to the price of the Trade-at transaction;
- (m) The order is executed by a Trading Center which, at the time of order receipt, the Trading Center had guaranteed an execution at no worse than a specified price (a "stopped order"), where:
 - (A) The stopped order was for the account of a customer;
 - (B) The customer agreed to the specified price on an order-by-order basis;
and
 - (C) The price of the Trade-at transaction was, for a stopped buy order, equal to or less than the National Best Bid in the Pilot Security at the time of execution or, for a stopped sell order, equal to or greater than the National Best Offer in the Pilot Security at the time of execution, as long as such order is priced at an acceptable increment;
- (n) The order is for a fractional share of a Pilot Security, provided that such

fractional share order was not the result of breaking an order for one or more whole shares of a Pilot Security into orders for fractional shares or was not otherwise effected to evade the requirements of the Trade-at Prohibition or any other provisions of the Plan; or

(o) The order is to correct a bona fide error, which is recorded by the Trading Center in its error account. A bona fide error is defined as:

(A) The inaccurate conveyance or execution of any term of an order including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;

(B) The unauthorized or unintended purchase, sale, or allocation of securities, or the failure to follow specific client instructions;

(C) The incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or

(D) A delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order.

(iv) No member shall break an order into smaller orders or otherwise effect or execute an order to evade the requirements of the Trade-at Prohibition of this Rule or any other provisions of the Plan.

(d) Operation of Order Types and Order Attributes

This section sets forth Nasdaq's specific procedures for handling, executing, re-pricing and displaying of certain Order Types and Order Attributes applicable to Pilot Securities. Unless otherwise indicated, this section applies to orders in all three Test Group Pilot Securities.

(1) All Order Types. Any Order Type in a security of any of the Test Groups that requires a price and does not otherwise qualify for an exception, will not be accepted if it is in a minimum price increment other than \$0.05. This minimum price increment applies to repricing and rounding by the System, unless otherwise noted below.

Subject to the provisions below, if the entered limit price of an Order in a Test Group Three Pilot Security, entered through RASH, QIX, or FIX, locked or crossed a Protected Quotation and the NBBO changes so that the Order can be ranked closer to its original entered limit price, the price of the Order will be adjusted repeatedly

in accordance with changes to the NBBO.

(2) Price to Comply Order. A Price to Comply Order in a Test Group Pilot Security will operate as described in Rule 4702(b)(1) except as provided under this paragraph. If a Price to Comply Order for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Nasdaq Book, and the limit price of a buy (sell) Price to Comply Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment below (above) the Protected Quotation, and the Order will be ranked on the Nasdaq Book at the current midpoint of the NBBO.

A Price to Comply Order in a Test Group Three Pilot Security entered through OUCH or FLITE may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- If entered at a price that locked a Protected Quotation, and if the NBBO changes such that it can be ranked and displayed at the price of the Protected Quotation that it locked, the Price to Comply Order will be adjusted to rank and display at its original entered limit price.
- If entered at a price that crossed a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation it crossed, the Price to Comply Order, based on the participant's choice, may either be (i) cancelled or (ii) adjusted to rank at the price of the Protected Quotation it crossed upon entry with its displayed price remaining unchanged.
- If, after being posted on the Nasdaq Book, the non-displayed price of a Price to Comply Order becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Price to Comply Order is at an impermissible price under Regulation NMS or the Plan and it cannot otherwise be adjusted as above, the Price to Comply Order will be cancelled.

(3) Non-Displayed Order. A Non-Displayed Order in a Test Group Pilot Security will operate as described in Rule 4702(b)(3) except as provided under this paragraph. A resting Non-Displayed Order in a Test Group Three Pilot security cannot execute at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 4770(c)(3)(D). If the limit price of a buy (sell) Non-Displayed Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will be ranked on the Nasdaq Book at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower). If a resting Non-Displayed Order in a Test Group Three Pilot Security entered through RASH, QIX,

or FIX becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Non-Displayed Order is at an impermissible price under Regulation NMS or the Plan, the Non-Displayed Order will be repriced to a price that is at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower) and will receive a new timestamp.

For a Non-Displayed Order in a Test Group Three Pilot Security entered through OUCH or FLITE, if after such a Non-Displayed Order is posted to the Nasdaq Book, the NBBO changes so that the Non-Displayed Order would no longer be executable at its posted price due to the requirements of Regulation NMS or the Plan, the Non-Displayed Order will be cancelled back to the Participant.

A Non-Displayed Order in a Test Group Three Pilot Security entered through OUCH or FLITE may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- If entered at a price that locked a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation that it locked, the Non-Displayed Order will be adjusted to rank at its original entered limit price.
- If entered at a price that crossed a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation it crossed, the Order, based on the Participant's choice, may either be (i) cancelled or (ii) adjusted to rank at the price of the Protected Quotation it crossed.
- If entered at a price that locked or crossed a Protected Quotation, and if the NBBO changes such that it cannot be ranked at the price of the Protected Quotation it locked or crossed but can be ranked closer to its original limit price, the Non-Displayed Order will be adjusted to the new midpoint of the NBBO.
- If, after being posted on the Nasdaq Book, the Non-Displayed Order becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Non-Displayed Order is at an impermissible price under Regulation NMS or the Plan and it cannot otherwise be adjusted as above, the Non-Displayed Order will be cancelled.

(4) Post-Only Order. A Post-Only Order in a Test Group Pilot Security will operate as described in Rule 4702(b)(4) except as provided under this paragraph. For orders that are not attributable, if the limit price of a buy (sell) Post-Only Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment below (above) the Protected Quotation, and the Order will be ranked on the Nasdaq Book at the current midpoint of the NBBO.

A Non-Attributable Post-Only Order in a Test Group Three Pilot Security entered

through OUCH or FLITE may be adjusted in the following manner after initial entry and posting to the Nasdaq Book:

- If entered at a price that locked a Protected Quotation, and if the NBBO changes such that it can be ranked and displayed at the price of the Protected Quotation that it locked, the Post-Only Order will be adjusted to rank and display at its original entered limit price.
- If entered at a price that crossed a Protected Quotation, and if the NBBO changes such that it can be ranked at the price of the Protected Quotation it crossed, the Post-Only Order, based on the Participant's choice, may either be (i) cancelled or (ii) adjusted to rank at the price of the Protected Quotation it crossed upon entry with its displayed price remaining unchanged.
- If, after being posted on the Nasdaq Book, the non-displayed price of a resting Post-Only Order becomes locked or crossed by a Protected Quotation due to a change in the NBBO, or if the Post-Only Order is at an impermissible price under Regulation NMS or the Plan and it cannot otherwise be adjusted as above, the Post-Only Order will be cancelled.

(5) Midpoint Peg Post-Only Order. A Midpoint Peg Post-Only Order in a Test Group Pilot Security will operate as described in Rule 4702(b)(5) except as provided under this paragraph. A Midpoint Peg Post-Only Order in a Test Group Pilot Security may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(6) Supplemental Order. A Supplemental Order in a Test Group Pilot Security will operate as described in Rule 4702(b)(6) except as provided under this paragraph. A Supplemental Order in a Test Group Three Pilot Security will not be accepted by the System.

(7) Market Maker Peg Order. A Market Maker Peg Order in a Test Group Pilot Security will operate as described in Rule 4702(b)(7) except as provided under this paragraph. The displayed price of a Market Maker Peg Order in a Test Group Pilot Security will be rounded up (down) to the nearest minimum price increment for bids (offers), if it would otherwise display at an increment smaller than the minimum price increment. For example, if the NBB is \$10.05 and NBO is \$10.15, and the Designated Percentage (as defined in Equity 2, Section 5) is 28%, the displayed price of a Market Maker Peg Order to buy 100 shares of a Test Group Pilot Security would be \$7.25 (i.e., $\$10.05 - (\$10.05 \times 0.28) = \$7.236$, rounded up to \$7.25). Using the same market, but with a Market Maker Peg Order to sell 100 shares, the displayed price of the Order would be \$12.95 (i.e., $\$10.15 + (\$10.15 \times 0.28) = \$12.992$, rounded down to \$12.95).

(8) Midpoint Pegging. An Order with Midpoint Pegging in a Test Group Pilot Security will operate as described in Rule 4703(d) except as provided under this paragraph.

An Order in a Test Group Pilot Security with Midpoint Pegging may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(9) Reserve Size. An Order with Reserve Size in a Test Group Pilot Security will operate as described in Rule 4703(h) except as provided under this paragraph. A resting Order in a Test Group Three Pilot Security with a Reserve Size (either a Price to Comply Order or a Price to Display Order through RASH, FIX or QIX) may not execute the non-displayed Reserve Size at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 4770(c)(3)(D). If an Order with Reserve Size for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Nasdaq Book, and the limit price of a buy (sell) Price to Comply Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the displayed portion of the Order will display at one minimum price increment below (above) the Protected Quotation, and the displayed and non-displayed portions of the Order will be ranked on the Nasdaq Book at the current midpoint of the NBBO. If the Order is not executable against any previously posted orders on the Nasdaq Book, and the limit price of a buy (sell) Price to Display Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the displayed portion of the Order will display and be ranked at one minimum price increment below (above) the Protected Quotation, and the non-displayed portion of the Order will be ranked on the Nasdaq Book at the current midpoint of the NBBO. If after being posted to the Nasdaq Book, the NBBO changes so that the Order with Reserve Size in a Test Group Three Pilot Security would no longer be executable at its ranked price due to the requirements of Regulation NMS or the Plan, the order will be adjusted in the same manner as described above.

(10) Good-till-Cancelled. An Order with a Time-in-Force of Good-till-Cancelled in a Test Group Pilot Security will operate as described in Rule 4703(a)(3) except as provided under this paragraph. An Order in a Test Group Security with a Good-till-Cancelled Time-in-Force that is adjusted pursuant to Rule 4761(b) will be adjusted based on a \$0.05 increment.

Commentary:

.01 The terms used in this Rule 4770 shall have the same meaning as provided in the Plan, unless otherwise specified.

.02 For purposes of the reporting requirement in Appendix B.II.(n), a Trading Center shall report "Y" to their DEA where it is relying upon the Retail Investor Order exception to Test Groups Two and Three, and "N" in all other instances.

.03 For purposes of Appendix B.I, the field "Affected by Limit-Up Limit-Down bands" shall be included. A Trading Center shall report a value of "Y" to their DEA when the ability of an order to execute has been affected by the Limit-Up Limit-Down (LULD) bands in effect at the time of order receipt. A Trading Center shall report a value of "N" to their DEA when the ability of an order to execute has not been affected by the LULD bands in effect at the time of order receipt. For purposes of Appendix B.I, the Participants shall classify all orders in Pilot and Pre-Pilot Securities that may trade in a foreign market as: (1) fully executed domestically or (2) fully or partially executed on a foreign market. For purposes of Appendix B.II, the Participants shall classify all orders in Pilot and Pre-Pilot Securities that may trade in a foreign market as: (1) directed to a domestic venue for execution; (2) may only be directed to a foreign venue for execution; or (3) fully or partially directed to a foreign venue at the discretion of the Member.

.04 (a) For purposes of Appendix B.I.a(14), B.I.a(15), B.I.a(21) and B.I.a(22), the time ranges shall be changed as follows:

(1) Appendix B.I.a(14A): The cumulative number of shares of orders executed from 100 microseconds to less than 1 millisecond after the time of order receipt;

(2) Appendix B.I.a(15): The cumulative number of shares of orders executed from 1 millisecond to less than 100 milliseconds after the time of order receipt;

(3) Appendix B.I.a(21A): The cumulative number of shares of orders canceled from 100 microseconds to less than 1 millisecond after the time of order receipt; and

(4) Appendix B.I.a(22): The cumulative number of shares of orders canceled from 1 millisecond to less than 100 milliseconds after the time of order receipt.

(b) For purposes of Appendix B.I.a(21) through B.I.a(27), unexecuted Immediate or Cancel orders shall be categorized separately irrespective of the duration of time after order receipt.

.05 For purposes of Appendix B.I.a(31)-(33), the relevant measurement is the time of order receipt.

.06 For purposes of Appendix B, the following order types and numbers shall be included and assigned the following numbers: "not held" orders (18); clean cross orders (19); auction orders (20); and orders that cannot otherwise be classified, including orders received when the NBBO is crossed (21); and limit order priced more than \$0.10 away from the NBBO (22). For purposes of order types 12-14 in Appendix B, such order types shall include all orders and not solely "resting" orders.

.07 A Member shall not be deemed a Trading Center for purposes of Appendix B of the Plan where that Member only executes orders otherwise than on a national securities exchange for the purpose of: (i) correcting a bona fide error related to the execution of a customer order; (ii) purchases a security from a customer at a nominal price solely for

purposes of liquidating the customer's position; or (iii) completing the fractional share portion of an order.

.08 A Trading Center shall begin the data collection required pursuant to Appendix B.I.a(1) through B.II.(y) of the Plan and Item I of Appendix C of the Plan on April 4, 2016. The requirement that the Exchange or their DEA provide information to the SEC within 30 days following month end pursuant to Appendix B and C of the Plan shall commence at the beginning of the Pilot Period. Notwithstanding the provisions of paragraphs (b)(2)(B), (b)(3)(C), and (b)(5) of this Rule, with respect to data for the Pre-Pilot and Pilot Period, the requirement that the Exchange or DEA make Appendix B data publicly available on the Exchange's or DEA's web site shall commence on August 31, 2017. Notwithstanding the provisions of paragraph (b)(4) of this Rule, the Exchange or DEA shall make Appendix C data for the Pre-Pilot Period through January 2017 publicly available on the Exchange or DEA's web site by February 28, 2017.

.09 For purposes of Appendix B.IV, the count of the number of Market Makers used in the calculation of share (trade) participation shall be added to each category. For purposes of Appendix B.IV(b) and (c), share participation and trade participation shall be calculated by using a total count instead of a share-weighted average or a trade-weighted average. For purposes of Appendix B, B.IV(d) (cross-quote share (trade) participation), (e) (inside-the-quote share (trade) participation), (f) (at-the-quote share (trade) participation), and (g) (outside-the-quote share (trade) participation), shall be calculated by reference to the National Best Bid or National Best Offer in effect immediately prior to the trade.

.10 For purposes of Item I of Appendix C, the Participants shall calculate daily Market Maker realized profitability statistics for each trading day on a daily last in, first out (LIFO) basis using reported trade price and shall include only trades executed on the subject trading day. The daily LIFO calculation shall not include any positions carried over from previous trading days. For purposes of Item I.c of Appendix C, the Participants shall calculate daily Market Maker unrealized profitability statistics for each trading day on an average price basis. Specifically, the Participants must calculate the volume weighted average price of the excess (deficit) of buy volume over sell volume for the current trading day using reported trade price. The gain (loss) of the excess (deficit) of buy volume over sell volume shall be determined by using the volume weighted average price compared to the closing price of the security as reported by the primary listing exchange. In calculating unrealized trading profits, the Participant also shall report the number of excess (deficit) shares held by the Market Maker, the volume weighted average price of that excess (deficit), and the closing price of the security as reported by the primary listing exchange used in reporting unrealized profit.

.11 "Pre-Pilot Data Collection Securities" are the securities designated by the Participants for purposes of the data collection requirements described in Items I, II and IV of Appendix B and Item I of Appendix C of the Plan for the period beginning six months prior to the Pilot Period through thirty-one days prior to the Pilot Period. The Participants shall compile the list of Pre-Pilot Data Collection Securities by selecting all NMS stocks

with a market capitalization of \$5 billion or less, a Consolidated Average Daily Volume (CADV) of 2 million shares or less and a closing price of \$1 per share or more. The market capitalization and the closing price thresholds shall be applied to the last day of the Pre-Pilot measurement period, and the CADV threshold shall be applied to the duration of the Pre-Pilot measurement period. The Pre-Pilot measurement period shall be the three calendar months ending on the day when the Pre-Pilot Data Collection Securities are selected. The Pre-Pilot Data Collection Securities shall be selected thirty days prior to the commencement of the six-month Pre-Pilot Period.

.12 This Rule shall be in effect during a pilot period to coincide with the pilot period for the Plan (including any extensions to the pilot period for the Plan).

.13 For purposes of qualifying for the Block Size exception under paragraph (c)(3)(D)(iii) of this Rule, the Order must have a size of 5,000 shares or more and the resulting execution upon entry must have a size of 5,000 shares or more in aggregate.

Equity 5 Order Audit Trail System

Section 1. Definitions

For purposes of the Equity 5 Series:

- (a) Terms shall have the same meaning as those defined in the Nasdaq By-Laws and rules, unless otherwise specified.
- (b) "Bunched Order" shall mean two or more orders that are aggregated prior to execution.
- (c) "Customer" shall mean a person other than a broker or dealer.
- (d) "Nasdaq Market Center" shall have the same meaning as the term "Nasdaq Market Center" in [Rule 4701]Equity 1, Section 1(a).

* * * * *

Section 6. Violation of Order Audit Trail System Rules

Failure of a member or person associated with a member to comply with any of the requirements of Equity 5, Sections 1 through 6 may be considered conduct that is inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of [Rule 2010A]General 9, Section 1.

* * * * *

Equity 6 [Reserved]Nasdaq Risk Management Service; Other Systems and Programs

Section 1. Definitions

- (a) The term "**Clearing Broker**" shall mean a firm that acts as principal for clearing and settling a trade, whether for its own account or for a correspondent firm.
- (b) The term "**Correspondent Executing Broker**" shall mean a firm that has a correspondent relationship with a clearing firm whereby it executes trades and the clearing function is the responsibility of the clearing firm.
- (c) The terms "**Gross Dollar Thresholds**" or "**Super Caps**" shall mean the daily dollar amounts for purchases and sales that a clearing broker establishes in the Nasdaq Risk Management system for each correspondent executing broker that may be raised or lowered on an inter-day or intra-day basis.
- (d) The term "**Pre-alert**" shall mean the alert notifying the correspondent executing broker and the clearing broker that the correspondent executing broker has equaled or exceeded 70% of any purchase or sale gross dollar amount.
- (e) The term "**Single Trade Limit**" shall mean the pre-established dollar amount established by Nasdaq for a single trade, above which the Nasdaq Risk Management system enables a clearing firm to review the trade before it is obligated to clear the trade.
- (f) "**Trade Reporting Facility**" shall mean a facility of another self-regulatory organization that provides a mechanism for reporting transactions and that has agreed to accept instructions provided by the Nasdaq Risk Management system on behalf of clearing brokers.
- (g) The terms "**correspondent executing broker**" and "**clearing broker**" shall also include, where appropriate, the Non-Member Clearing Organizations listed in FINRA Rule 7220A and their qualifying members.

Section 2. System Functions

- (a) Nasdaq Risk Management is an automated system that allows clearing brokers to monitor credit exposure to corresponding firms for which they clear trades. Nasdaq Risk Management monitors exposure with respect to trades executed through the facilities of Nasdaq, trades reported to Trade Reporting Facilities, and other trades for which Nasdaq Risk Management receives a "drop copy" of the trade report. Clearing brokers may utilize the Nasdaq Risk Management functions upon execution of the Nasdaq Risk Management Agreement.
- (b) The Nasdaq system will provide the following risk management capabilities to clearing brokers that have executed an agreement authorizing the use of the Nasdaq Risk Management service:
- (1) Trade File Scan

Clearing brokers may scan the trading activities of their correspondent executing brokers.

(2) Gross Dollar Thresholds ("Super Caps") and Sizeable Limits

Clearing brokers may establish, on an inter-day or intra-day basis, gross dollar thresholds (also known as "Super Caps") for purchases and sales for their correspondent executing brokers. When any of a correspondent's gross dollar thresholds are exceeded, notice will be furnished to the clearing broker and to Trade Reporting Facilities. In such event, Nasdaq Risk Management will automatically instruct Trade Reporting Facilities that any trade in excess of an applicable "sizeable limit" that is negotiated by the correspondent will be subject to review by the clearing broker until such time as the correspondent's trading activity no longer exceeds a gross dollar threshold. Specifically, the clearing broker will have 15 minutes from execution to review any single trade negotiated by the correspondent that equals or exceeds the applicable sizeable limit in order to decide to act as principal for the trade or to decline to act as principal. If the clearing broker does not affirmatively accept or decline the "sizeable trade," at the end of 15 minutes the system will instruct Trade Reporting Facilities to act in accordance with pre-established processing criteria, as described below.

(A) ACT Workstation Users

(i) Clearing brokers that use the ACT Workstation may establish gross dollar thresholds and sizeable limits for each of their correspondent executing brokers. They may establish different gross dollar thresholds and sizeable limits for each type of security (i.e., Nasdaq Global Market, Nasdaq Capital Market, Consolidated Quotations Service, or OTC Bulletin Board), as well as an aggregate gross dollar threshold and sizeable limit for all types of securities.

(ii) Notice will be provided to all Nasdaq Risk Management participants when a correspondent's aggregate gross dollar threshold is exceeded, but will be provided solely to the clearing broker if the gross dollar threshold for a type of security is exceeded.

(iii) Clearing brokers that use the ACT Workstation may also establish the default processing criteria that will apply to sizeable trades when a correspondent's gross dollar threshold has been exceeded; the clearing broker may specify that after 15 minutes, if the clearing broker does not affirmatively accept or decline the trade, the Risk Management Service will instruct Trade Reporting Facilities that such trades should be either automatically declined or automatically subjected to normal processing in which the clearing broker will act as principal to clear the trades.

(B) Other Nasdaq Risk Management Users

(i) Clearing brokers that do not use the ACT Workstation may establish aggregate gross dollar thresholds for each of their correspondent executing brokers, but may not establish gross dollar thresholds for each type of security (i.e., Nasdaq Global Market, Nasdaq Capital Market, Consolidated Quotations Service, or OTC Bulletin Board).

(ii) Notice will be provided to all Nasdaq Risk Management participants when a correspondent's aggregate gross dollar threshold is exceeded.

(iii) The sizeable limit is \$200,000 for all clearing brokers that do not use the ACT Workstation. When a correspondent's aggregate gross dollar threshold is exceeded, Nasdaq Risk Management will instruct Trade Reporting Facilities that no trade in excess of the sizeable limit should be accepted for processing unless the clearing broker accepts the trade within 15 minutes of execution.

(3) Gross Dollar Threshold Pre-Alert

The Nasdaq Risk Management system will also alert the clearing broker and its correspondent when the correspondent's trading activity equals or exceeds 70% of any gross dollar threshold established by the clearing broker for that correspondent.

(4) End of Day Recap

Clearing brokers that use the computer-to-computer interface protocol will be able to receive an end of day recap of all trade detail information of their correspondents.

(5) On-line Review

Clearing brokers that use the computer-to-computer interface will be able to receive intra-day activity of their correspondents as it is reported.

(6) Single Trade Limit

Clearing brokers may request that the Nasdaq Risk Management service instruct Trade Reporting Facilities to provide 15 minutes from trade report input to review any single trade executed by their correspondent executing brokers that equals or exceeds a pre-established limit in order to decide to act as principal for the trade or to decline to act as principal. If, however, the clearing firm does not affirmatively accept or decline the trade, at the end of 15 minutes the system will instruct Trade Reporting Facilities to act in accordance with pre-established processing criteria, as described below.

(A) ACT Workstation Users. Clearing brokers that use the ACT Workstation may establish single trade limits for each of their correspondent executing brokers, and may establish different limits for each type of security (i.e., Nasdaq Global Market, Nasdaq Capital Market, Consolidated Quotations Service, or OTC

Bulletin Board). Such clearing brokers may also establish the default processing criteria that will apply to trades that exceed the single trade limit after 15 minutes if the clearing broker does not affirmatively accept or decline the trade; the clearing broker may specify that the system will instruct Trade Reporting Facilities that such trades should be either automatically declined or automatically subjected to normal processing in which the clearing broker will act as principal to clear the trades.

(B) Other Nasdaq Risk Management Users. For clearing brokers that do not use the ACT Workstation, the single trade limit is \$1,000,000. If such a clearing broker does not affirmatively accept or decline a trade that exceeds the single trade limit, at the end of 15 minutes the system will instruct Trade Reporting Facilities to subject the trade to normal processing and the clearing broker will be obligated to act as principal to clear the trade.

Section 3. Nasdaq Kill Switch

(a) *Definition.* The Nasdaq Kill Switch is an optional tool offered at no charge that enables Participants to establish pre-determined levels of risk exposure, to receive notifications as the value of executed orders, and if applicable, unexecuted orders approaches the risk levels, and to have order entry ports disabled and unexecuted orders administratively cancelled when the value of executed orders, and if applicable, unexecuted orders exceeds the risk levels set forth below. For purposes of this Rule, the term "Participant" has the meaning set forth in Equity 1, Section 1(a)(5).

(1) Gross Executed Risk Exposure. This refers to a pre-established maximum daily dollar amount for buy and sell orders across all symbols, where both buy and sell orders are counted as positive values. For purposes of calculating Gross Executed Risk Exposure, only executed orders are included.

(2) Gross Notional Risk Exposure. This refers to a pre-established maximum daily dollar amount for buy and sell orders across all symbols, where both buy and sell orders are counted as positive values. For purposes of calculating Gross Notional Risk Exposure, unexecuted orders on the Exchange book and executed orders are included.

(b) *Establishing and Adjusting Levels.* Participants or a Participant's clearing member, as designated pursuant to paragraph (d), may set risk levels for each MPID individually. Each Participant, or a Participant's clearing member, as designated pursuant to paragraph (d), is responsible for establishing and maintaining its risk levels. Participants or a Participant's clearing member, as designated pursuant to paragraph (d), may set and adjust risk level values before the beginning of a trading day and during the trading day.

(c) *Notification.* Participants and a Participant's clearing member, as designated pursuant to paragraph (d), will receive notifications when the total value of executed

orders and, if applicable, unexecuted orders associated with an MPID exceeds 50, 75, 85, 90, and 95 percent of either of the risk level values. When either risk level value is exceeded, the notification will include the total number of orders cancelled and remaining open in the System.

(d) **Clearing Member Designation.** A Participant that does not self-clear may allocate the responsibility for establishing and adjusting the risk levels identified in paragraph (a) of this Rule to a clearing member that clears transactions on behalf of the Participant, if designated in a manner prescribed by the Exchange. A Participant that chooses to allocate responsibility to its clearing member may view any risk levels established by the clearing member pursuant to this Rule, and will be notified of any action taken by the Exchange with respect to its trading activity. By allocating responsibility to its clearing member, the Participant consents to the Exchange taking action with respect to the Participant's trading activity as provided for in paragraph (e) of this Rule. A Participant may revoke responsibility allocated to its clearing member pursuant to this paragraph at any time, if designated in a manner prescribed by the Exchange.

(e) **Breach Action and Reinstatement.** Unless cancellation is prohibited by Rule 4752, 4753, or 4754, when a pre-established risk level is breached and the Kill Switch is triggered, it shall result in the immediate cancellation of all unexecuted orders of any type or duration entered by the Participant via the affected MPID, and in the immediate prevention of order entry of any type via the affected MPID. The Participant or the Participant's clearing member, if designated pursuant to paragraph (d), must request reactivation of the MPID before trading will be reauthorized.

Section 4. Exchange Sharing of Participant Risk Settings

The Exchange may share any Participant risk settings in the trading system specified in Equity 6, Section 5 with the clearing member that clears transactions on behalf of the Participant. For purposes of this Rule, the term "Participant" has the meaning set forth in Equity 1, Section 1(a)(5).

Section 5. Risk Settings

The Exchange offers certain risk settings applicable to a Participant's activities on the Exchange. The risk settings currently offered by the Exchange are:

(a) Share Size Control - When enabled by a Participant, this optional control will allow a Participant to limit the number of shares that the Participant may associate with an order placed on the Exchange;

(b) ISO Control - When enabled by a Participant, this optional control will prevent a Participant from entering an ISO order onto the Exchange;

(c) Cancel-on-Disconnect Control - When enabled by a Participant, this optional control will allow a Participant, when it experiences a disruption in its connection to

the Exchange, to immediately cancel all pending Exchange orders except for those designated for the Opening or Closing Crosses and Good-Till-Canceled orders (RASH & FIX only):

(d) The Nasdaq Kill Switch - This control is described in Equity 6, Section 3;

(e) Limit Order Protection - This control is described in Rule 4757(c);

(f) Price Collar Check - This control will automatically restrict a routed order from executing at a price that differs from the NBBO (at the time of order entry) by more than five percent or \$0.25, whichever difference is greater. The system will proceed to route an order unless and until it crosses the greater of these two price collars, and if it does so, then the system will block further routings of the order that fall outside of the collars. For example, if the NBBO is \$99 x \$100 at the time of entry of a buy order, then the system will route the order at prices at or below \$105, but will stop doing so if the offer price rises above \$105 (five percent of the NBO).

(g) Maximum Order Volume Check - This control will automatically reject an order for routing away that exceeds a maximum volume of shares. As applied to equity orders, the default maximum order volume is set at 25,000 shares, but the Participant may request that the Exchange set a higher default based on historic volume.

(h) Maximum Single Order Notional Check – When enabled by a Participant this optional control will allow a Participant to limit the maximum dollar amount that the Participant may associate with an order placed on the Exchange;

(i) Cumulative Order Volume Check - This control will automatically block an attempt by a Participant using a particular MPID to route orders away to buy or sell equity securities that, cumulatively, exceed 9.5 million shares during a five second time period; and

(j) Duplication Control - This control will automatically reject an order that a Participant submits to the Exchange to the extent that it is duplicative of another order that the Participant submitted to the Exchange during the prior five seconds.

Section 6. Nasdaq Equity Value Indicator Cross

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

(1) "**Imbalance**" shall mean the amount of Eligible Interest that may not be matched with other orders at a particular price at any given time.

(2) "**Order Imbalance Indicator**" shall mean a message disseminated by electronic means containing information about Eligible Interest and the price at which such interest would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

- (A) "Current Reference Price" shall mean the highest price at which the maximum amount of Eligible Interest can be paired.
- (B) the amount of Eligible Interest that is paired at the Current Reference Price;
- (C) the size of any Imbalance at the Current Reference Price; and
- (D) the buy/sell direction of any Imbalance.
- (3) "Nasdaq EVI Cross" shall mean the process for determining the price at which Eligible Interest shall be executed. All prices referred to in this rule shall be in minimum increments of one penny.
- (4) "Eligible Interest" shall mean any priced order that may be entered into the system for the EVI Cross.
- (5) "EVI" shall mean any Equity Value Indicator Tracking Security which is issued for the purpose of generating a market-based value of employee stock options for purposes of FASB Statement of Financial Accounting Standards No. 123(R), Share-Based Payment. The number of EVIs made available via the EVI Cross, the limit price, if any, of the EVIs, and the terms of the EVIs shall be determined by the EVI issuer which shall make that information available to the public at the earliest time practicable.
- (b) Processing of Nasdaq EVI Cross.
- (1)
- (A) No later than 4:00 p.m. EST on the day of the scheduled EVI Cross, a Nasdaq member authorized to act for the EVI Issuer shall direct in writing that Nasdaq enter into the System a single sell order with the quantity and limit price if any of EVI Eligible Interest. The sell order may not be modified after 4:00p.m. and may be cancelled after 4:00 p.m. only in connection with a cancellation of the EVI Cross as set forth in subsection (c) below.
- (B) Beginning at 8:00 a.m. and continuing until 4:59:59 p.m. Nasdaq members may enter buy orders into the System. Except as provided below, once entered, buy orders may be cancelled but may not be modified.
- (C) The EVI Cross shall occur at 5:00 p.m. EST. in the manner set forth below unless the time of execution is extended. The time of execution of the EVI Cross shall be extended only if the Current Reference Price of the EVI security changes by 1 percent or more between 4:59 p.m. and 5:00 p.m, in which case the time of the EVI Cross will be extended by 2 minutes. The time of execution of the EVI Cross shall be extended for an additional 2 minutes if the Current Reference Price of the EVI Security changes by 1 percent or more in the final minute of a two-

minute extension. The time of execution of the EVI Cross shall be extended no more than 30 times. If the time of execution of the EVI Cross has been extended 10 times, order cancellation will be prohibited.

(2) At 4:00 p.m. and continuing through the execution of the EVI Cross, Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every minute for the first 45 minutes and every 15 seconds thereafter.

(3) The Nasdaq EVI Cross shall occur at the highest price that maximizes the amount of Eligible Interest to be executed.

(4) If the Nasdaq EVI Cross price is selected and less than all Eligible Interest that is available would be executed, all Eligible Interest shall be executed at the Nasdaq EVI Cross price in price/time priority.

(5) All Eligible Interest executed in the Nasdaq EVI Cross shall be executed at the Nasdaq EVI Cross price, trade reported to the National Securities Clearing Corporation and disseminated via a data feed.

(c) The EVI Cross shall be cancelled if:

(1) The issuer determines prior to 4:45 p.m. on the date scheduled for the EVI Cross to cancel its participation; or

(2) The common stock of the issuer is in a halted state at 4:45 p.m. on the date scheduled for the EVI Cross.

(d) The issuer of an EVI Security shall become eligible to participate in the Nasdaq EVI Cross by paying a fee as follows:

(1) Two percent of the total value of the EVI offering up to a maximum of \$10,000,000 of total value, plus

(2) One and one half percent of the total value of the EVI offering above \$10,000,000 of total value, and

(3) The maximum fee shall be \$1,500,000.

This fee shall be refunded if no EVI Cross is executed. This fee shall include all processing of the EVI Cross, including order entry, order execution, imbalance information dissemination, and transmission to the appropriate clearing agency. Nasdaq members not issuing securities shall pay no fees to participate in the Nasdaq EVI Cross.

* * * * *

Equity 8 [Uniform Practice Code] Trading of Non-Convertible Bonds Listed on Nasdaq

Section 1. Trading of Non-Convertible Bonds Listed on Nasdaq

(a) Unless otherwise specified, all orders in non-convertible bonds shall be received, processed, executed and reported by means of the Exchange's electronic system designated for such purpose. The Exchange system designated for this purpose shall be the "Nasdaq Bond Exchange."

(b) Applicability and Definitions.

(1) Applicability. The provisions in this Rule shall apply to (i) all transactions effected through the Nasdaq Bond Exchange; (ii) all bids and offers made through the Nasdaq Bond Exchange; (iii) the handling of orders and the conduct of accounts and other matters relating to bidding, offering and trading through the Nasdaq Bond Exchange; and (iv) any security that is traded on the Nasdaq Bond Exchange, which security, for purposes of this rule, shall be referred to as a "non-convertible bond."

(2) Definitions. As used in this rule and other rules in their application to the Nasdaq Bond Exchange, the following terms shall have the meanings specified below:

(A) The "**Nasdaq Bond Exchange**" shall refer to the Exchange's electronic system for receiving, processing, executing and reporting bids, offers and executions in non-convertible bonds.

(B) The Nasdaq Bond Exchange Order Types. The following types of orders may be entered on the Nasdaq Bond Exchange.

(i) A "**Nasdaq Bond Exchange Good for Day Limit Order**" is an order to buy or sell a stated quantity of units of non-convertible bonds at a specified price or at a better price which, if not executed or cancelled, will expire at the end of the Bond Trading Session on the day on which it was entered.

(ii) A "**Nasdaq Bond Exchange Fill-or-Kill All-Or-None Order**" (the "**Nasdaq Bond Exchange FOK-AON Order**") is a Nasdaq Bond Exchange market order that is to be executed immediately in its entirety against one or more contra parties at the best price available, or if it is not executed immediately in its entirety, it is cancelled.

(C) "**Clearly Erroneous Execution**" refers to an execution involving an obvious error in any term of an order participating in such execution, such as price, unit of trading, or identification of the non-convertible bond.

(D) "**User**" means any Member of Nasdaq that has elected to receive access to the Nasdaq Bond Exchange.

(E) "Bond Trading Session" is the time during which non-convertible bonds will be available for trading on the Nasdaq Bond Exchange each day the Exchange is open for business, unless otherwise determined by the Exchange.

(c) The minimum unit of trading in the Nasdaq Bond Exchange is one non-convertible bond unless the issuer otherwise specifies a larger minimum unit of trading in the indenture agreement.

(d) The Nasdaq Bond Exchange will accept bids and offers in non-convertible bonds priced to three decimal places.

(e) Securities to be Traded.

Only such non-convertible bonds as the Exchange may specify shall be traded on the Nasdaq Bond Exchange. Any security traded on the Nasdaq Bond Exchange must be listed on Nasdaq.

(f) Trading Session.

The Nasdaq Bond Exchange holds one Bond Trading Session, which commences at 8:30 a.m. E.T. and concludes at 4:00 p.m. E.T. Orders submitted outside of the Bond Trading Session will not be accepted.

(g) Display and Execution of Orders in Bond Trading Session.

(1) Buy and sell orders in the Nasdaq Bond Exchange shall be displayed, matched and executed in the Bond Trading Session in the following sequence:

(A) According to price, with the highest bid price and the lowest offer price receiving highest priority.

(B) Within each price, according to the time of the order entry in the Nasdaq Bond Exchange.

(C) Exception: Anti-Internalization - Users may direct that orders entered into the Nasdaq Bond Exchange not execute against orders entered under the same MPID. In addition, Users using the FIX order entry protocol may assign to orders entered through a specific order entry port a unique group identification modifier that will prevent orders with such modifier from executing against each other. In such a case, a User may elect from the following options: (i) regardless of the size of the interacting orders, cancelling the oldest order in full; or (ii) regardless of the size of the interacting orders, cancelling the most recent order in full. The foregoing options may be applied to all orders entered under the same MPID, or, in the case of Users using the FIX order entry protocol, may be applied to all orders entered through a specific order entry port.

(2) The terms of an order entered into the Nasdaq Bond Exchange may not be modified after entry. An order may be cancelled at any time provided the order has not been executed.

(3) Users shall be promptly notified of their orders' executions.

(h) Clearly Erroneous Executions. All matters related to clearly erroneous transactions executed on the Nasdaq Bond Exchange shall be initiated and adjudicated pursuant to Rule 11890.

(i) Halting or Suspending Trading on the Nasdaq Bond Exchange

(1) The Exchange may halt or suspend trading in non-convertible bonds listed on the Nasdaq Bond Exchange when:

(A) In the exercise of its regulatory function, the Exchange determines such action is necessary and appropriate to maintain a fair and orderly market, protect investors, or otherwise is in the public interest due to extraordinary circumstances or unusual market conditions; or

(B) A class of equity issued by the same issuer as the non-convertible bond has been halted or suspended by, or de-listed from, the Exchange or by or from its primary listing exchange (NYSE or NYSE American), or

(C) News reports have a material impact on the non-convertible bond, its issuer, or related stock of the issuer, or

(D) If the non-convertible bond is to be called for redemption or will mature or become subject to retirement, and thereafter will be subject to de-listing, then the Exchange shall cease trading the non-convertible bond, effective not less than 10 days before the date when such de-listing becomes effective, pursuant to a delisting application that the Exchange submits to the Commission on Form 25 and consistent with Rule 12d2-2 and the Act.

(2) Bond Halts.

(A) In the event of a trading halt on the Nasdaq Bond Exchange (a "Bond Halt"), a halt message shall be disseminated by the Exchange to signal both the commencement and the end of the Bond Halt.

(B) Upon commencement of a Bond Halt, existing orders that are pending in the Nasdaq Bond Exchange shall be cancelled and new orders entered into the Nasdaq Bond Exchange during a Bond Halt will not be accepted.

(C) The Nasdaq Bond Exchange will begin accepting new orders and will resume trading upon the conclusion of a Bond Halt.

(j) Reports and Recordkeeping.

(1) The Nasdaq Bond Exchange Trading Reports and Records. Users of the Nasdaq Bond Exchange must comply with all relevant rules of the Exchange and the Securities and Exchange Commission in relation to reports and records of transactions on the Nasdaq Bond Exchange including, but not limited to, Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934.

Equity 9 [Supplementary Conduct Rules]Business Conduct

Section 1. Adjustment of Open Orders

(a) A member holding an open order from a customer or another broker/dealer shall, prior to executing or permitting the order to be executed, reduce, increase or adjust the price and/or number of shares of such order by an amount equal to the dividend, payment or distribution, on the day that the security is quoted ex-dividend, ex-rights, ex-distribution or ex-interest, except where a cash dividend or distribution is less than one cent (\$.01), as follows:

(1) In the case of a cash dividend or distribution, the price of the order shall be reduced by subtracting the dollar amount of the dividend or distribution from the price of the order and rounding the result to the next lower minimum quotation variation used in the primary market, provided that if there is more than one minimum quotation variation in the primary market, then the greater of the variations shall be used;

(2) In the case of a stock dividend or split, the price of the order shall be reduced by rounding the dollar value of the stock dividend or split to the next higher minimum quotation variation used in the primary market as specified in paragraph (a)(1) and subtracting that amount from the price of the order; provided further, that the size of the order shall be increased by (A) multiplying the size of the original order by the numerator of the ratio of the dividend or split, (B) dividing the result by the denominator of the ratio of the dividend or split, and (C) rounding the result to the next lower round lot; and

(3) In the case of a dividend payable in either cash or securities at the option of the stockholder, the price of the order shall be reduced by the dollar value of the cash or securities, whichever is greater, according to the formulas in subparagraph (1) or (2), above; provided, that if the stockholder opts for securities, the size of the order shall be increased pursuant to the formula in subparagraph (2), above.

(b) If the value of the distribution cannot be determined, the member shall not execute or permit such order to be executed without reconfirming the order with the customer.

(c) If a security is the subject of a reverse split, all open orders shall be cancelled.

(d) The term "open order" means an order to buy or an open stop order to sell, including but not limited to "good `til cancelled," "limit" or "stop limit" orders which remain in effect for a definite or indefinite period until executed, cancelled or expired.

(e) The provisions of this Rule shall not apply to:

(1) orders governed by the rules of another registered national securities exchange or the NASD;

(2) orders marked "do not reduce" where the dividend is payable in cash;

(3) orders marked "do not increase" where the dividend is payable in stock, provided that the price of such orders shall be adjusted as required by this Rule;

(4) open stop orders to buy;

(5) open sell orders; or

(6) orders for the purchase or sale of securities where the issuer of the securities has not reported a dividend, payment or distribution pursuant to SEC Rule 10b-17.

Section 2. Clearing Agreements

(a) All clearing or carrying agreements entered into by a member shall specify the respective functions and responsibilities of each party to the agreement and shall, at a minimum, specify the responsibility of each party with respect to each of the following matters:

(1) opening, approving and monitoring customer accounts;

(2) extension of credit;

(3) maintenance of books and records;

(4) receipt and delivery of funds and securities;

(5) safeguarding of funds and securities;

(6) confirmations and statements;

(7) acceptance of orders and execution of transactions;

(8) whether, for purposes of the Commission's financial responsibility rules adopted under the Act, and the Securities Investor Protection Act, as amended, and regulations adopted thereunder, customers are customers of the clearing member; and

(9) the requirement to provide customer notification under paragraph (g) of this Rule.

(b)

(1) In order for the introducing member to carry out its functions and responsibilities under the agreement, each clearing member must forward promptly any written customer complaint received by the clearing member regarding the introducing member or its associated persons relating to functions and responsibilities allocated to the introducing member under the agreement directly to: (A) the introducing member; and (B) the introducing member's examining authority designated under Section 17 of the Act ("DEA") (or, if none, to its appropriate regulatory agency or authority). The clearing or carrying agreement must specifically direct and authorize the clearing member to do so.

(2) The clearing member must also notify the customer, in writing, that it has received the complaint, and that the complaint has been forwarded to the introducing member and to the introducing member's DEA (or, if none, to its appropriate regulatory agency or authority).

(3) Pursuant to the Rule 9600 Series, Nasdaq may exempt a member or person associated with a member from the requirements of this paragraph for good cause shown in instances where the introducing organization is an affiliated entity of the carrying organization.

(c)

(1) A clearing member, when it enters into a clearing agreement, must immediately, and annually thereafter, provide the introducing member a list or description of all reports (exception and other types of reports) which it offers to the introducing member to assist the introducing member in supervising its activities, monitoring its customer accounts, and carrying out its functions and responsibilities under the clearing agreement. The introducing member must notify promptly the clearing member, in writing, of those specific reports offered by the clearing member that the introducing member requires to supervise and monitor its customer accounts.

(2) The clearing member must retain as part of its books and records required to be maintained under the Act and Nasdaq's rules, copies of the reports requested by or provided to the introducing member. For purposes of this Rule, the clearing member will be in compliance with the requirements of this paragraph if it retains the data from which the original report was produced, provided, the clearing member can, at the request of the DEA (or, if none, to its appropriate regulatory agency or authority), either (A) recreate the report; or (B) provide the data and the data formatting that was used to prepare the report.

(3) Each year, no later than July 31, the clearing member must notify in writing the

introducing member's chief executive and compliance officers of the reports offered to the introducing member pursuant to paragraph (c)(1) and the reports requested by or supplied to the introducing member as of such date. The clearing member must also provide a copy of the notice to the introducing member's DEA (or, if none, to its appropriate regulatory agency or authority).

(4) Pursuant to the Rule 9600 Series, Nasdaq may exempt a member or person associated with a member from the requirements of this paragraph for good cause shown in instances where the introducing organization is an affiliated entity of the carrying organization.

(d) The clearing or carrying agreement may permit the introducing member to issue negotiable instruments directly to the introducing member's customers using instruments for which the clearing member is the maker or drawer. The clearing member may not grant the introducing member the authority to issue negotiable instruments until the introducing member has notified the clearing member in writing that it has established, and will maintain and enforce, supervisory procedures with respect to the issuance of such instruments that are satisfactory to the carrying organization.

(e) Whenever a clearing member designated to Nasdaq for oversight pursuant to Section 17 of the Act, or a rule of the Commission adopted thereunder, amends any of its clearing or carrying agreements with respect to any item enumerated in subparagraphs (a)(1) through (a)(9) or enters into a new clearing or carrying agreement with an introducing member, the clearing member shall submit the agreement to Nasdaq for review and approval.

(f) Whenever an introducing member designated to Nasdaq for oversight pursuant to Section 17 of the Act, or a rule of the Commission adopted thereunder, amends its clearing or carrying agreement with a clearing member designated to another self-regulatory organization for oversight with respect to any item enumerated in subparagraphs (a)(1) through (a)(9) or enters into a new clearing agreement with another clearing member, the introducing member shall submit the agreement to Nasdaq for review.

(g) Each customer whose account is introduced on a fully disclosed basis shall be notified in writing upon the opening of his account of the existence of the clearing or carrying agreement.

(h) All clearing agreements shall require each introducing member to maintain its proprietary and customer accounts and the proprietary and customer accounts of any member for which it is acting as an intermediary in obtaining clearing services from the clearing firm in such a manner as to enable the clearing firm and Nasdaq to identify data belonging to the proprietary and customer accounts of each member. The requirements of this paragraph (h) shall apply to intermediary clearing arrangements between a member and an introducing member that are established on or after

February 20, 2006.

(i) Members shall be exempt from this Rule to the extent any party to the clearing agreement is subject to a comparable rule of the self-regulatory organization designated pursuant to SEC Rule 17d-1 as the party's designated examining authority.

Section 3. Publication of Transactions and Quotations

No member shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such member believes that such transaction was a bona fide purchase or sale of such security; or which purports to quote the bid price or asked price for any security, unless such member believes that such quotation represents a bona fide bid for, or offer of, such security. If nominal quotations are used or given, they shall be clearly stated or indicated to be only nominal quotations.

Section 4. Manipulative and Deceptive Quotations

General 9, Section 1 provides that:

A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

Equity 9, Section 3 provides that:

No member shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such member believes that such transaction was a bona fide purchase or sale of such security; or which purports to quote the bid price or asked price for any security, unless such member believes that such quotation represents a bona fide bid for, or offer of, such security. If nominal quotations are used or given, they shall be clearly stated or indicated to be only nominal quotations.

General 9, Section 1 provides that:

No member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

It would be inconsistent with the above provisions for a member to publish or circulate or cause to be published or circulated, by any means whatsoever, any report of any securities transaction or of any purchase or sale of any security unless such member knows or has reason to believe that such transaction was a bona fide transaction, purchase or sale.

Similarly, it would be inconsistent with the above provisions for a member, for itself or for any other person, to publish or circulate or to cause to be published or circulated, by

any means whatsoever, any quotation for any security without having reasonable cause to believe that such quotation is a bona fide quotation, is not fictitious and is not published or circulated or caused to be published or circulated for any fraudulent, deceptive or manipulative purpose.

For the purposes of this interpretation, the term "quotation" shall include any bid or offer or any formula, such as "bid wanted" or "offer wanted," designed to induce any person to make or submit any bid or offer.

Section 5. Offers at Stated Prices

No member shall make an offer to buy from or sell to any person any security at a stated price unless such member is prepared to purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell.

Section 6. Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts

(a) No member or person associated with a member shall, directly or indirectly, effect any transaction or publish a quotation, a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" and "offer wanted" and name only indications), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest, in any security as to which a trading halt is currently in effect.

(b) No member or person associated with a member shall, directly or indirectly, effect any transaction or publish a quotation, a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" and "offer wanted" and name only indications), or a bid or offer, accompanied by a modifier to reflect unsolicited customer interest, in:

(1) a future for a single security when the underlying security has a regulatory trading halt that is currently in effect; and

(2) a future on a narrow-based securities index when one or more underlying securities that constitute 50% or more of the market capitalization of the index has a regulatory trading halt that is currently in effect.

Section 7. Suspension of Trading

(a) Members shall promptly notify Nasdaq whenever they have knowledge of any matter related to any "NMS Stock" (as defined in SEC Rule 600 (b)(42)) or the issuer thereof which has not been adequately disclosed to the public or where they have knowledge of a regulatory problem relating to such security.

(b) Whenever any market for any NMS Stock halts or suspends trading in such security, members may continue to conduct trading in such security during the period of any such halt or suspension and shall continue to report all last sale prices reflecting transactions in such security, unless Nasdaq has initiated a trading halt for the security.

pursuant to Rule 4120.

Section 8. Trading Practices

(a) No member shall execute or cause to be executed or participate in an account for which there are executed purchases of any "NMS Stock" (as defined in SEC Rule 600(b)(42)) at successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

(b) No member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an NMS Stock or creating or inducing a false or misleading appearance with respect to the market in such security:

(1) execute any transaction in such security which involves no change in the beneficial ownership thereof; or

(2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties; or

(3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

(c) No member shall execute purchases or sales of any NMS Stock for any account in which such member is directly or indirectly interested, which purchases or sales are excessive in view of the member's financial resources or in view of the market for such security.

(d) No member shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

(1) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of an NMS Stock shall be deemed to be a manipulative operation.

(2) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.

(3) The carrying on margin of a position in such securities or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

(e) No member shall make any statement or circulate and disseminate any information concerning any NMS Stock which such member knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

(f) No member or person associated with a member shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling an NMS Stock, unless such joint account is promptly reported to Nasdaq. The report should contain the following information for each account:

(1) Name of the account, with names of all participants and their respective interests in profits and losses;

(2) a statement regarding the purpose of the account;

(3) name of the member carrying and clearing the account; and

(4) a copy of any written agreement or instrument relating to the account.

(g) No member shall offer that a transaction or transactions to buy or sell an NMS Stock will influence the closing transaction on the Consolidated Tape.

(h)

(1) A member may, but is not obligated to, accept a stop order in an NMS Stock.

(A) A buy stop order is an order to buy which becomes a market order when a transaction takes place at or above the stop price.

(B) A sell stop order is an order to sell which becomes a market order when a transaction takes place at or below the stop price.

(2) A member may, but is not obligated to, accept stop limit orders in NMS Stocks. When a transaction occurs at the stop price, the stop limit order to buy or sell becomes a limit order at the limit price.

(i) No member or person associated with a member shall execute or cause to be executed, directly or indirectly, on Nasdaq a transaction in a security subject to an initial public offering until such security has first opened for trading on the national securities exchange listing the security, as indicated by the dissemination of an opening transaction in the security by the listing exchange via the Consolidated Tape.

Section 9. Short-Interest Reporting

(a) To the extent such information is not otherwise reported to the FINRA in conformance with FINRA Rule 4560, each member shall maintain a record of total "short" positions in all customer and proprietary firm accounts in all securities listed on Nasdaq and shall regularly report such information to Nasdaq in such a manner as may be prescribed by Nasdaq. Reports shall be received by Nasdaq no later than the second business day after the reporting settlement date designated by Nasdaq.

(b) Members shall record and report all gross short positions existing in each individual firm or customer account, including the account of a broker-dealer, that resulted from (1) a "short sale" as that term is defined in Rule 200(a) of SEC Regulation SHO, or (2) where the transaction(s) that caused the short position was marked consistent with SEC Regulation SHO, due to the firm's or the customer's net long position at the time of the transaction. Members shall report only those short positions resulting from short sales that have settled or reached settlement date by the close of the reporting settlement date designated by Nasdaq.

(c) The recording and reporting requirements of this Rule shall not apply to:

(1) any sale by any person, for an account in which he has an interest, if such person owns the security sold and intends to deliver such security as soon as is possible without undue inconvenience or expense; and

(2) any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment.

Section 10. Prompt Receipt and Delivery of Securities

No member or person associated with a member may accept a customer's purchase order for any security unless it has first ascertained that the customer placing the order or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent the purchase of only a part of a larger order.

Section 11. Order Entry and Execution Practices

No member or associated person may engage in conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for transaction reporting for the primary purpose of maximizing a monetary or in-kind amount to be received by the member or associated person as a result of the execution of such orders or the transaction reporting of such executions. For purposes of this rule, "monetary or in-kind amount" shall be defined to include, but not be limited to, any credits, commissions, gratuities, payments for or rebates of fees, or any other payments of value to the member or associated person.

Section 12. SEC Rule 19c-1 — Governing Certain Off-Board Agency Transactions by Members of National Securities Exchanges

No rule, stated policy, or practice of this exchange shall prohibit or condition, or be construed to prohibit or condition or otherwise limit, directly or indirectly, the ability of any member acting as agent to effect any transaction otherwise than on this exchange with another person (except when such member also is acting as agent for such other person in such transaction), in any equity security listed on this exchange or to which unlisted trading privileges on this exchange have been extended.

Section 13. SEC Rule 19c-3 — Governing Off-Board Trading by Members of National Securities Exchanges

(a) No rule, stated policy or practice of this exchange shall prohibit or condition, or be construed to prohibit, condition or otherwise limit, directly or indirectly, the ability of any member to effect any transaction otherwise than on this exchange in any reported security listed and registered on this exchange or as to which unlisted trading privileges on this exchange have been extended (other than a put option or call option issued by the Options Clearing Corporation) which is not a covered security.

(b) For purposes of this rule,

(1) The term "**Act**" shall mean the Securities Exchange Act of 1934, as amended.

(2) The term "**exchange**" shall mean a national securities exchange registered as such with the Securities and Exchange Commission pursuant to section 6 of the Act.

(3) The term "**covered security**" shall mean:

(A) Any equity security or class of equity securities which

(i) was listed and registered on an exchange on April 26, 1979, and

(ii) remains listed and registered on at least one exchange continuously thereafter;

(B) Any equity security or class of equity securities which

(i) was traded on one or more exchanges on April 26, 1979, pursuant to unlisted trading privileges permitted by Section 12(f)(1)(A) of the Act, and

(ii) remains traded on any such exchange pursuant to such unlisted trading privileges continuously thereafter; and

(C) Any equity security or class of equity securities which

(i) is issued in connection with a statutory merger, consolidation or similar

plan or reorganization (including a reincorporation or change of domicile) in exchange for an equity security or class of equity securities described in paragraph (b)(3)(A) or (b)(3)(B) of this rule,

(ii) is listed and registered on an exchange after April 26, 1979, and

(iii) remains listed and registered on at least one exchange continuously thereafter.

(4) The term "**reported security**" shall mean any security or class of securities for which transaction reports are collected, processed and made available pursuant to an effective transaction reporting plan.

(5) The term "**transaction report**" shall mean a report containing the price and volume associated with a completed transaction involving the purchase or sale of a security.

(6) The term "**effective transaction reporting plan**" shall mean any plan approved by the Commission pursuant to Rule 11Aa3-1 for collecting, processing and making available transaction reports with respect to transactions in an equity security or class of equity securities.

Section 14. SEC Rule 604 — Display of Customer Limit Orders

Nasdaq Market Makers shall comply with the obligations of SEC Rule 604 and any interpretations issued thereunder. Solely for the purposes of this Rule and SEC Rule 604, Nasdaq Market Makers shall be deemed to be exchange specialists.

Equity 10 [Reserved]Other Products and Securities

Section 1. Direct Participation Programs

(a) Nasdaq Members and their associated persons shall comply with FINRA Rule 2310 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule:

(1) references to guidelines published by FINRA with respect to direct participation programs and amounts fixed by the Board of Governors with respect to non-cash compensation arrangements shall be construed to reflect the policy of Nasdaq with respect to the application of this Rule,

(2) references to "procedures established by FINRA" and "FINRA Rules" shall be construed as references to "Nasdaq Rules", and

(3) for purposes of this Rule only, Nasdaq members and their associated persons shall comply with applicable provisions of FINRA Rule 5110 as if such Rule were

part of Nasdaq's Rules.

(c) Pursuant to the Rule 9600 Series, Nasdaq may exempt any member from the provisions of this Rule for good cause shown.

Section 2. Investment Company Securities

(a) Nasdaq Members and their associated persons shall comply with FINRA Rule 2341 as if such Rule were part of Nasdaq's Rules.

(b) For purposes of this Rule:

(1) references to "FINRA rules" shall be construed as references to "the Nasdaq Rules",

(2) references to Rule 2320 shall be deleted, and no comparable Nasdaq Rule shall apply to activities of Nasdaq Members in connection with contracts providing for benefits or values which may vary according to the investment experience of any separate or segregated account or accounts maintained by an insurance company,

(3) references to Rule 2040 shall be construed as a requirement that a Nasdaq member who is an underwriter of the securities of an investment company selling any such securities, may not directly or indirectly, pay any compensation, fees, concessions, discounts, commissions or other allowances to any person that is not registered as a broker-dealer under Section 15(a) of the Exchange Act but, by reason of receipt of any such payments and the activities related thereto, is required to be so registered under applicable federal securities laws and Exchange Act rules and regulations; or any appropriately registered associated person unless such payment complies with all applicable federal securities laws, Nasdaq rules and Exchange Act rules and regulations, and

(4) references to Rule 2232 shall be construed as references to SEC Rule 10b-10.

Section 3. Trading in Index Warrants, Currency Index Warrants, and Currency Warrants

(a) General

(1) Applicability — This Rule shall be applicable: (A) to the conduct of accounts, the execution of transactions, and the handling of orders in index warrants listed on The Nasdaq Stock Market ("Nasdaq"); and (B) to the extent appropriate unless otherwise stated herein, to the conduct of accounts, the execution of transactions, and the handling of orders in other exchange-listed stock index warrants, currency index warrants, and currency warrants by members who are not members of the exchange on which the warrant is listed or traded.

(2) Except to the extent that specific provisions in this Rule govern, or unless the context otherwise requires, the provisions of the Nasdaq Rules and all other interpretations and policies shall also be applicable to transactions in index warrants, currency index warrants, and currency warrants.

(3) This Rule is not applicable to stock index warrants, currency index warrants, and currency warrants listed on national securities exchanges prior to September 28, 1995.

(b) Definitions

(1) "Control"

(A) The term "control" means the power or ability of an individual or entity to make investment decisions for an account or accounts, or influence directly or indirectly the investment decisions of any person or entity who makes investment decisions for an account. In addition, control will be presumed in the following circumstances:

(i) among all parties to a joint account who have authority to act on behalf of the account;

(ii) among all general partners to a partnership account;

(iii) when a person or entity:

(a) holds an ownership interest of 10 percent or more in an entity (ownership interest of less than 10 percent will not preclude aggregation),
or

(b) shares in 10 percent or more of profits and/or losses of an account;

(iv) when accounts have common directors or management;

(v) where a person or entity has the authority to execute transactions in an account.

(B) Control, presumed by one or more of the above powers, abilities or circumstances, can be rebutted by proving the factor does not exist or by showing other factors which negate the presumption of control. The rebuttal proof must be submitted by affidavit and/or such other evidence as may be appropriate in the circumstances.

(C) Nasdaq will also consider the following factors in determining if aggregation of accounts is required:

- (i) similar patterns of trading activity among separate entities;
- (ii) the sharing of kindred business purposes and interests;
- (iii) whether there is common supervision of the entities which extends beyond assuring adherence to each entity's investment objectives and/or restrictions;
- (iv) the degree of contact and communication between directors and/or managers of separate accounts.

(2) The term "**currency index**" means a group of currencies each of whose inclusion and relative representation in the group is determined by its inclusion and relative representation in a currency index.

(3) The term "**currency index warrants**" shall mean instruments that are direct obligations of the issuing company, either exercisable throughout their life (i.e., American style) or exercisable only on their expiration date (i.e., European style), entitling the holder thereof to a cash settlement in U.S. dollars to the extent that the value of the underlying currency index has declined below (in the case of a put warrant) or increased above (in the case of a call warrant) the pre-stated cash settlement value of the underlying currency index.

(4) The term "**currency warrants**" shall mean instruments that are direct obligations of the issuing company, either exercisable throughout their life (i.e., American style) or exercisable only on their expiration date (i.e., European style), entitling the holder thereof to a cash settlement in U.S. dollars to the extent that the value of the underlying foreign currency has declined below (in the case of a put warrant) or increased above (in the case of a call warrant) the pre-stated cash settlement value of the underlying foreign currency. The term "foreign currency warrants" shall also include cross-rate currency warrants.

(5) The term "**index warrants**" means instruments that are direct obligations of the issuing company, either exercisable throughout their life (i.e., American style) or exercisable only on their expiration date (i.e., European style), entitling the holder thereof to a cash settlement in U.S. dollars to the extent that the value of the underlying stock index group has declined below (in the case of a put warrant) or increased above (in the case of a call warrant) the pre-stated cash settlement value of the underlying stock index group.

(6) The term "**stock index group**" means a group of stocks each of whose inclusion and relative representation in the group is determined by its inclusion and relative representation in a stock index.

Section 4. Position Limits

(a) Except with the prior written approval of Nasdaq pursuant to the Rule 9600 Series for good cause shown, no member shall effect for any account in which such member has an interest, or for the account of any partner, officer, director or employee thereof, or for the account of any customer, a purchase or sale transaction in an index warrant listed on Nasdaq or on another national securities exchange if the member has reason to believe that as a result of such transaction the member, or partner, officer, director or employee thereof, or customer would, acting alone or in concert with others, directly or indirectly, hold or control an aggregate position in an index warrant issue on the same side of the market, combining such index warrant position with positions in index warrants overlying the same index on the same side of the market, in excess of the position limits established by Nasdaq or the other exchange on which the index warrant is listed.

(b) In determining compliance with this Rule, the position limits for Nasdaq-listed index warrants are as follows:

(1) Fifteen million warrants with respect to warrants on the same stock index (other than the Standard & Poor's MidCap 400 Index) with an original issue price of ten dollars or less.

(2) Seven million five hundred thousand warrants, with respect to warrants on the Standard & Poor's MidCap 400 Index with an original issue price of ten dollars or less.

(3) For stock index warrants with an original issue price greater than ten dollars, positions in these warrants must be converted to the equivalent of warrants on the same index priced initially at ten dollars by dividing the original issue price of the index warrants priced above ten dollars by ten and multiplying this number by the size of such index warrant position. After recalculating a warrant position pursuant to this subparagraph, such recalculated warrant position shall be aggregated with other warrant positions on the same underlying index on the same side of the market and subjected to the applicable position limit set forth in subparagraph (1) or (2) above. For example, if an investor held 100,000 Nasdaq 100 Index warrants offered originally at \$20 per warrant, the size of this position for the purpose of calculating position limits would be 200,000, or 100,000 times 20/10.

Section 5. Exercise Limits

(a) Except with the prior written approval of Nasdaq pursuant to the Rule 9600 Series for good cause shown, in each instance, no member or person associated with a member shall exercise, for any account in which such member or person associated with such member has an interest, or for the account of any partner, officer, director or employee thereof, or for the account of any customer, a long position in any index warrant if as a result thereof such member or partner, officer, director or employee thereof or customer, acting alone or in concert with others, directly or indirectly:

(1) has or will have exercised within any five (5) consecutive business days a number of index warrants overlying the same index in excess of the limits for index warrant positions contained in Equity 10, Section 4; or

(2) has or will have exceeded the applicable exercise limit fixed from time to time by an exchange other than Nasdaq.

(b) Nasdaq, pursuant to the Rule 9600 Series for good cause shown, may institute other limitations concerning the exercise of index warrants from time to time. Reasonable notice shall be given of each new limitation fixed by Nasdaq. These exercise limitations are separate and distinct from any other exercise limitations imposed by the issuers of index warrants.

Section 6. Reporting Requirements

(a) Each member shall file with Nasdaq Regulation a report with respect to each account in which the member has an interest, each account of a partner, officer, director or employee of such member, and each customer account of the member, which has established an aggregate position of 100,000 index warrants on the same side of the market in an index warrant issue listed on Nasdaq, combining such index warrant position with positions in index warrants overlying the same index on the same side of the market traded on Nasdaq or another national securities exchange.

(b) Such report shall identify the person or persons having an interest in such account and shall identify separately the total number of each type of index warrant that comprises the reportable position in such account. The report shall be in such form as may be prescribed by Nasdaq Regulation and shall be filed no later than the close of business on the next business day following the day on which the transaction or transactions necessitating the filing of such report occurred. Whenever a report shall be required to be filed with respect to an account pursuant to this Rule, the member filing such report shall file with Nasdaq Regulation such additional periodic reports with respect to such account as Nasdaq Regulation may from time to time prescribe.

Section 7. Liquidation of Index Warrant Positions

(a) Whenever Nasdaq Regulation determines that a person or group of persons acting in concert holds or controls an aggregate position (whether short or long) in index warrants overlying the same index in excess of the position limitations established by Equity 10, Section 4, it may, when deemed necessary or appropriate in the public interest and for the protection of investors, direct any member or all members carrying a position in index warrants overlying such index for such person or persons to liquidate such position or positions, or portions thereof, as expeditiously as possible and consistent with the maintenance of an orderly market, so as to bring such person or persons into compliance with the position limitations contained in Equity 10, Section 4.

(b) Whenever such a directive is issued by Nasdaq Regulation no member receiving notice thereof shall accept and/or execute for any person or persons named in such directive any order to purchase or sell short any index warrants based on the same index, unless in each instance express approval therefor is given by Nasdaq Regulation, or the directive is rescinded.

Section 8. Trading in Commodity-Related Securities

(a) Nasdaq will consider for trading pursuant to unlisted trading privileges, a Commodity-Related Security that meets the criteria of this Rule. Unless otherwise noted, a Commodity-Related Security approved for trading under this rule is eligible for trading during all Nasdaq market sessions if members comply with Equity 2, Section 20 when accepting Commodity-Related Security orders for execution in the pre-market session or post-market session.

(b) Applicability. This Rule is applicable only to Commodity-Related Securities. Except to the extent inconsistent with this Rule, or unless the context otherwise requires, the provisions of all other Nasdaq Rules shall be applicable to the trading on Nasdaq of such securities. Commodity-Related Securities are included within the definition of "security" or "securities" as such terms are used in the Nasdaq Rules.

(c) Definitions. The following terms shall, unless the context otherwise requires, have the meaning herein specified:

(1) *Commodity-Related Security.* The term "**Commodity-Related Security**" means a security that is issued by a trust, partnership, commodity pool or similar entity that invests, directly or through another entity, in any combination of commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives, or the value of which is determined by the value of commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives.

(2) *Commodity.* The term "**commodity**" is defined in Section 1(a)(4) of the Commodity Exchange Act.

(d) Information Barriers. A member acting as a registered market maker in a Commodity-Related Security is obligated to establish adequate information barriers when such market maker engages in inter-departmental communications. Members should refer to NASD/NYSE Joint Memo on Chinese Wall Policies and Procedures (NASD Notice to Members 91-45) for guidance on the "minimum elements' of adequate Chinese Wall policy and procedures." For purposes of a Commodity-Related Security only, "inter-departmental communications" shall include communications to other departments within the same firm or the firm's affiliates that involve trading in commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity-Related Security.

(e) Market Maker Accounts. A member acting as a registered market maker in a Commodity-Related Security must file with Nasdaq Regulation in a manner prescribed by Nasdaq Regulation and keep current a list identifying all accounts for trading in commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity- Related Security, in which the market maker holds an interest, over which it may exercise investment discretion, or in which it shares in the profits and losses. No market maker shall trade in, or exercise investment discretion with respect to, such underlying commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives, in an account in which a market maker, directly or indirectly, controls trading activities, or has an interest in the profits or losses thereof, that has not been reported as required by this Rule.

(f) The member acting as a registered market maker in a Commodity-Related Security shall make available to Nasdaq Regulation such books, records or other information pertaining to transactions by such entity or registered or non-registered employee affiliated with such entity for its or their own accounts for trading commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity-Related Security, as may be requested by Nasdaq Regulation.

(g) In connection with trading a Commodity-Related Security or commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying a Commodity-Related Security, the member acting as a market maker in a Commodity-Related Security shall not use any material nonpublic information received from any person associated with the member or employee of such person regarding trading by such person or employee in the commodities, futures contracts, options on futures contracts, forward contracts, commodity swaps, or other related derivatives underlying such Commodity- Related Security.

(h) Nasdaq requires that members provide all purchasers of a newly issued Commodity-Related Security a prospectus for such Commodity-Related Security.

Equity 11. Uniform Practice Code

11100. Scope of Uniform Practice Code

(a) Transactions executed through the facilities of the Nasdaq Market Center, including the rights and liabilities of the members participating in the transaction, and those operational procedures that affect the day-to-day business of members shall be subject to the provisions of this Code. However, the provisions of this Code shall not apply to transactions between members that are compared, cleared or settled through the facilities of a registered clearing agency (except to the extent that the rules of the clearing agency provide that rules of other organizations shall apply). Accordingly, because Equity 2, Section 9 contemplates that Nasdaq Market Center transactions will

be settled through the facilities of a registered clearing agency using a continuous net settlement system, the provisions of the Code relating to clearance and settlement will apply to Nasdaq Market Center transactions only in unusual circumstances in which trades are settled "ex-clearing".

(b) The scope of coverage contained in paragraph (a) above may be expanded or limited in any Rule of this Code if specifically provided therein.

(c) With respect to transactions executed on Nasdaq, failure to deliver the securities sold, or failure to pay for securities as delivered, on or after the settlement date, does not effect a cancellation of the contract. The remedy for the buyer or seller is provided for by Rules 11810 and 11820 respectively unless the parties mutually consent to cancel the trade. In every such case of nondelivery of securities, the party in default shall be liable for any damages which may accrue thereby. All claims for such damages shall be made promptly.

(d) The CUSIP number must be used on the Uniform Transfer Instruction Form, Uniform Delivery Ticket and the Uniform Comparison or Confirmation.

11110. Nasdaq Regulation

Nasdaq Regulation shall have the power to issue interpretations or rulings with respect to the applicability of this Code to situations in which there is no substantial disagreement as to the facts involved in order to make custom, practice, usage, and trading technique in the investment banking and securities business uniform, to simplify and facilitate day-to-day business of members and to remove causes for business disputes and misunderstandings which arise from uncertainty and lack of uniformity, including rulings in connection with "when, as and if issued" trading and "when, as and if distributed" trading, and whether a security tendered is a good delivery in settlement of such contracts.

IM-11110. Refusal to Abide by Rulings of Nasdaq Regulation staff

It shall be considered conduct inconsistent with just and equitable principles of trade for any member to refuse to abide by an official ruling of Nasdaq Regulation, acting within its appropriate sphere, with respect to any transaction which was consummated within the provisions and purview of the Uniform Practice Code.

11120. Definitions

(a) Nasdaq Regulation

The term "Nasdaq Regulation" as used in this Code, unless the context otherwise requires, shall mean the Department of Nasdaq that administers this Code.

(b) Delivery Date

The term "delivery date" as used in this Code shall be used interchangeably with "settlement date" and shall mean the date designated for the delivery of securities.

(c) Ex-Date

The term "ex-date" as used in this Code shall mean the date on and after which the security is traded without a specific dividend or distribution.

(d) Immediate Return Receipt

The term "immediate return receipt" as used in this Code, shall mean the acknowledgement by the receiving member of a written notice and which shall be issued, upon receipt, via the media in which such notice is received.

(e) Record Date

The term "record date" as used in this Code means the date fixed by the trustee, registrar, paying agent or issuer for the purpose of determining the holders of equity securities, bonds, similar evidences of indebtedness or unit investment trust securities entitled to receive dividends, interest or principal payments or any other distributions.

(f) Reserved

(g) Written Notices

The term "written notice," as used in this Code, shall include a notice delivered by hand, by letter, teletype, telegraph, TWX, facsimile ("FAX") transmission or other comparable media.

11130. When, As and If Issued/Distributed Contracts

(a) Confirmations or Comparisons

(1) Each party to the transaction shall send a written "when, as and if issued" or "when as and if distributed" confirmation or comparison in the same form as set forth in the Sample Form appearing after this Rule 11130 and pursuant to the requirements of Rules 11210(a), 11220, and 11860.

(2) Each confirmation or comparison covering a contract in a "when, as and if issued" or "when, as and if distributed" security shall, at a minimum, contain:

(A) an adequate description of the security and the plan, if any, under which the security is proposed to be issued or distributed;

(B) designation of Nasdaq as the authority which shall rule upon the performance of the contract; and

(C) provision for marking the contract to the market.

(3) Nasdaq Regulation will furnish, upon written request therefor, an adequate description of any particular issue of securities and of the plan under which the securities are proposed to be issued for the purpose of inclusion in all contracts or confirmations covering transactions on a "when, as and if issued" or "when, as and if distributed" basis in the particular securities.

(b) Accrued Interest

(1) Unless the parties agree otherwise, "when, as and if issued" or "when, as and if distributed" transactions between members in fixed obligations of new or reorganized companies shall be "and accrued interest" to date of settlement. Interest shall be computed on the basis of the expired portion of the coupon current at the time of settlement, and all due and past due coupons shall be detached.

(2) "When, as and if issued" or "when, as and if distributed" transactions between members in income or contingent interest securities of such companies shall be traded "flat" and shall carry all payments that may be made or declared in connection with such new securities from the effective date of the plan; except that, if any payment is made or declared directly or indirectly in connection with such securities, prior to the settlement date, transactions made on and after the "ex" date for such payment shall carry only payments made or declared in connection with such securities from such "ex" date.

(3) Securities of such companies which bear a fixed rate of interest, plus contingent additional payment, are to be traded "and accrued interest" at the rate of the fixed interest, and traded "flat" in respect to the contingent payments.

(c) Marks to the Market

In case of "when, as and if issued" or "when, as and if distributed" contracts, the time of issuance or distribution of the securities is indefinite and may be long delayed. Therefore, such contracts should be marked to the market pursuant to the provisions of Rule 11740 of the Code.

(d) Contracts on Margin

All "when, as and if issued" or "when, as and if distributed" contracts shall be in compliance with Sections 220.4 and 220.5 of Regulation T of the Board of Governors of the Federal Reserve System.

(e) Request for Deposits

A member may require a customer to deposit cash or collateral to secure a "when, as and if issued" or "when, as and if distributed" contract even though Section 220.8(b)(1)

of Regulation T of the Board of Governors of the Federal Reserve System may not require such deposit.

(f) Segregation of Funds

(1) Deposits against "when, as and if issued" or "when, as and if distributed" transactions should be segregated on the books of the firm in order to present a true picture of the firm's position and its commitment in transactions of this kind. It may be appropriate to segregate such deposits from the firm's general cash balances by depositing them in a bank other than those containing the general deposits, loans or other obligations of the firm. Whether or not such physical segregation is made, no member should permit any part of deposits against "when, as and if issued" or "when, as and if distributed" contracts to be used for any purpose whatsoever other than to secure such contracts.

(2) As a minimum, every member doing business in "when, as and if issued" or "when, as and if distributed" securities shall ensure that the sum of the cash balances and any deposits with banks, clearing houses, or other brokers against "when, as and if issued" or "when, as and if distributed" contracts always exceeds the aggregates of all free credits and deposits against "when, as and if issued" or "when, as and if distributed" contracts by an amount fully ample to conduct his business without employing any part of such deposits.

(g) Settlement of Contracts

(1) A date for the settlement of "when, as and if issued" and "when, as and if distributed" contracts shall be determined by Nasdaq Regulation when a sufficient percentage of the issue is outstanding.

(2) In connection with a transaction in a security "when, as and if issued," delivery shall be made at the office of the purchaser on the date declared by Nasdaq Regulation; except that if no delivery date shall be declared by Nasdaq Regulation:

(A) delivery may be made by the seller on the business day following the day upon which the seller has delivered at the office of the purchaser written notice of intention to deliver, and

(B) open market "when, as and if issued" contracts in securities currently being publicly offered through a syndicate or selling group shall be settled on the date such syndicate or selling group contracts are settled; provided, however, delivery of securities in accordance with this paragraph shall be made during the normal delivery hours in the community where the buyer is located.

(3) In connection with a transaction in a security "when, as and if distributed," delivery shall be made at the office of the purchaser on the date declared by Nasdaq Regulation; except that if no delivery date shall be declared by Nasdaq Regulation,

delivery may be made by the seller on the business day following the day upon which the seller has delivered at the office of the purchaser written notice of intention to deliver.

(h) Cancellation of Contracts

(1) Pursuant to Rule 11110, Nasdaq Regulation may cancel or terminate "when, as and if issued" and "when, as and if distributed" contracts as necessary to resolve conflicts over the settlement of such contracts.

(2) Contracts will be canceled if the securities are not to be issued or distributed.

(3) Contracts will generally be canceled if the securities which are to be issued or distributed are not substantially the same as those contemplated in the contract. Material changes which will generally result in cancellation include, but are not limited to, changes to the redemption schedule, dividend payments, interest rates, maturity, yield, and exercise price.

(4) Notwithstanding paragraph (h)(3), contracts will not generally be canceled as a result of changes that do not constitute material changes to the terms of the security called for under the contract. Changes which will not generally result in cancellation include, but are not limited to:

(A) changes in the dollar value of securities to be issued or distributed;

(B) restructuring of financing arrangements previously announced by the issuer of the securities; or

(C) settlement of any legal action or the occurrence of any other event which has or will have a material effect on the financial condition of the issuer of the securities.

IM-11130. Standard Forms of "When, As and If Issued" or "When, As and If Distributed" Contract

(a) For use by dealers and brokers in confirming transactions with other dealers and brokers

"When, as and if Issued" or "When, as and if Distributed" Contract

(Firm Name)

Date

Sold to Quantity.etc. Table Here

If this contract was made on a national securities exchange other than Nasdaq, the contract shall be subject to and governed by the requirements of such other exchange, its constitution, rules, practices and interpretations thereof, relating to contracts between members of such exchange, as the same may be amended or modified from time to time.

If this contract was made elsewhere than on a national securities exchange, it shall be subject to and governed by the requirements of FINRA, its By-Laws, Rules, Uniform Practice Code and interpretations thereof as the same may be amended or modified from time to time.

This contract shall be settled and payment therefor made at such time and place, in such manner, and by the delivery of such securities and/or other property as the exchange or association to whose requirements this contract is subject in its sole discretion may determine, or shall be canceled and thereafter shall be null and void if such exchange or association determines in its sole discretion that the securities which are to be issued or distributed are not substantially the same as those contemplated in the contract. During the pendency of this contract either party shall have the right to call for a mark to the market, and upon failure of the other party to comply therewith the party not in default may close this contract in accordance with the requirements of the exchange or association to whose requirements this contract is subject.

(b) For use by a dealer (principal) and his customer covering transactions on a principal basis

Date

"When, as and if Issued" or "When, as and if Distributed" Contract

TO

I/we have sold to you/purchased from you shares/par value at These securities shall be payable and deliverable "when, as and if issued" or "when, as and if distributed," or this contract shall be cancelable in accordance with the requirements of the Nasdaq Rules, Uniform Practice Code and interpretations thereof.

I/we shall have the right to demand deposits according to such requirements. On your failure to comply therewith, we may close the contract in accordance with such requirements.

(Firm Signature)

Accepted:

(Signature of Customer)

11140. Transactions in Securities "Ex-Dividend," "Ex-Rights" or "Ex-Warrants"**(a) Designation of Ex-Date**

All transactions in securities, except "cash" transactions, shall be "ex-dividend," "ex-rights" or "ex-warrants": (1) on the day specifically designated by Nasdaq Regulation after definitive information concerning the declaration and payment of a dividend or the issuance of rights or warrants has been received at the office of Nasdaq Regulation; or (2) on the day specified as such by the appropriate national securities exchange which has received definitive information in accordance with the provisions of SEC Rule 10b-17 concerning the declaration and payment of a dividend or the issuance of rights or warrants.

(b) Normal Ex-Dividend, Ex-Warrants Dates

(1) In respect to cash dividends or distributions, or stock dividends, and the issuance or distribution of warrants, which are less than 25% of the value of the subject security, if the definitive information is received sufficiently in advance of the record date, the date designated as the "ex-dividend date" shall be the first business day preceding the record date if the record date falls on a business day, or the second business day preceding the record date if the record date falls on a day designated by Nasdaq Regulation as a non-delivery date.

(2) In respect to cash dividends or distributions, stock dividends and/or splits, and the distribution of warrants, which are 25% or greater of the value of the subject security, the ex-dividend date shall be the first business day following the payable date.

(3) In respect to stock dividends and/or splits relating to American Depository Receipts (ADRs) and foreign securities, the ex-dividend or ex-warrants date shall be designated by Nasdaq Regulation.

(c) Late Information Re: Ex-Dividend, Ex-Warrants Dates

If definitive information is not received sufficiently in advance of the record date to permit designation of an ex-dividend or ex-warrants date in accordance with paragraph (b)(1) hereof, the date designated shall be the first business day which, in the opinion of Nasdaq Regulation, shall be practical having regard to the circumstances pertaining.

(d) Normal Ex-Rights Dates

In respect to transferable rights subscription offerings, if definitive information is received sufficiently in advance of the effective date of the registration statement, the date designated as the ex-rights date shall be the first business day after the effective date of the registration statement.

(e) Late Information Re: Ex-Rights

If definitive information is not received sufficiently in advance of the effective date of the registration statement to permit designation of an ex-rights date in accordance with the paragraph (d) hereof, the date designated shall be the first business day which in the opinion of Nasdaq Regulation shall be practical having regard to the circumstances pertaining.

11150. Transactions "Ex-Interest" in Bonds Which Are Dealt in "Flat"**(a) Normal Ex-Interest Dates**

All transactions, except "cash" transactions, in bonds or similar evidences of indebtedness which are traded "flat" shall be "ex-interest" as prescribed by the following provisions:

- (1) On the first business day preceding the record date if the record date falls on a business day.
- (2) On the second business day preceding the record date if the record date falls on a day other than a business day.
- (3) On the second business day preceding the date on which an interest payment is to be made if no record date has been fixed.

(b) Late Information Re: Ex-Interest Dates

If notice of payment of interest is not made public sufficiently in advance of the record date or the payment date, as the case may be, to permit the security to be dealt in "ex-interest" in accordance with paragraph (a) hereof such security shall be dealt in "ex-interest" on the first business day which, in the opinion of Nasdaq Regulation, shall be practical having regard to the circumstances pertaining.

11160. "Ex" Liquidating Payments

All transactions except "cash" transactions in stocks, bonds or similar evidences of indebtedness shall be "ex" liquidating payments or payments on account of principal in accordance with the formula set forth in Rules 11140 and 11150.

11170. Transactions in "Part-Redeemed" Bonds

In transactions in bonds which have been redeemed or paid in part, such bonds shall be designated as "part-redeemed" bonds. The settlement price of contracts in "part-redeemed" bonds shall be determined by multiplying the contract price by the original principal amount thereof and contracts shall be made on the same basis.

11180. Reserved**11190. Reconfirmation and Pricing Service Participants**

(a) Each member or its agent that is a participant in a registered clearing agency, for purposes of clearing transactions executed on Nasdaq, shall participate in fail reconfirmation and pricing services when offered.

(b)

(1) A contract submitted to a reconfirmation and repricing service ("service") which has been DK'd ("Don't Know") by the contra-party or is otherwise deemed a DK under the rules of the service may be closed-out by the party who submitted the contract to the service without notice during normal trading hours promptly after the completion of the reconfirmation and pricing cycle of the service for the account and liability of the non-confirming member.

(2) Notice of any execution pursuant to this paragraph (b), shall be made as promptly as possible on the day of execution, as provided in Rules 11810(g) and 11820(b).

11200. Comparisons or Confirmations and "Don't Know Notices"**11210. Sent by Each Party****(a) Comparisons or Confirmations**

(1) Each party to a transaction, other than a cash transaction, shall send a Uniform Comparison or Confirmation of same on or before the first business day following the date of the transaction.

(2) Comparisons or confirmations of cash transactions shall be exchanged on the day of the trade.

(3) Comparisons or confirmations shall be compared upon receipt to ascertain whether any discrepancies exist. If discrepancies do exist, a corrected Uniform Comparison or Confirmation shall be sent by the party in error.

(4) This Rule shall not be applicable to transactions which clear through the National Securities Clearing Corporation or other clearing organizations registered under the Act.

(b) Uniform Comparison or Confirmation

A properly executed Uniform Comparison or Confirmation must be used for each transaction.¹

(c) "DK" Procedures Using "Don't Know Notices" (FINRA Form No. 101)

When a party to a transaction sends a comparison or confirmation of a trade, but does not receive a comparison or confirmation or a signed DK, from the contra-member by the close of one business day following the trade date of the transaction, the following procedure may be utilized.

(1) The confirming member shall send by certified mail, return receipt requested, or messenger, a "Don't Know Notice" on the form prescribed by FINRA Rule 11210 to the contra-member in accordance with the directions contained thereon. If the notice is sent by certified mail the returned, signed receipt therefor must be retained by the confirming member and attached to the fourth copy of the "Don't Know Notice." If delivered by messenger, the fourth copy must immediately be dated and manually receipted by, and imprinted with the firm stamp of, the contra-member pursuant to the provisions of paragraph (c)(4) of this Rule, returned to the messenger and thereafter be retained by the confirming member.

(2)

(A) After receipt of the "Don't Know Notice" as specified in paragraph (c)(1) of this Rule, the contra-member shall have two business days after the notice is received to either confirm or DK the transaction in accordance with the provisions of paragraph (c)(2)(B) or (c)(2)(C) below.

(B) If the contra-member desires to respond by mail, the second copy of the "Don't Know Notice" previously received shall be executed in accordance with the provisions of paragraph (c)(4) of this Rule and sent to the confirming broker by certified mail, return receipt requested. The notice so returned shall indicate clearly whether the contra-member desires to confirm or DK the transaction. The returned, signed receipt must thereafter be retained by the contra-member.

(C) If the contra-member desires to respond by messenger, it shall return to the confirming member the second and third copies of the notice which shall indicate clearly whether the contra-member desires to confirm or DK the transaction. The third copy shall be dated and manually receipted by the confirming broker pursuant to the provisions of paragraph (c)(4) of this Rule and immediately be returned to the messenger and thereafter be retained by the contra-member.

(3) If the confirming member does not receive a response from the contra-member by the close of two business days after receipt by the confirming member of the fourth copy of the "Don't Know Notice" if delivered by messenger, or the post office receipt if delivered by mail, as specified in paragraph (c)(1) of this Rule, such shall constitute a DK and the confirming member shall have no further liability for the trade.

(4) All "Don't Know Notices" sent by any party pursuant to the provisions of this

paragraph (c) must be manually signed by a person authorized to pursue further discussions in respect to the transaction on behalf of the signing member. In addition to the manual signature receipt on the third and fourth copies, as required by paragraphs (c)(1) and (c)(2)(C) hereof, if delivered by hand, the firm stamp of the contra-member must be imprinted thereon to signify receipt.

(5) The "Don't Know Notice" form to be used for purposes of complying with this section, may be ordered through any office of FINRA. If the official form is not used, the form which is used must conform in every respect to the official form.

(d) "DK" Procedure Using Other Forms of Notice

When a party to a transaction sends comparison or confirmation of a trade, but does not receive a comparison or confirmation or a signed DK, from the contra-member by the close of one business day following the date of the transaction, the following procedure may be utilized in place of that provided in the preceding paragraph (c).

(1) The confirming member shall provide notice to the contra-member identifying the trade in question by providing the information described in Rule 11220. The notice shall, in addition, contain a request for the contra-member to confirm or "DK" the trade and the name of the individual issuing the notice.

(2) The confirming member shall record and retain verification of delivery to the contra-member of each notice issued in accordance with paragraph (d)(1) of this Rule.

(3) The contra-member, on receipt of the notice from the confirming member, shall research the trade in question.

(4) The contra-member shall then send notice to the confirming member to either confirm or "DK" the trade and shall include the name of the individual issuing the notice.

(5) If the confirming member does not receive a response in the form of a notice from the contra-member by the close of four business days after receipt of the confirming member's notice, such shall constitute a DK and the confirming member shall have no further liability.

(6) Both the confirming member and the contra-member shall record and retain verification of the delivery and receipt of each notice issued pursuant to paragraph (d)(4) of this Rule.

(7) If the trade in question is confirmed by the contra-member pursuant to paragraph (d)(4) of this Rule, settlement shall be completed in the normal manner.

(8) Notices under this paragraph (d) may be delivered through any communications

medium which provides verification of delivery and receipt as required under paragraphs (d)(2) and (d)(6).

¹ Specifications for use of the Uniform Comparison are contained in the Final Report of the Banking and Securities Industry Committee entitled "Four Uniform Forms," dated December 22, 1971.

IM-11210. Uniform Comparison Form

<u>NO.</u> <u>COMPARISON</u>	<u>Firm</u> <u>Name</u>	<u>TELEPHONE</u>
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CODES

<u>ORIGINATOR</u> <u>NO.</u>	<u>TRANS.</u> <u>NO</u>	<u>TR</u>	<u>CAP SETT</u>	<u>TRADE DATE</u>	<u>SETTLEMENT</u> <u>DATE</u>
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<u>IDENTIFICATION</u> <u>NO.</u>	<u>CONTRA</u> <u>PARTY</u>	<u>C.H.</u> <u>NUMBER</u>	<u>SPECIAL DELIVERY</u> <u>INSTRUCTIONS</u>
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<u>WE</u>	<u>QUANTITY</u>	<u>CUSIP</u> <u>NUMBER</u>	<u>SECURITY</u> <u>DESCRIPTION</u>	<u>NET</u> <u>AMOUNT</u>
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PRICE

RESERVED FOR USER'S MONEY DETAIL

11220. Description of Securities

Confirmations or comparisons shall include, in addition to an adequate description of the security (which shall include payment options on a unit investment trust series), the price

at which the transaction was made and any other information deemed necessary to insure that the buyer and seller agree as to details of the transaction. Such "other information" should include, if applicable, but need not be limited to, such phrases as "ex-warrants," "ex-stock," "registered," "flat," "part-redeemed," "Canadian funds," "with proxy," etc.

11300. Delivery of Securities

11310. Book-Entry Settlement

(a) A member shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another member or a member of a national securities exchange or a registered securities association.

(b) A member shall not effect a delivery-versus-payment or receipt-versus payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.

(c) For purposes of this Rule, the term "securities depository" shall mean a securities depository registered as a clearing agency under Section 17A of the Act.

(d)

(1) The term "depository eligible securities" shall mean securities that (A) are part of an issue of securities that is eligible for deposit at a securities depository and (B) with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

(2) A determination under Rule 4310(c)(23) or under the corresponding rule of another national securities exchange that a security depository has included a CUSIP number identifying a security in its file of eligible issues does not render the security "depository eligible" under this Rule until:

(A) in the case of any new issue distributed by an underwriting syndicate on or after the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available, the date of the commencement of trading in such security on Nasdaq; or

(B) in the case of any new issue distributed by an underwriting syndicate prior to the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available where the managing underwriter elects not to deposit the securities on the date of the commencement of trading in such security on Nasdaq, such later date designated by the managing underwriter in a notification submitted to the securities depository; but in no event more than three (3) months after the commencement of trading in such security on Nasdaq.

(e) This Rule shall not apply to transactions settled outside of the United States.

(f) The requirements of this Rule shall supersede any inconsistent requirements under other Rules in the Code.

(g) This Rule shall not apply to any transactions where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and:

(1) if the transaction is for same-day settlement, the deliverer is unable to deposit the securities in a securities depository prior to the cut-off time established by the depository for same-day crediting of deposited securities, or

(2) the deliverer is unable to deposit the securities in a depository prior to the cut-off date established by the depository for that issue of securities.

11320. Dates of Delivery

(a) For "Cash"

In connection with a transaction for "cash," delivery shall be made at the office of the purchaser on the day of the transaction.

(b) "Regular Way"

In connection with a transaction "regular way," delivery shall be made at the office of the purchaser on, but not before, the second business day following the date of the transaction.

(c) "Seller's Option"

In connection with a transaction "seller's option," delivery shall be made at the office of the purchaser on the date on which the option expires; except that delivery may be made by the seller on any business day after the second business day following the date of the transaction and prior to the expiration of the option, provided the seller delivers at the office of purchaser, on a business day preceding the day of delivery, written notice of intention to deliver.

(d) "Buyer's Option"

In connection with a transaction "buyer's option," delivery shall be made at the office of the purchaser on the date on which the option expires.

(e) Contracts Due on Holidays or Saturdays

Contracts due on a day other than a business day shall mature on the next business day.

(f) "Delayed-Delivery"

In connection with a transaction made for "delayed-delivery," delivery shall be at the office of the purchaser on the date agreed upon at the time for the transaction.

(g) Prior to Delivery Date

If in contracts executed pursuant to paragraphs (b), (d) and (h) of this Rule, the seller tenders delivery before the stated time, acceptance shall be at the election of the purchaser, and rejection of such delivery by the purchaser shall be without prejudice to his rights.

(h) Time and Place of Delivery

Delivery shall be made at the office of the purchaser between the hours established by rule or practice in the community where such office is located. If the purchaser maintains more than one office, delivery shall be made at the office with which the transaction was effected, unless delivery instructions are provided at the time of the transaction.

11330. Payment

The party making delivery shall have the right to require the purchase money to be paid upon delivery by certified check, cashier's check, bank draft or cash.

11340. Stamp Taxes

(a) Members shall, as required by the rules and regulations of jurisdictions imposing taxes on sales, purchases or other transfers of securities, furnish tax stamps or pay the tax through securities clearing organizations.

(b) In the event that taxes are due pursuant to state stock transfer taxes, the seller shall furnish to the buyer at the time of delivery a sale memorandum ticket to which shall be affixed and canceled sufficient state transfer stamps as are required by the state in which the sale occurs, or the tax may be paid by the seller through securities clearing organizations.

(c) Additional stamps. If any stamps in addition to those required by paragraph (a) hereof are desired by the buyer, the furnishing of such additional stamps by the seller may be made a part of the transaction.

(d) Seller's failure to furnish stamps. If the buyer has requested the additional state stamps provided by paragraph (c) and at the time of delivery of the security the seller does not furnish or has not made adequate provision for such stamps, the buyer may furnish and cancel such additional state transfer stamps and deduct the cost thereof from the purchase price.

11350. Part Delivery

The purchaser shall be required to accept a part delivery on any contract due provided the portion remaining undelivered is not an amount which includes an odd-lot which was not a part of the original transaction.

11360. Units of Delivery

IM-11360. Uniform Delivery Ticket Form

<u>NO DELIVERY</u>	<u>Firm</u>	<u>TELEPHONE</u>
<u>TICKET</u>	<u>Name</u>	

THE ATTACHED SECURITIES ARE DELIVERED AGAINST PAYMENT

CODES

<u>ORIGINATOR</u>	<u>TRANS.</u>	<u>SETT</u>	<u>TRADE</u>	<u>SETTLEMENT</u>	<u>DELIVERY</u>
<u>NO.</u>	<u>NO.</u>		<u>DATE</u>	<u>DATE</u>	<u>DATE</u>

560

<u>IDENTIFICATION</u>	<u>ACCOUNT</u>	<u>C.H.</u>	<u>SPECIAL</u>
<u>NO.</u>	<u>NAME</u>	<u>NUMBER</u>	<u>DELIVERY</u>
			<u>INSTRUCTIONS</u>

<u>QUANTITY</u>	<u>CUSIP</u>	<u>SECURITY</u>	<u>NET AMOUNT</u>
	<u>NUMBER</u>	<u>DESCRIPTION</u>	

11361. Units of Delivery — Stocks

(a) Stock certificates delivered in settlement of contracts:

(1) in which the transaction is for 100 shares may be in one certificate for the exact number of shares or certificates totaling 100 shares.

(2) in which the transaction is greater than 100 shares and a multiple of 100 shall be in the exact amount of the contract, or in multiples of 100 shares, or in amounts from which units of 100 shares can be made, or a combination thereof equaling the

amount of the contract.

(3) in which the transaction is for more than 100 shares but not in a multiple of 100 shall be in multiples of 100 shares, or in amounts from which units of 100 shares can be made, or a combination thereof, plus either the exact amount for the odd lot or smaller amounts equaling the odd lot.

(4) in which the transaction is for less than 100 shares shall be in the exact amount of the contract or for smaller units aggregating the amount of the contract.

(b) Uniform Delivery Ticket

A properly executed Uniform Delivery Ticket must accompany the delivery of securities.¹

¹ Specifications for use of the Uniform Delivery Ticket are contained in the Final Report of the Banking and Securities Industry Committee entitled "Four Uniform Forms" dated December 22, 1971.

11362. Units of Delivery — Bonds

(a) Coupon Bonds

Each delivery of bonds or similar evidences of indebtedness in coupon bearer form shall be made in denominations of \$1,000 or in denominations of \$100 or multiples thereof aggregating \$1,000.

(b) Registered Bonds

Each delivery of bonds or similar evidences of indebtedness in fully registered bond issues shall be made in denominations of \$1,000 or multiples thereof or in amounts of \$100 or multiples aggregating \$1,000 but in no event in denominations larger than \$100,000.

(c) Bonds Issued in Both Coupon and Registered Form

Unless otherwise specified at the time of execution, contracts in bonds that are issuable in either coupon or registered form, shall be settled by delivery of bonds in either form pursuant to the denominations in paragraphs (a) and (b) above, notwithstanding that there may be a charge for interchanging one form with the other.

(d) Units of Delivery by Agreement

When a contract relating to paragraphs (a), (b) and (c) above is for a principal amount which is not a multiple of \$100, the parties shall agree, at the time of entering into the contract, as to the proper units of delivery.

11363. Units of Delivery — Unit Investment Trust Securities

The minimum unit of delivery for Unit Investment Trust Securities shall be a single unit of the trust.

11364. Units of Delivery — Certificates of Deposit for Bonds

The units of delivery for certificates of deposit for bonds, shall be the same as prescribed for bonds in Rule 11362.

IM-11364. Trading Securities As "Units" or Bonds "With Stock"

Where securities are physically separate instruments, transferable independently of one another, and not subject to any legal or technical condition which requires that they be kept together, good practice requires that they be quoted and dealt in separately and not as units.

Where, for some special reason, members enter into a contract calling for a group of securities, they are cautioned to make adequate specification both at the time of trade and in their confirmation or comparison, so that uncertainty or misunderstanding in the settlement of the contract may be eliminated.

11400. Delivery of Securities with Draft Attached**(a) Time of Presentation**

Drafts accompanying the shipment of securities need be accepted only on a business day between the hours established by rule or practice in the community where the draft is presented. Acceptance of a draft at other times shall be at the option of the drawee, and the drawee shall not be liable for any expense arising out of his refusal of the draft when presented on a Saturday or half-holiday.

Note: For his own protection, the seller should instruct his bank or collecting agent that if the draft is received on a Saturday or half-holiday, it need not be presented to the drawee until the following business day.

(b) Prior to Settlement Date

The acceptance of a draft prior to the settlement date shall be at the option of the drawee.

(c) With Irregularities

The acceptance of a draft which contains irregularities shall be at the option of the drawee.

(d) Expense Due to Shipment

Expenses of shipment, including insurance, postage, draft, and collection charges, shall be paid by the seller.

(e) Expenses Due to Delay

Failure to accept a draft in which no irregularities exist, when duly presented on a business day, shall make the drawee liable for the payment of interest to the date the draft is paid and for other incidental expenses incurred because of the delay, including protest fees, if any, and wire charges.

(f) Claims for Irregularities

Claims with respect to such items as price, interest, protest fees or wire charges and items of similar nature, arising from the acceptance of draft shipments in which irregularities exist, shall be presented not later than ten days after payment. This limitation shall not apply to matters covered hereinafter under "Reclamations," in Rules 11710 to 11730.

11500. Delivery of Securities with Restrictions**11510. Delivery of Temporary Certificates**

A temporary certificate shall not be a good delivery when permanent certificates are available.

11520. Delivery of Mutilated Securities

(a) A mutilated security shall not be a good delivery until appropriately authenticated by the trustee, registrar, transfer agent, or issuer.

(b) The delivery of a bond which bears a coupon which has been mutilated as to the bond number or signature or which bears a coupon which has been canceled in error shall not be good delivery unless an appropriate endorsement by an official authorized by paragraph (c) hereof shall have been placed on the reverse of the coupon.

(c) The endorsement shall be signed on behalf of the obligor by an officer thereof or, under authorization from the obligor, on behalf of the corporate trustee or paying agent by a duly authorized officer thereof or other person authorized to sign on behalf thereof.

11530. Delivery of Securities Called for Redemption or Which Are Deemed Worthless**(a) Securities Called for Redemption**

A certificate of stock or a bond shall cease to be a good delivery upon publication of notice of call for redemption, except when an entire issue is called for redemption and except against transactions in "called stock" or "called bonds" dealt in specifically as such.

(b) Securities Deemed Worthless

(1) In contracts for securities where a public announcement or publication of general circulation discloses that the securities have been deemed worthless, deliveries shall consist of (A) the worthless securities or (B) a Letter of Indemnity which shall grant the purchaser any rights and privileges which might accrue to the holders of the physical securities.

(2) Deliveries effected pursuant to paragraph (b)(1) shall operate to close-out the contract and must be accompanied by documentation evidencing that the security was deemed worthless after the original execution date of the contracts. Such contracts shall be settled at the existing contract price.

(3) For purposes of this paragraph (b), securities deemed worthless shall be those instruments which have no known market value.

11540. Delivery Under Government Regulations

(a) Documents Required

When the laws, regulations, rulings, instructions or orders of any government, government instrumentality or agency, or official thereof having jurisdiction, require a license, clearance certificate, affidavit of ownership or any similar document in connection with the acquisition, disposition, transfer or redemption of, or other dealing in or with respect to, any security, such security shall not be a good delivery unless accompanied by the document or documents so required.

(b) Certificate Subject to Stoppage

If a specific certificate tendered in settlement of a contract in foreign securities is on a black list, blocked list, or subject to similar stoppage, from which an innocent holder in due course cannot have it removed by simple request, such certificate is not a good delivery, and reclamation may be made without limit of time.

11550. Assignments and Powers of Substitution; Delivery of Registered Securities

(a) General Requirements

Any registered security to be a good delivery must be accompanied by an assignment and a power of substitution (when such power of substitution is required under paragraph (g) of this Rule) conforming to the requirements set forth in Rule 11550 to

11574, inclusive. Any expense incurred through failure of a seller to meet these requirements shall be paid by the seller.

(b) Assignment

An assignment shall be executed on the certificate itself or on a separate paper, in which latter case there shall be a separate assignment for each certificate.

(c) Signature Requirements

The signature to an assignment or power of substitution shall be technically correct; i.e., it shall correspond with the name as written upon the certificate in every particular without alteration or enlargement, or any change whatever, except that "and" or "&" "Company" or "Co." may be written either way.

(d) Detached Assignment Requirements

A separate (detached) assignment shall contain provision for the irrevocable appointment of an attorney, with power of substitution, and a full description of the security, including name of issuer, issue, certificate number, and amount (expressed in words and numerals).

(e) Two or More Names

A certificate registered in the names of two or more individuals or firms shall be a good delivery only if signed by all the registered owners.

(f) Alteration or Correction

Any alteration or correction in an assignment or power of substitution shall be accompanied by an explanation on the original instrument signed by the person or firm executing the same.

(g) Power of Substitution

When the name of an individual or firm has been inserted in an assignment, as attorney, a power of substitution shall be executed in blank by such individual or firm. When the name of an individual or firm has been inserted in a power of substitution as substitute attorney, a new power of substitution shall be executed in blank by such substitute attorney.

(h) Guarantee

Each assignment, endorsement, alteration and erasure shall bear a guarantee acceptable to the transfer agent or registrar. It is not the intent of this paragraph that a "New York," national securities exchange member or other specific guarantee is required;

rather, it is the intent only that the guarantee be acceptable to the transfer agent.

(i) Foreign Internal Securities

Except for Canadian Securities, American Depositary Receipts, American Shares, New York Shares and similar securities, the provisions of paragraphs (b) through (g), inclusive, and Rule 11572 shall not apply to Foreign Internal Securities in registered form. In default of specific Rules in this Code, the usual conditions of delivery and transfer of Foreign Internal Securities in registered form in the foreign market where principally traded shall apply.

(i) Uniform Transfer Instruction Form

A properly executed Uniform Transfer Instruction Form must accompany securities presented for transfer.¹

¹Specifications for use of the Uniform Transfer Instruction Form are contained in the Final Report of the Banking and Securities Industry Committee entitled "Four Uniform Forms" dated December 22, 1971.

IM-11550. Uniform Transfer Instructions Form

TO TRANSFER AGENT: Firm Name I.D. #

PLEASE TRANSFER THE
ATTACHED SECURITIES AS
SHOWN BELOW

<u>SECURITY DESCRIPTION</u>	<u>CERTIFICATION PRESENTED TO TRANSFER</u>
-----------------------------	--

<u>QUANTITY</u>	<u>DENOMINATIONS</u>	<u>TAX</u>	<u>CUSIP</u>	<u>CONTROL</u>	<u>PRESENTOR</u>
		<u>PAYER</u>	<u>NUMBER</u>		
		<u>NO.</u>			

TO BE REGISTERED IN THE NAME OF

11560. Certificate of Company Whose Transfer Books Are Closed

General Requirements

A certificate of a company whose transfer books are closed indefinitely for any reason shall be good delivery only if the required ownership transfer indemnification is affixed to or recorded upon the certificate. The indemnification acknowledges the assignor(s)' ultimate responsibility for the ownership of the certificate as of the date of the indemnification and shall be affixed or recorded only once during the lifetime of the certificate. Certificates delivered pursuant to this Rule must conform with all the applicable delivery requirements set forth in Rule 11550 of this Code.

IM-11560. Sample Ownership Transfer Indemnification Stamp

Date:

The undersigned owner of this certificate (number) representing Shares of hereby certifies the transfer of all ownership therewith to the bearer hereby. We acknowledge that the transfer books of the herein named corporation are closed and agree to accept responsibility in accordance with the provisions of Rule 11560 of Nasdaq's Uniform Practice Code.

NAME OF MEMBER

AUTHORIZED SIGNATURE

11570. Certificates in Various Names**11571. Certificate in Name of Corporation****(a) Transfer Books Open**

A certificate in the name of a corporation or an institution, or in a name with official designation shall be a good delivery only if the statement "Proper papers for transfer filed by assignor" is placed on the assignment and signed by the transfer agent.

(b) Transfer Books Closed

Where a certificate, an assignment or a power of attorney is in the name of a corporation and the transfer books of the issuing company are closed indefinitely for any reason, the certificate shall be a good delivery if the assignment or other instrument effecting transfer on the corporation's behalf is executed by an officer of such corporation, other than the secretary, and is accompanied by (1) a guarantee of such officer's signature executed by a person with the authority to make such a guarantee; (2) a copy of a corporate resolution and a completed and executed certificate of incumbency; and (3) the ownership transfer indemnification, as provided in Rule 11560, affixed to or recorded on the certificate.

(c) Foreign Internal Securities

The foregoing requirements shall not apply to foreign internal securities when the requirements do not correspond to the laws or customs of the country concerned; but instead such laws and customs shall govern such securities.

IM-11571. Sample Certificate and Authorizing Resolution/Certificate of Incumbency

I hereby certify that a meeting of the Board of Directors of , a corporation organized under the laws of the State of , held the day of , 19 , at which a quorum was present and acting throughout, the following resolution was duly adopted and is now in full force and effect:

RESOLVED, that any one of the following officers of this Corporation, viz: the President, Vice President, Treasurer or Secretary, be and is hereby fully authorized and empowered to sell, assign, transfer and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by this Corporation, and to make, execute, and deliver, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

I further certify that the authority thereby conferred is not inconsistent with the Charter or By-Laws of this Corporation, and that the following is a true and correct list of the officers of this Corporation authorized to act.

Signing Officers:

In witness, whereof, I have hereunto set my hand and the seal of said Corporation this day of , 19

(Affix Corporate Seal)

Secretary

(The foregoing certification and the assignment of the securities should be executed by different officers.)

11572. Certificate in Name of Firm

Unless the endorsement specifies otherwise, there shall be a presumption that stock registered in a firm or business name is registered in the name of a partnership and not a corporation.

11573. Certificate in Name of Dissolved Firm Succeeded by New Firm

A certificate with an assignment or a power of substitution executed in the name of a firm that has since dissolved and is succeeded by a firm or firms having as general partners one or more of the general partners of the dissolved firm shall be a good delivery only if the new firm or one of the new firms shall have signed the statement "Execution Guaranteed" under a date subsequent to the formation of the new firm so signing.

11574. Certificate in Name of Deceased Person, Trustee, Etc.

(a) A certificate shall not be a good delivery with an assignment or power of substitution executed by a: (1) person since deceased; (2) trustee or trustees, except as provided in paragraph (b) below, or except for trustees acting in the capacity of a board of directors of a corporation or association, in which case Rule 11561(a) shall apply; (3) guardian, except as provided in paragraph (b) below; (4) infant; (5) executor, except as provided in paragraph (b) below; (6) administrator, except as provided in paragraph (b) below; (7) receiver in bankruptcy; (8) agent; (9) attorney; (10) or with a qualification, restriction or special designation.

(b) A certificate shall be a good delivery with an assignment or a power of substitution executed by a: (1) domestic individual executor(s) or administrator(s); (2) domestic individual trustee(s) under an inter vivos or testamentary trust; or (3) domestic guardian(s) including committees, conservators and curators. These exceptions to paragraph (a) above are to cover transfers that will be effected by transfer agents without additional documentation. This paragraph (b) shall apply only to securities of a domestic issuer (organized under the laws of any state in the United States or District of Columbia) which are registered in the name(s) of (1), (2) or (3) of this paragraph (b). Certificates delivered pursuant to this paragraph (b) must be properly assigned, and the signature(s) to the assignment be guaranteed pursuant to Rule 11550(h).

(c) This Rule does not apply to certificates registered under a Statutory Gifts to Minors Act.

IM-11574. Sample Limited Partnership Change of Trustee Form

Limited Partnership Change of Trustee Form

FBO (Investor's Name)

Partnership Name

Assignor (Present Trustee's Name)

Assignor's Address

Customer's A/C This hereby constitutes and appoints the said
Number with Assignor Partnership to transfer the said interests on the
books of the Partnership with full power of
substitution in the premises.

The Assignor hereby assigns to the Assignee 100% of the Assignor's right,
title and interest in the Limited Partnership(s) described herein.

ASSIGNOR'S (DATE)
RELEASE:

Authorized Signature
X

Designee (New (Assignee's Address)
Trustee's Name)

(Customer's A/C (Assignee's Tax ID Number)
Number with
Assignee)

New Trustee's
(Assignee's)
Instructions:

Partnership
Information:

ASSIGNEE'S (DATE)
ACCEPTANCE

Authorized Signature
X

Assignee: Upon receipt, forward this form and the original certificate (if available) to the
General Partner for re-registration.

General Partner:

11600. Delivery of Bonds and Other Evidences of Indebtedness

11610. Liability for Expenses

Failure of the seller to meet the requirements of good delivery relating to bonds and similar evidences of indebtedness, as set forth in paragraphs (a) through (h) of this Rule inclusive, shall make the seller liable for any expense incurred as a result of such failure.

(a) Coupon Bonds

A coupon bond shall have securely attached in the correct place proper coupons, warrants, etc., of the same serial number as the bond. Acceptance of cash or check in lieu of missing coupons shall be at the option of the purchaser.

(b) Endorsed Bonds

A coupon bond bearing an endorsement of a definite name of a person, firm, corporation, association, etc., in conjunction with words of condition, qualification, direction, or restriction, not properly pertaining thereto as a security, shall not be a good delivery unless sold specifically as an "endorsed bond." This shall also apply to bonds with coupons bearing such endorsements.

(c) Interest in Default

A bond upon which interest is in default shall carry all unpaid coupons.

(d) Registerable as to Principal

A coupon bond registerable as to principal shall be a good delivery only if registered to bearer.

(e) Endorsements for Banking or Insurance Requirements

A coupon bond bearing an endorsement indicating that the bond was deposited in accordance with a governmental requirement pertaining to banking institutions or insurance companies shall not be a good delivery. If released, with such release acknowledged before an officer authorized to take acknowledgments, it shall be a good delivery if sold specifically as a "released endorsed bond."

(f) Coupon Detached Prior to Delivery

(1) A bond dealt in "and interest," for delivery on or after the date on which interest is due and payable, shall be delivered without the coupon payable on such date.

(2) Late delivery. In the settlement of contracts in bonds dealt in "and interest" where delivery is due prior to the interest payment date but is made on or after the interest payment date, bonds may be delivered without coupons payable on such date, and the seller may present such detached, unpaid coupons to the buyer for

payment, the buyer bearing the risk of non-payment.

(g) Stamped Bonds

(1) If a plan of reorganization which has been declared operative, or an amendment or supplement to an indenture provides that the bonds covered thereby shall be stamped to reflect the adoption of such plan or the amendment or supplement to the indenture, bonds so stamped shall be a good delivery and bonds not so stamped shall not be a good delivery.

(2) The fact that a bond has been stamped "Tax Paid" by any authority vested with the power to tax, if the stamp does not indicate ownership, shall not prevent such bond from being a good delivery.

(h) Certificates of Deposit

Certificates of deposit issued by committees or depositaries other than those specified at time of trade shall not be a good delivery.

11620. Computation of Interest

(a) Interest to be Added to the Dollar Price

In the settlement of contracts in interest-paying securities other than for "cash," there shall be added to the dollar price interest at the rate specified in the security, which shall be computed up to but not including the second business day following the date of the transaction. In transactions for "cash," interest shall be added to the dollar price at the rate specified in the security up to but not including the date of transaction.

(b) Basis of Interest

Interest shall be computed on the basis of a 360-day year, i.e., every calendar month shall be considered to be 1/12 of 360 days; every period from a date in one month to the same date in the following month shall be considered to be 30 days.

Note: The number of elapsed days should be computed in accordance with the examples given in the following table:

From 1st to 30th of the same month to be figured as 29 days;

From 1st to 31st of the same month to be figured as 30 days;

From 1st to 1st of the following month to be figured as 30 days;

From 1st to 28th of February to be figured as 27 days;

From the 23rd of February to the 3rd of March is to be figured as 10 days;

From the 15th of May to the 6th of June is to be figured as 21 days.

Where interest is payable on 30th or 31st of the month:

From 30th or 31st to 1st of the following month to be figured as 1 day;

From 30th or 31st to 30th of the following month to be figured as 30 days;

From 30th or 31st to 31st of the following month to be figured as 30 days;

From 30th or 31st to 1st of second following month to be figured as 1 month, 1 day.

(c) Securities Traded "and interest"

When delivery of a security traded "and interest" is made between the record date fixed for the purpose of determining the holder entitled to receive interest and the interest payment date, a deduction equivalent to the full amount of the interest to be paid shall be made on settlement.

(d) Securities Traded "flat"

When delivery of a security traded "flat" is made after the record date fixed for the purpose of determining the holder entitled to receive interest, in the settlement of a contract made prior to the date on which the security was traded "ex-interest," a due-bill check for the full amount of the interest to be paid shall accompany the delivery.

(e) Income Bonds

Income bonds shall be dealt in "flat" even though such bonds are paying interest, except that where a certain fixed rate is guaranteed in the indenture and provision is made for additional contingent payment, they shall be dealt in "and interest" at the fixed rate guaranteed in the indenture (so long as interest payments at such fixed rate are not in default and no announcement of intention to default has been made).

(f) Fractions of a Cent

In all transactions involving the payment of interest, fractions of a cent equaling or exceeding five mills shall be regarded as one cent; fractions of a cent less than five mills shall be disregarded.

11630. Due-Bills and Due-Bill Checks

(a) Definition of Due-Bills

The term "due-bill" as used in this Rule means an instrument employed for the purpose of evidencing the transfer of title to any security or rights pertaining to any security contracted for or evidencing the obligation of a seller to deliver such to a subsequent purchaser. A due-bill shall not be transferable or assignable by the purchaser.

(b) Definition of Due-Bill Checks

The term "due-bill checks" as used in this Rule means a due-bill in the form of a check payable on the date of payment of a cash dividend, interest on registered bonds or interest on unit investment trust securities, which prior to such date shall be considered as a due-bill, as defined in paragraph (a) above, for the amount of such dividend or interest.

(c) Due-bills for Stock Dividends and Rights

A security sold before it trades "ex-dividend" (for stock and scrip dividends) or "ex-rights" and delivered too late for transfer on or before the record date, shall be accompanied by a due-bill for the distribution to be made. When a due-bill accompanying a delivery evidences the obligation of the seller to deliver stock, the purchaser shall prorate the value of the contract, and shall make payment of the balance upon redemption of the due-bill. The requirement to pro-rate the value of the contract as described above shall not apply to stock dividends less than ten percent (10%) or to "spinoffs" or rights.

(d) Due-bill Checks for Cash Distribution and Interest

Due-bill checks for a cash distribution, interest on registered bonds or interest on unit investment trust securities shall accompany securities delivered too late for transfer on or before the record date.

(e) Redemption of Due-Bills

Due-bills for any security or rights pertaining to any security shall be redeemable on the date on which the security or rights are issued by the corporation or as soon thereafter as the signer or guarantor of the due-bill can obtain transfer of the security or rights into denominations necessary to effect the redemption of the due-bills.

(f) Default Upon Redemption of Due-Bills

A due-bill for any security or rights pertaining to any security issued pursuant to paragraph (c) of this Rule and presented for redemption pursuant to the terms of paragraph (e), and not honored by the seller may, at the option of the buyer, be treated as a "fail to receive" from the seller, and the distribution evidenced by such due-bill may be bought-in for the account and risk of the seller pursuant to the terms of Rule 11810. However, buy-ins executed in accordance with this paragraph must be executed after the payable date of such securities as determined by the issuing corporation.

IM-11630. Sample Due-Bill Forms

(a) Due-Bill for Stock Dividend or Stock Distribution

For value received, the undersigned hereby assigns, transfers and sets over to the stock distribution of () shares of stock of to be issued on to the registered holder of () shares of stock of represented by certificate number , to which the undersigned is entitled as a stock dividend, and hereby irrevocably constitutes and appoints attorney to transfer the shares representing said stock dividend on the books of said corporation, with full power of substitution in the premises.

Dated

(Official Signature)

(b) Due-Bill for Rights

For value received, the undersigned hereby assigns, transfers, and sets over to the warrant and/or fractional warrant to which the undersigned is entitled, evidencing the rights to subscribe for , which warrant and/or fractional warrant is to be issued to the holder of record at the close of business of () shares of stock of represented by certificate No

Dated

(Official Signature)

(c) Due-Bill for Interest on When Issued Contract

This is to certify that, upon issuance of in accordance with the plan approved by , the undersigned will pay to \$ representing (contingent)(income) interest for on \$ principal amount of said bonds sold to him when, as, and if issued on 19

This due-bill shall become null and void if the contract for sale of said bonds cannot be completed in accordance with the plan approved by , on

Dated

(Official Signature)

(d) Due-Bill for Dividend on When Issued Contract

This is to certify that, upon issuance of in accordance with the plan approved by , the undersigned will pay to \$, representing the dividend of \$ per share declared for the period ending 19 , on shares of stock of sold to him when, as, and if issued on 19

This due-bill shall become null and void if the contract for sale of said stock cannot be completed in accordance with the plan approved by , on

Dated

(Official Signature)

(e) Due-Bill Check

Consider this check as due-bill until payable date as shown below

NEW YORK , 19 No. 1999

XYZ BANK

Pay To The Order Of \$

DOLLARS

In Payment of Dividend or Interest Dividend Account

On Interest Account

NOT PAYABLE BEFORE

Record Date

11640. Claims for Dividends, Rights, Interest, etc.**(a) Dividends or Rights**

A buyer of stock who has the certificate in his possession in time to enable him to effect transfer prior to the closing of the books or to the record date shall have no claim upon the seller (unless the seller is the registered holder) for the dividend or rights pertaining to such certificate, but the seller, upon request of the buyer, shall use his best efforts to collect the same for the buyer.

(b) Substantiating Claims

When a buyer of stock who has failed to have said stock transferred in time requests the seller to collect the dividends or rights pertaining thereto, the seller may require from the buyer the presentation of the certificate or a letter from the transfer agent substantiating the claim, or the buyer's written statement that he or his customer was the holder on the record date, and a guarantee of indemnity for liability arising out of any further demand for said dividend or rights.

(c) Interest or Rights

The provisions of paragraphs (a) and (b) of this Rule shall be equally applicable to interest or rights pertaining to registered bonds and unit investment trust securities.

11650. Transfer Fees

The party at whose instance a transfer of securities is made shall pay all service charges of the transfer agent.

11700. Reclamations and Rejections

11710. General Provisions

(a) Definition

The term "reclamation" as used in this Code shall mean a claim for the right to return or the right to demand the return of a security which has been previously accepted. Securities which have been presented for delivery on a transaction and which for a valid reason have been refused shall within the meaning of Rules 11710 and 11720, inclusive, be deemed a rejection for the purposes of these Rules.

(b) Uniform Reclamation Form

(1) Form Must Accompany Securities

A properly executed Uniform Reclamation Form must accompany securities on reclamation or return.¹

(2) Absence of Form Permits Sell-Out

Any security reclaimed or returned on a transaction without a properly executed Uniform Reclamation Form as prescribed within this Rule may, at the option of the receiving broker, be "sold-out" pursuant to Rule 11820 of this Code, however, in no event later than three business days after receipt of the receiving broker or his agent.

(c) Time for Delivery of Reclamation and Manner of Settlement

(1) A security with an irregularity having been delivered may be returned or

reclaimed between the hours established by rule or practice in the community where the delivery or reclamation is to be made.

(2) When a security is returned or reclaimed, the party who originally delivered it shall immediately give the party returning it either the security in proper form for delivery in exchange for the security originally delivered, or the money amount of the contract. In the latter case, unless otherwise agreed, the party to whom the security is returned shall be deemed to be failing to deliver the security until such time as a proper delivery is made.

(d) Minor Irregularities

Reclamation for an irregularity which affects only the currency of the security in the market shall be made within fifteen days from the day of original delivery, except that, if the security is issued under the jurisdiction of a foreign country, the period for reclamation under this section shall be forty-five days from the day of original delivery.

(e) Wrong Form of Certificate

Reclamation, by reason of the fact that a form of certificate was delivered which was not a good delivery, but which is exchangeable without charge for a certificate which is a good delivery, shall be made within fifteen days from the day of original delivery.

¹ Specifications for use of the Uniform Reclamation Form are contained in the Final Report of the Banking and Securities Industry Committee entitled "Four Uniform Forms" dated December 22, 1971.

IM-11710. Uniform Reclamation Form

<u>To Accompany Reclamations</u>	<u>NSCC</u>
<u>Subject to</u>	<u>FINRA — Uniform Practice Code</u>
<u>Rules & Regulations of</u>	<u>Nasdaq — Uniform Practice Code</u>

<u>RECLAIMED</u>	<u>Rec No.</u>	<u>Name of</u>	<u>Date Securities</u>
<u>TO</u>		<u>Receiver</u>	<u>Below Received</u>

<u>RECLAIMED</u>	<u>Del. No.</u>	<u>Name of</u>	<u>Date of Return</u>
<u>BY</u>		<u>Deliverer</u>	

<u>Quantity</u>	<u>Security</u>	<u>Amount</u>
	<u>Description</u> <u>(certificate's</u> <u>can</u> <u>be applied to</u> <u>reverse side of</u> <u>copy #1</u>	
	<u>Wrong Security</u> <u>_____</u> <u>Should Be</u>	<u>Wrong Money _____</u> <u>Our</u> <u>Money</u>
	<u>Carries Due Bill</u>	<u>Duplicates Delivery</u> <u>_____</u> <u>You Delivered On</u>
	<u>Needs Signature</u> <u>Guarantee</u>	<u>Wrong Settlement</u> <u>Date _____</u> <u>Our S/D</u>
	<u>Needs Tax</u> <u>Stamp</u>	<u>No Instructions</u>
	<u>Release Power</u> <u>of Attorney</u>	<u>Needs Legal Opinion</u>
	<u>Coupon Missing</u>	<u>Needs Better Account</u> <u>Date</u>

Other
Explanation

<u>Name of Person</u>	<u>Telephone Number</u>	<u>Extension</u>
-----------------------	-------------------------	------------------

making

Reclamation

(Print)

ATTACH COPIES 1 & 2 TO CERTIFICATE - COPIES 3 & 4 ARE
RETAINED BY DELIVERER

11720. Irregular Delivery — Transfer Refused — Lost or Stolen Securities

(a) Irregular Delivery

Reclamation, by reason of the fact of an irregularity in the delivery of a security, shall be within 30 months after the settlement date of the contract. For purposes of this paragraph, the term "irregular delivery" shall include, among other things, wrong, duplicate, misdirected or over-deliveries and delivery of unit investment trust securities having the incorrect payment option.

(b) Transfer Refused

Reclamation, by reason of the fact that a specific certificate tendered in settlement of a contract has been presented for transfer and transfer thereof has been refused by the transfer agent, shall be within 30 months after the settlement date of the contract.

(c) Lost or Stolen or Confiscated Securities

Reclamation, by reason of the fact that a security is lost or stolen or confiscated shall be within 30 months after the settlement date of the contract.

(d) Running of 30 Month Period

The running of the 30-month period described in this Rule shall not be deemed to foreclose a member's rights to pursue its claim via other open avenues, including but not limited to arbitration.

IM-11720. Obligations of Members Who Discover Securities in Their Possession to Which They Are Not Entitled

Any member who discovers securities in its possession to which it is not entitled is required to make reasonable attempts to ascertain and to promptly notify the true owner of such securities and to take affirmative steps to correct the situation. Failure to abide by this requirement may result in a violation of Equity 9, Section 1.

11730. Called Securities

Reclamation by reason of the fact that a security was delivered after publication of notice of call for its redemption, may be made without limit of time and such security may be returned to the party who held it at the time of such publication; except that this Rule shall not apply when an entire issue is called for redemption or when the security involved was dealt in specifically as a "called" security.

11740. Marking to the Market**(a) Demand for Deposit**

The party who is partially unsecured by reason of a change in the market value of the subject of a contract in securities may demand from the other party a deposit equal to the difference between the contract price and the market price, without being required to make a mutual deposit. Such deposit shall be made either with the member demanding same or with a mutually agreed-on depository or, on failure to agree on a depository, with any member of the Federal Reserve System with an office in the financial district of the city where the unsecured party maintains its office.

(b) Assignment of Contract

Either party to a contract in securities may assign the contract, either at the time the transaction is effected or at the time a request is made for funds to "mark to the market," provided the other party to the contract assents to the assignment.

(c) Refund of Deposit

If the market value of the subject of the contract changes so as to permit a total or partial refund of any deposits which have been made in accordance with paragraph (a) of this Rule, such refunds shall be made on demand.

(d) Delivery of Demand for Deposit or Refund

All demands for deposits or refunds shall be in writing and shall be delivered at the office of the party upon whom the demand is made during the business hours of member banks of the Federal Reserve System located in the community where such party maintains his office, and such demands shall be complied with immediately.

(e) Failure to Comply with Demand

Failure of a party to comply with a demand for a deposit or refund made in accordance with paragraphs (a), (c) and (d) of this Rule shall entitle the party making the demand to close the contract without notice, by making offsetting purchase or sale contracts in the best available market for the account and liability of the party failing to comply with said demand.

(f) Contract Closure

No contract shall be closed pursuant to paragraph (e) of this Rule prior to the expiration of regular delivery time in the community where the party making the demand maintains his office, on the next business day following the day when notice of such demand was received by the other party.

(g) Notice of Offsetting Purchase or Sale

The party making such offsetting purchase or sale contracts shall as promptly as possible on the day on which they are made (1) notify the other party via telegram, TWX, or other comparable written media, and (2) mail or deliver formal confirmation of same to the other party and a copy of said confirmation to Nasdaq Regulation.

11800. Close-Out Procedures**11810. Buying-In**

A contract which has not been completed by the seller according to its terms may be closed by the buyer not sooner than the third business day following the date delivery was due, in accordance with the following procedure:

(a) Notice of "Buy-In"

(1) Written notice of "buy-in" shall be delivered to the seller at his office not later than 12:00 noon, his time, two business days preceding the execution of the proposed "buy-in."

(2) For purposes of this Rule written notice shall include an electronic notice through a medium that provides for an immediate return receipt capability. Such electronic media shall include but not be limited to facsimile transmission, a computerized network facility, etc.

(b) Information Contained in "Buy-in" Notice

(1) Every notice of "buy-in" shall state the date of the contract to be closed, the quantity and contract price of the securities covered by said contract, the settlement date of said contract and any other information deemed necessary to properly

identify the contract to be closed. Such notice shall state further that unless delivery is effected at or before a certain specified time, which may not be prior to 11:30 a.m. local time in the community where the buyer maintains his office, the security may be "bought-in" on the date specified for the account of the seller. If the originator of a "buy-in" in a depository eligible security is a participant in a registered securities depository, the specified delivery time may not be prior to 3:00 p.m. Eastern Time and the "buy-in" may not be executed prior to 3:00 p.m., Eastern Time. Each "buy-in" notice shall also state the name and telephone number of the individual authorized to pursue further discussions concerning the buy-in.

(2) Notice may be redelivered immediately to another broker/dealer from whom the securities involved are due in the form of a re-transmitted notice (re-transmit). A re-transmitted notice of buy-in must be delivered to subsequent broker/dealers not later than 12 noon, recipient's local time, on the business day preceding the time and date of execution of the proposed buy-in, and the time specified for delivery may not be prior to the time specified in the original notice.

IM-11810. Sample Buy-In Forms

(a) Notice of Buy-In

(Member's Name)

(Locality and Date)

TO

RE:

(Quantity and description of Security)

which is due from you to the undersigned on a contract made on at for settlement

(Date of Contract) (Contract Price)

(Settlement Date)

We hereby notify you that unless you make delivery of the foregoing security at or before (Time and Date) the security will be bought in for your account and risk pursuant to Rule 11810 in the Uniform Practice Code.

Note: If some or all of the foregoing securities are due you by another member of Nasdaq Rule 11810(b) permits the use of the re-transmitted buy-in.

Buy-In Dept.

By:

Phone:

(b) Notice of Re-transmitted Buy-In

(Member's Name)

(Locality and Date)

TO

RE:

(Quantity and Description of Security)

which is due from you to the undersigned on a contract made on at settlement on

(Date of Contract) (Contract Price)

(Settlement Date)

We hereby inform you that a notice of buy-in has been issued with respect to the aforesaid securities and stated that unless delivery was made at or before (Time and date on original buy-in) the securities may be bought in pursuant to Rule 11810 in the Uniform Practice Code.

Note: If some or all of the foregoing securities are due you by another member of Nasdaq Rule 11810(b) permits the use of the re-transmitted buy- in.

Buy-In Dept.

By:

Phone:

(c) Seller's Failure to Deliver After Receipt of Notice

(1)

(A) On failure of the seller to effect delivery in accordance with the "buy-in" notice, or to obtain a stay as hereinafter provided, the buyer may close the contract by purchasing all or part of the securities necessary to satisfy the amount requested in the "buy-in" notice. Securities delivered subsequent to the receipt of

the "buy-in" notice should be considered as delivered pursuant to the "buy-in" notice. Delivery of the requisite number of shares, as stated in the "buy-in" notice, or execution will also operate to close-out all contracts covered under re-transmitted notices of buy-ins issued pursuant to the original notice of buy-in. A "buy-in" may be executed by a member from its long position and/or from customers' accounts maintained with such member.

(B) For transactions where the buyer is a customer (other than another member), upon failure of a clearing corporation to effect delivery in accordance with a buy-in notice, the contract must be closed by purchasing for "cash" in the best available market, or at the option of the buyer for guaranteed delivery, for the account and liability of the party in default all or any part of the securities necessary to complete the contract.

(C) As provided in paragraph (c)(1)(A) and (B) hereof, members must be prepared to defend the price at which the "buy-in" is executed relative to the current market at the time of the "buy-in."

(2) Buy-in for unit investment trust securities. Buy-in execution options, in addition to those contained in paragraph (c)(1), may be available when the purchaser wishes to buy-in contracts made for unit investment trust securities. The purchaser may:

(A) by mutual agreement, accept from the seller in lieu of the seller's obligation under the original contract (which shall be concurrently canceled) the delivery of unit investment trust securities which are comparable to those originally bought in quantity, quality, yield or price and maturity, with any additional expenses or any additional cost of acquiring such substituted securities being borne by the seller;

(B) if the purchaser's options in paragraph (c)(1) are not available and the purchaser and seller cannot agree upon option (A), above, require the seller, for the account and liability of the seller, to repurchase the unit investment trust securities on terms which provide that the seller pay an amount which requires the seller to bear the burden of any change in the market price from the original contract price, with accrued interest. Bearing the burden of any change in the market price from the original contract price means that if the current market price is higher than the original contract price, the purchaser may require the seller to repurchase the unit investment trust securities at the current market price and conversely means that if the current market price is lower than the original contract price, the purchaser may require the seller to repurchase the unit investment trust securities at the original contract price, with accrued interest.

(d) "Buy-in" Not Completed

(1) In the event that a "buy-in" is not completed pursuant to the provisions of paragraph (b) hereof on the day specified in the notice of "buy-in," or as such date may be extended pursuant to the provisions of paragraph (f) or (g) hereof, said

notice shall expire at the close of business on the day specified in the notice of buy-in.

(2) When a "buy-in" notice is pending during a reconfirmation and pricing period and one or more members are participating in a reconfirmation and pricing service, such "buy-in" notice shall be canceled. Written notice of cancellation must be received by the non-participating member prior to the original or extended date of execution. Failure to provide such notification may result in an execution. New notice of "buy-in" may be issued no earlier than the first business day following the final reconfirmation and pricing settlement date.

(e) Partial Delivery by Seller

Prior to the closing of a contract on which a "buy-in" notice has been given, the buyer shall accept any portion of the securities called for by the contract, provided the portion remaining undelivered at the time the buyer proposes to execute the "buy-in" is not an amount which includes an odd-lot which was not part of the original transaction.

(f) Securities in Transit

If prior to the closing of a contract on which a "buy-in" notice has been given, the buyer receives from the seller written or comparable electronic notice stating that the securities are (1) in transfer; (2) in transit; (3) are being shipped that day; or (4) are due from a depository and giving the certificate numbers, except for those securities due from a depository, then the buyer must extend the execution date of the "buy-in" for a period of seven (7) calendar days from the date delivery was due under the "buy-in." Upon request of the seller, an additional extension of seven (7) calendar days may be granted by Nasdaq Regulation due to the circumstances involved.

(g) Notice of Executed "Buy-In"

The party executing the "buy-in" shall immediately upon execution, but no later than the close of business, local time, where the seller maintains his office, notify the broker/dealer for whose account the securities were bought as to the quantity purchased and the price paid. Such notification should be in written or electronic form having immediate receipt capabilities. If this written media is not available the telephone shall be used for the purpose of same day notification, and written or similar electronic notification having next day receipt capabilities must also be sent out simultaneously. In either case formal confirmation of purchase along with a billing or payment, (depending upon which is applicable), should be forwarded as promptly as possible after the execution of the "buy-in." Notification of the execution of a "buy-in" shall be given to succeeding broker/dealers to whom a re-transmitted notice was issued pursuant to paragraph (b) using the same procedures stated herein. If a re-transmitted "buy-in" is executed, it will operate to close out all contracts covered under the re-transmitted notice.

(h) "Close-Out" Under Nasdaq Regulation, Securities Association or Other Exchange Rulings

(1) When a national securities association or another exchange makes a ruling that all open contracts with a particular member, who is also a member of Nasdaq, should be closed-out immediately (or any similar ruling), members may close-out contracts as directed by the securities association or exchange.

(2) Whenever Nasdaq Regulation ascertains that a court has appointed a receiver for any member because of its insolvency or failure to meet its obligations, or whenever Nasdaq Regulation ascertains, based upon evidence before it, that a member cannot meet its obligations as they become due and that such action will be in the public interest, Nasdaq Regulation may, in its discretion, issue notification that all open contracts with the member in question may be closed-out immediately.

(3) Within the meaning of this paragraph (b), to close-out immediately shall mean that (A) "buy-ins" may be executed without prior notice of intent to "buy-in" and (B) "sell-outs" may be executed without making prior delivery of the securities called for.

(4) All close-outs executed pursuant to the provisions of this paragraph shall be executed for the account and liability of the member in question. Notification of all close-outs shall immediately be sent to such member pursuant to the confirmation provisions of the Rule 11200 Series.

(i) Failure to Deliver and Liability Notice Procedures

(1)

(A) If a contract is for warrants, rights, convertible securities or other securities which (i) have been called for redemption; (ii) are due to expire by their terms; (iii) are the subject of a tender or exchange offer; or (iv) are subject to other expiring events such as a record date for the underlying security and the last day on which the securities must be delivered or surrendered (the expiration date) is the settlement date of the contract or later the receiving member may deliver a Liability Notice to the delivering member as an alternative to the close-out procedures set forth in paragraphs (a) through (g). When the parties to a contract are both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through the use of said automated notification service. When the parties to a contract are not both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities and must be sent as soon as practicable but not later than two hours prior to the cutoff time set forth in the instructions on a specific

offer or other event to obtain the protection provided by this Rule.

(B) If the contract is for a deliverable instrument with an exercise provision and the exercise may be accomplished on a daily basis, and the settlement date of the contract to purchase the instrument is on or before the requested exercise date, the receiving member may deliver a Liability Notice to the delivering member no later than 11:00 a.m. on the day the exercise is to be effected. Notice may be redelivered immediately to another member but no later than noon on the same day. When the parties to a contract are both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through the use of said automated notification service. When the parties to a contract are not both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities. If the contract remains undelivered at expiration, and has not been canceled by mutual consent, the receiving member shall notify the defaulting member of the exact amount of the liability on the next business day.

(C) In all cases, members must be prepared to document requests for which a Liability Notice is initiated.

(2) If the delivering member fails to deliver the securities on the expiration date, the delivering member shall be liable for any damages which may accrue thereby. A Liability Notice delivered in accordance with the provisions of this Rule shall serve as notification by the receiving member of the existence of a claim for damages. All claims for such damages shall be made promptly.

(3) For the purposes of this Rule, the term "expiration date" shall be defined as the latest time and date on which securities must be delivered or surrendered, up to and including the last day of the protect period, if any.

(4) If the above procedures are not utilized as provided under this Rule, contracts may be "bought-in" without prior notice, after normal delivery hours established in the community where the buyer maintains his office, on the expiration date. Such buy-in execution shall be for the account and risk of the defaulting member.

(j) Contracts Made for Cash

Contracts made for "cash," or made for or amended to include guaranteed delivery on a specified date may be "bought-in" without notice during the normal trading hours on the day following the date delivery is due on the contract; otherwise, the procedures set forth in paragraphs (a) through (f) of this Rule shall apply. In all cases, notification of executed "buy-in" must be provided pursuant to paragraph (g) of this Rule. "Buy-ins" executed in accordance with this paragraph shall be for the account and risk of the

defaulting broker/dealer.

(k) Information on Notices

Notices of "buy-in" and "re-transmitted buy-in" shall include all information contained in the sample forms prescribed by Nasdaq.

(l) "Buy-In" Desk Required

Members shall have a "buy-in" section or desk adequately staffed to process and research all "buy-ins" during normal business hours.

(m) Buy-In of Accrued Securities

Securities in the form of stock, rights or warrants which accrue to a purchaser shall be deemed due and deliverable to the purchaser on the payable date. Any such securities remaining undelivered at that time shall be subject to the "buy-in" procedures as provided under this Rule.

11820. Selling-Out

(a) Conditions Permitting "Sell-Out"

Upon failure of the buyer to accept delivery in accordance with the terms of the contract, and lacking a properly executed Uniform Reclamation Form or the equivalent depository generated advice for depository eligible securities meeting the requirements prescribed in Rule 11710(b), the seller may, without notice, "sell-out" in the best available market and for the account and liability of the party in default all or any part of the securities due or deliverable under the contract.

(b) Notice of "Sell-Out"

The party executing a "sell-out" as prescribed above shall, as promptly as possible on the day of execution, but no later than the close of business, local time, where the buyer maintains his office, notify the broker/dealer for whose account and risk such securities were sold of the quantity sold and the price received. Such notification should be in written or electronic form having immediate receipt capabilities. A formal confirmation of such sale should be forwarded as promptly as possible after the execution of the "sell-out."

11830. Reserved

11840. Rights and Warrants

(a) Definition — "Rights"

The term "rights" or "rights to subscribe," as used in this Rule is the privilege offered to holders of record of issued securities to subscribe (usually on a pro rata basis) for additional securities of the same class, of a different class, or of a different issuer as the case may be.

(b) Definition — "Warrants"

The term "warrants" or "stock purchase warrants" as used in this Rule is an instrument issued separately or accompanying other securities, but not necessarily issued to stockholders of record as of a specific date; i.e., warrants issued with or attached to bonds, common stock, preferred stocks, etc. The instrument represents the privilege to purchase securities at a stipulated price or prices and is usually valid for several years.

(c) Basis and Unit of Trading — Rights

Except as otherwise designated by Nasdaq Regulation, transactions in rights to subscribe shall be on the basis of one right accruing to each share of issued stock and the unit of trading in rights shall be 100 rights (unless otherwise specified).

(d) Basis and Unit of Trading — Warrants

Except as otherwise agreed or designated by Nasdaq Regulation, transactions in stock purchase warrants shall be on the basis of one warrant representing the right of the purchaser to receive one warrant in settlement of such transaction and the unit of trading shall be 100 warrants. Members must ascertain how many warrants they have to sell, what each warrant entitles the holder to purchase, the purchase price, and the current price of the warrant relative to the price of the underlying security which may be purchased. Trades in warrants should be properly described on comparisons and confirmations.

(e) Securities Which Have Expired by Their Terms

(1) In contracts for warrants, rights or other securities which have expired by their terms, deliveries effected more than thirty (30) days after expiration shall consist of (A) the expired securities; or (B) a Letter of Indemnity in lieu of the expired instrument.

(2) In the case of units or other securities of which one or more of the integral parts of the instrument has expired by its terms, after expiration, the instrument shall cease to be a unit as originally contemplated in the contract. Deliveries effected after expiration shall consist of the unexpired security and (A) the expired instrument; or (B) a Letter of Indemnity in lieu of the expired instrument.

(3) Deliveries effected pursuant to paragraphs (e)(1) and (2) of this Rule shall be settled at the existing contract price.

IM-11840. Sample Letter of Indemnity

DATE _____

TO: _____

RE: _____

(Quantity and Description)

CUSIP # _____

For value received the undersigned hereby assigns, transfers and sets over to you all rights and privileges which may accrue on the above contract made on (Date of Contract) ---- at (Contract Price) _____ for settlement (Settlement Date).

Upon acceptance of this delivery in lieu of physical certificates, we agree, for ourselves, our successors, assigns, heirs, executors and administrators, to at all times indemnify and hold harmless from and against any and all claims, liabilities, damages, taxes, charges and expense sustained or incurred by reason of this action. Acceptance of this delivery shall operate to close- out the above stated contract in accordance with the provisions of Nasdaq's Uniform Practice Code.

(Member Firm)(Official Signature)

If any questions, please contact at (telephone Number)

11850. Reserved**11860. Acceptance and Settlement of COD Orders**

(a) Nasdaq members shall comply with FINRA Rule 11860 as if such Rule were part of Nasdaq's rules.

(b) Nasdaq and FINRA are parties to the Regulatory Contract pursuant to which FINRA has agreed to perform certain functions on behalf of Nasdaq. Therefore, Nasdaq members are complying with Nasdaq Rule 11860 by complying with FINRA Rule 11860 as written, including, for example, filing requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under Nasdaq Rule 11860 are being performed by FINRA on behalf of Nasdaq.

11870. Customer Account Transfer Contracts

(a) Nasdaq members shall comply with FINRA Rule 11870 as if such Rule were part of Nasdaq's rules.

(b) Nasdaq and FINRA are parties to the Regulatory Contract pursuant to which

FINRA has agreed to perform certain functions on behalf of Nasdaq. Therefore, Nasdaq members are complying with Nasdaq Rule 11870 by complying with FINRA Rule 11870 as written, including, for example, filing requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under Nasdaq Rule 11870 are being performed by FINRA on behalf of Nasdaq.

(c) Pursuant to the Rule 9600 Series, Nasdaq may exempt from the provisions of this Rule, either unconditionally or on specified terms and conditions, (A) any member, or (B) any type of account, security or financial instrument.

IM-11870. Sample Transfer Instruction Forms

(a) **Customer Account Transfer**

- - -

CUSTOMER SECURITIES ACCOUNT TRANSFER INSTRUCTION

- - -

<u>RECEIVING FIRM</u>	<u>(Date)</u>
<u>RECEIVING FIRM ACCOUNT NUMBER</u>	<u>CARRYING FIRM</u>
<u>ACCOUNT TITLE</u>	<u>CARRYING FIRM ACCOUNT NUMBER</u>
<u>ACCOUNT TYPE</u>	
<u>TAX ID OR SS NUMBER</u>	<u>(C = CASH, M = MARGIN)</u>

- - -

TO

(Receiving Firm Name and Address)

Please receive my entire securities account from the below indicated carrying firm and remit to it the debit balance or accept from it the credit balance in my securities account.

TO

(Carrying Firm Name and Address)

Please transfer my entire securities account to the above indicated receiving firm, which has been authorized by me to make payment to you of the debit balance or to receive payment of the credit balance in my securities account. I understand that to the extent

any assets or instruments in my securities account are not readily transferable, with or without penalties, such assets or instruments may not be transferred within the time frames required by Rule 11870 of Nasdaq's Uniform Practice Code.

I understand that you will contact me with respect to the disposition of any assets in my securities account that are nontransferable. If certificates or other instruments in my securities account are in your physical possession, I instruct you to transfer them in good deliverable form, including affixing any necessary tax waivers, to enable such receiving firm to transfer them in its name for the purpose of sale, when and as directed by me. I further instruct you to cancel all open orders for my securities account on your books.

I affirm that I have destroyed or returned to you any credit/debit cards and/or unused checks issued to me in connection with my securities account.

- - -
(Customer's Signature) - (Date)

- - -
(Customer's Signature if Joint Account) - (Date)

[It is suggested that a copy of the customer's most recent account statement be attached.]

Receiving Firm Contact:

Name - Phone Number

- - -

For Broker Use Only:

Mutual Fund Registration Instructions:

Registration Name

-
Address

-
Tax ID #

-
Dividend and Capital Gains Options:

Reinvest () - Dividend Cash/Capital Gains Reinvest ()

All Cash () - Deposit to New Plan ()

Issue Certificate () - Deposit to Existing Plan ()

Broker Instructions (if broker agreement exists):

Name

-
Address

-
RR Name/Number/Branch

(b) Customer Retirement Account Transfer

**CUSTOMER RETIREMENT PLAN SECURITIES ACCOUNT TRANSFER
INSTRUCTION**

<u>RECEIVING FIRM</u>	-	<u>CARRYING FIRM</u>
<u>RECEIVING FIRM ACCOUNT NUMBER</u>	-	<u>CARRYING FIRM ACCOUNT NUMBER</u>
<u>ACCOUNT TITLE</u>	-	-
<u>ACCOUNT TYPE</u>	-	<u>(I = IRA, Q = QUALIFIED)</u>
<u>TAX ID OR SS NUMBER</u>		
<u>TO</u>		

(Prior Custodian/Trustee Name, Address and Tax ID Number)

You are the custodian/trustee for my retirement plan securities account with

(Carrying Firm Name and Address)

as my broker. Please be advised that I have amended my retirement plan and have adopted a new retirement plan with the below indicated as successor custodian/trustee and as broker

(Receiving Firm Name and Address)

Pursuant to said amendment, please transfer all assets in my securities account to such successor custodian/trustee. I understand that to the extent any assets in my account are not readily transferable, with or without penalties, such assets may not be transferred within the time frames required by Rule 11870 of Nasdaq's Uniform Practice Code.

I understand that the above indicated carrying firm will contact me with respect to the disposition of any assets in my account that are nontransferable. I authorize you to deduct any outstanding fees due you from the credit balance in my account. If my account does not contain a credit balance, or if the credit balance in the account is insufficient to satisfy any outstanding fees due you, I authorize you to liquidate the assets in my account to the extent necessary to satisfy any outstanding fees due you. If certificates or other instruments in my account are in your physical possession, I instruct you to transfer them in good deliverable form, including affixing any necessary tax waivers, to enable the successor custodian/trustee to transfer them in its name for the

purpose of sale, when and as directed by me. Upon receiving a copy of this transfer instruction, the carrying firm will cancel all open orders for my account on its books.

- (Customer's Signature) - (Date)

Please be advised that

- (Successor Custodian/Trustee Name, Address and Tax ID Number)

will accept the above captioned account as successor custodian/trustee.

Please send all checks to

and non-DTC eligible items to

- (Successor Custodian/Trustee Authorized Signature) - (Date)

- (Tax ID Number) - (Date of Trust)

[It is suggested that a copy of the customer's most recent account statement be attached.]

Receiving Firm Contact:

Name Phone Number

For Broker Use Only:

Mutual Fund Registration Instructions:

Registration Name

Address

Tax ID #

Dividend and Capital Gains Options:

Reinvest () Dividend Cash/Capital Gains Reinvest ()

All Cash () Deposit to New Plan ()

Issue Certificate () Deposit to Existing Plan ()

Broker Instructions (if broker agreement exists):

Name

Address

RR Name/Number/Branch

(c)Mutual Fund Re-Registration

MUTUAL FUND RE-REGISTRATION INSTRUCTIONS USED FOR BROKER-TO-BROKER TRANSFERS

- (1) TO:
 - Transfer Agent:
 - Address:
- Date:
- Name of Fund:
- Fund A/C #:
- Certificate # (if in physical form)
- (2) Present Account Information
 - [Certificate attached must be in negotiable form.]
 - Account Registration:
- (3)(A) Broker Identification
 - Old Firm Name and In-house A/C#
- (3)(B) Registration Instructions
 - New Firm Name and In-house A/C#
 - Please transfer shares from the above-referenced account and register as follows:
 - Name
 - Address
 - Tax ID #
- (4) Dividend and Capital Gains Option:
 - Reinvest ()
 - All Cash ()
 - Issue Certificate ()
- (5) Broker/Dealer Instructions
 - Dividend Cash/Capital Gains Reinvest ()
 - Deposit to New Plan ()
 - Deposit to Existing Plan ()
 - If a Broker/Dealer Agreement exists:
 - Name
 - Address
 - RR
 - Name/Number/Branch
 - In consideration for your complying with the above request, we hereby agree to indemnify the:
 - (fund)
 - and

(6) Release

-
 (agent)
 - against any and all losses incurred hereof.
Thank you in advance for your cooperation in this matter.
Sincerely,
(Signature Guarantee Stamp)
 -
Authorized Signature

If there are any questions call:

<u>(Signature of Delivering Broker)</u>	-	-	<u>(Phone Number)</u>
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<u>(Signature of Receiving Broker)</u>	-	-	<u>(Phone Number)</u>
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Items 1, 2, 3a are completed by the delivering broker.
Items 3b, 4 and 5 are completed by the receiving broker.

11880. Settlement of Syndicate Accounts

(a) Definitions

(1) "Selling syndicate" means any syndicate formed in connection with a public offering to distribute all or part of an issue of corporate securities by sales made directly to the public by or through participants in such syndicate.

(2) "Syndicate account" means an account formed by members of the selling syndicate for the purpose of purchasing and distributing the corporate securities of a public offering.

(3) "Syndicate manager" means the member of the selling syndicate that is responsible for maintenance of syndicate account records.

(4) "Syndicate settlement date" means the date upon which corporate securities of a public offering are delivered by the issuer to or for the account of the syndicate members.

(b) Final settlement of syndicate accounts shall be effected by the syndicate manager within 90 days following the syndicate settlement date.

(c) No later than the date of final settlement of the syndicate account, the syndicate manager shall provide to each member of the selling syndicate an itemized statement

of syndicate expenses that shall include, where applicable, the following categories of expenses: legal fees; advertising; travel and entertainment; closing expenses; loss on oversales; telephone; postage; communications; co-manager's expenses; computer, data processing charges; interest expense; and miscellaneous. The amount under "miscellaneous" should not be disproportionately large in relation to other items and should include only minor items that cannot be easily categorized elsewhere in the statement. Any other major items not included in the above categories shall be itemized separately.

(d) Settlement of Underwritten Public Offerings

The syndicate manager of a public offering underwritten on a "firm-commitment" basis shall, immediately, but in no event later than the scheduled closing date, notify Nasdaq's Uniform Practice Department of any anticipated delay in the closing of such offering beyond the closing date in the offering document or any subsequent delays in the closing date previously reported pursuant to this Rule.

11890. Clearly Erroneous Transactions

The provisions of paragraphs (a)(2)(C), (c)(1), (b)(i), and (b)(ii) of this Rule, as amended on September 10, 2010, and the provisions of paragraphs (g) through (i), shall be in effect during a pilot period that expires at the close of business on April 20, 2021. If the pilot period is not either extended or approved as permanent, the prior versions of paragraphs (a)(2)(C), (c)(1), and (b) shall be in effect, and the provisions of paragraphs (g) through (i) shall be null and void.

(a) Authority to Review Transactions Pursuant to Complaint of Market Participant

(1) Definition.

For purposes of this rule, the terms of a transaction executed on Nasdaq are "clearly erroneous" when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties or determined by Nasdaq to be clearly erroneous will be removed from the consolidated tape. Executions as a result of a Halt Auction under Rule 4120(c)(10) are not eligible for a request for review as clearly erroneous under this Rule.

(2) Requests and Timing of Review.

A member that receives an execution on an order that was submitted erroneously to Nasdaq for its own or customer account may request that Nasdaq review the transaction under this rule. An official of Nasdaq shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public

interest. Such requests for review shall be made in writing via electronic complaint or other means specified from time to time by Nasdaq as announced in a Notice to Members or Head Trader Alert. A request for review shall include information concerning the time of the transaction(s), security symbol(s), number of shares, or other unit of trading, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request that satisfies the guidelines set forth in paragraph (a)(2)(C) the counterparty to the trade shall be notified by Nasdaq as soon as practicable, but generally within 30 minutes. A Nasdaq official may request additional supporting written information to aid in the resolution of the matter. If requested, each party to the transaction shall provide, within 30 minutes of the request, any supporting written information. Either party to the disputed trade may request the supporting written information provided by the other party on the matter.

(A) Filing Time Periods

(i) Except as provided in paragraph (a)(2)(A)(ii) and (a)(2)(A)(iii), any member or person associated with a member that seeks to have a transaction reviewed pursuant to paragraph (a) hereof shall submit a written complaint to Nasdaq MarketWatch within 30 minutes of the execution time.

(ii) Routed executions to other market centers will generally have an additional 30 minutes from receipt of their participant's timely filing, but no longer than 60 minutes from the time of the execution at issue, to file with Nasdaq for review of transactions routed to Nasdaq from that market center and executed on Nasdaq.

(iii) In the case of an Outlier Transaction, a Nasdaq official may at its sole discretion, and on a case-by-case basis, consider requests received pursuant to this rule after 30 minutes, but not longer than 60 minutes after the transaction in question, depending on the facts and circumstances surrounding such request. "Outlier Transaction" means a transaction where:

(A) the execution price of the security is greater than three times the current Numerical Guidelines set forth in paragraph (a)(2)(C), or

(B) the execution price of the security in question is not within the Outlier Transaction parameters set forth in subparagraph (iii)(A) above, but the execution price breaches the 52-week high or 52-week low. In such cases, Nasdaq may consider Additional Factors as outlined in paragraph (a)(2)(C)(3), in determining if the transaction qualifies for further review or if Nasdaq shall decline to act.

(B) Once a party has applied to Nasdaq for review and the transaction has been determined to be eligible for review, the transaction shall be reviewed and a determination rendered, unless (i) both parties (or the party in the case of a cross order entered into one of Nasdaq's crossing networks) to the transaction agree to withdraw the application for review prior to the time a decision is rendered by the

Nasdaq official, or (ii) the complainant withdraws its application for review prior to the notification of counterparties. In the event that the Nasdaq official determines that the transaction in dispute is clearly erroneous, the official shall declare the transaction null and void. A determination shall be made generally within 30 minutes of receipt of the complaint, but in no case later than the start of Regular Trading Hours (9:30:00 to 4:00:00) or, for the Nasdaq Bond Exchange, no later than the start of the Bond Trading Session (8:30:00 to 4:00:00), on the following trading day. The parties shall be promptly notified of the determination.

(C) Determinations of a clearly erroneous execution will be made as follows:

(1) Numerical Guidelines. Subject to the provisions of paragraph (C)(3) below, a transaction executed shall be found to be clearly erroneous only if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The execution time of the transaction under review determines whether the threshold is Regular Trading Hours or Pre-opening and After Hours Trading Hours (which occurs before and after the Regular Trading Hours). The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (A) Multi- Stock Events involving twenty or more securities, as described in subparagraph (C)(2) below; and (B) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

<u>Reference Price, Circumstance or Product</u>	<u>Regular Trading Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price):</u>	<u>Pre-Opening and After Hours Trading Session Numerical Guidelines (Subject transaction's % difference from the Reference Price):</u>
<u>Greater than \$0.00 up to and including \$25.00</u>	<u>10%</u>	<u>20%</u>
<u>Greater than \$25.00 up to and including \$50.00</u>	<u>5%</u>	<u>10%</u>
<u>Greater than \$50.00</u>	<u>3%</u>	<u>6%</u>

<u>Multi- Stock Event - Filings involving five or more, but less than twenty, securities whose executions occurred within a period of five minutes or less</u>	<u>10%</u>	<u>10%</u>
<u>Multi-Stock Event - Filings involving twenty or more securities whose executions occurred within a period of five minutes or less</u>	<u>30%, subject to the terms of paragraph (C)(2) below</u>	<u>30%, subject to the terms of paragraph (C)(2) below</u>
<u>Leveraged ETF/ETN securities</u>	<u>Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (ie. 2x)</u>	<u>Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (ie. 2x)</u>

(2) Multi-Stock Events Involving Twenty or More Securities. During Multi-Stock Events involving twenty or more securities the number of affected transactions is such that immediate finality may be necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, Nasdaq may use a Reference Price other than consolidated last sale. To ensure consistent application across market centers when this paragraph is invoked, Nasdaq will promptly coordinate with the other market centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. Nasdaq will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by Nasdaq and other markets consistent with this paragraph.

(3) Additional Factors. Except in the context of a Multi-Stock Event involving five or more securities, a Nasdaq official may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an IPO, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, Pre-Opening and After Hours Trading Session executions, validity of the

consolidated tapes trades and quotes, consideration of primary market indications, and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(4) *Erroneous Trades on the Nasdaq Bond Exchange.* In lieu of paragraphs (C)(1)-(C)(3) above, when determining whether a trade in non-convertible bonds listed on the Nasdaq Bond Exchange is clearly erroneous, a Nasdaq official may consider any and all relevant factors of an execution on a case by case basis including, but not limited to, the following: (i) execution price; (ii) volume and volatility of a nonconvertible bond; (iii) news released for the issuer or the non-convertible bond and/or the related equity security; (iv) trading halts; (v) corporate actions; (vi) general market conditions; (vii) the rating of the non-convertible bond; (viii) interest and/or coupon rate; (ix) maturity date; (x) yield curves; (xi) prior print, if available within a reasonable time frame; (xii) executions inconsistent with the trading pattern of a non-convertible bond; (xiii) current day's trading high/low; (xiv) recent day's and week's trading high/low; (xv) executions outside the 52 week high/low; (xvi) effect of a single large order creating several prints at various prices; and (xvii) quotes and executions of other market centers.

(b) Procedures for Reviewing Transactions on Nasdaq's Own Motion

(i) *System Disruption or Malfunctions.* In the event of any disruption or a malfunction in the operation of any electronic communications and trading facilities of Nasdaq in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, the President of Nasdaq or any designated officer or senior level employee ("Senior Official") of Nasdaq, on his or her own motion, may review such transactions and declare such transactions arising out of the operation of such facilities during such period null and void. In such events, the Senior Official will rely on the provisions of paragraph (a)(2)(C)(1)-(4) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public interest. Absent extraordinary circumstances, any such action of the Senior Official pursuant to this paragraph (i) shall be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Senior Official must be taken by no later than the start of Regular Trading Hours (or the start of the Bond Trading Session, in the case of an action arising from a disruption or malfunction on the Nasdaq Bond Exchange) on the trading day following the date of execution(s) under review. Each Member involved in the transaction shall be notified as soon as practicable by Nasdaq, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c)(1) below.

(ii) *Senior Official Acting on Own Motion.* A Senior Official, acting on his or her own motion, may review potentially erroneous executions and declare trades null and void or shall decline to take any action in connection with the completed trade(s). In

such events, the Senior Official will rely on the provisions of paragraph (a)(2)(C)(1)-(4) of this Rule. Absent extraordinary circumstances, any such action of the Senior Official shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Senior Official must be taken by no later than the start of Regular Trading Hours (or the start of the Bond Trading Session, in the case of a potentially erroneous execution on the Nasdaq Bond Exchange) on the trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction shall be notified as soon as practicable by Nasdaq, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c)(1) below.

(c) Review by the Nasdaq Review Council

(1) A member or person associated with any such member may appeal a determination made under paragraph (a) to the Nasdaq Review Council. A member or person associated with a member may appeal a determination made under paragraph (b) to the Nasdaq Review Council unless the Senior Official making the determination also determines that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest, and further provided that with respect to rulings made by Nasdaq in conjunction with one or more additional market centers, the number of affected transactions is similarly such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest and, hence, are also non-appealable. 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. Once a written appeal has been received, the counterparty to the trade that is the subject of the appeal will be notified of the appeal and both parties shall be able to submit any additional supporting written information up until the time the appeal is considered by the Nasdaq Review Council. Either party to a disputed trade may request the written information provided by the other party during the appeal process. An appeal to the Nasdaq Review Council shall not operate as a stay of the determination being appealed, and the scope of the appeal shall be limited to trades to which the person making the appeal is a party.

Once a party has appealed a determination to the Nasdaq Review Council, the determination shall be reviewed and a decision rendered, unless (i) both parties to the transaction agree to withdraw the appeal prior to the time a decision is rendered by the Nasdaq Review Council, or (ii) the party filing the appeal withdraws its appeal prior to the notification of counterparties. The Nasdaq Review Council panel shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review. On requests for appeal received between 3:00 ET and the close of trading in the Late Trading Session or the Bond Trading Session, as applicable, a decision will be rendered as soon as practicable, but in no case later than the trading day following the date of the

execution under review. Upon consideration of the record, and after such hearings as it may in its discretion order, the Nasdaq Review Council, pursuant to the standards set forth in this rule, shall affirm, modify, reverse, or remand the determination.

(2) The panel shall consist of three or more members of the Nasdaq Review Council, provided that no more than 50 percent of the members of any panel are directly engaged in market making activity or employed by a member firm whose revenues from market making activity exceed ten percent of its total revenues. In no case shall a Nasdaq Review Council Panel include a person affiliated with a party to the trade in question.

(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 pursuant to paragraph (a) or (b) or any decision by the Nasdaq Review Council pursuant to paragraph (c) shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(d) Communications

(1) All materials submitted to Nasdaq or the Nasdaq Review Council pursuant to this Rule shall be submitted in writing within the time parameters specified herein via the online complaint form available at www.NasdaqTrader.com, facsimile, or such other telecommunications procedures as Nasdaq may announce from time to time in a Notice to Members or Head Trader Alert. Materials shall be deemed received at the time indicated by the telecommunications equipment (e.g., facsimile machine or computer) receiving the materials. Nasdaq, in its sole and absolute discretion, reserves the right to reject or accept any material that is not received within the time parameters specified herein. All times stated in this rule are Eastern Time.

(2) Nasdaq shall provide affected parties with prompt notice of filings and determinations under this Rule via facsimile machine, electronic mail, telephone (including voicemail), press release, system status, web posting or any other method reasonably expected to provide rapid notice to many market participants. During periods of high volatility and large numbers of requests for clearly erroneous review, Nasdaq may streamline the notification process to expedite the adjudicatory review in such manner as Nasdaq may announce from time to time by a Notice to Members or Head Trader Alert.

(e) Fees

(1) Filing Fees

No fee shall be assessed to a member for filing two or fewer unsuccessful clearly

erroneous complaints pursuant to paragraph (a)(2) during a calendar month. A member shall be assessed a fee of \$250.00 for each additional unsuccessful complaint filed thereafter during the calendar month. An unsuccessful complaint is one in which Nasdaq does not break any of the trades included in the complaint. Each security filed on is considered a separate complaint. In cases where the member files on multiple securities at the same time, Nasdaq calculates the fee separately for each security depending upon whether Nasdaq breaks any trades filed on by the member in that security. Adjustments or voluntary breaks negotiated by Nasdaq to trades executed at prices that meet the Numerical Guidelines set forth in (a)(2)(C)(1) count as breaks by Nasdaq for purposes of this paragraph. A member for purposes of this paragraph (e)(1) is defined by each unique broker Web CRD Number. All MPIDs associated with that Web CRD Number shall be included when calculating the number of unsuccessful clearly erroneous complaints for that member during the calendar month. No fee pursuant to this paragraph (e)(1) shall be assessed for a complaint that is (A) successful, where the final decision by Nasdaq (including after appeal, if any) is to break at least one of the trades filed on by the member, (B) not timely filed under the parameters in paragraph (a)(2)(A), (C) withdrawn by the complainant within five (5) minutes of filing and before Nasdaq has performed any substantial work on the complaint, or (D) adjudicated by Nasdaq on its own motion under Rule 11890(b).

(2) Appeal Fees

The party initiating an appeal shall be assessed a \$500.00 fee if the Nasdaq Review Council upholds the decision of the Nasdaq official.

(3) Fees Charged By Another Market Center

In instances where Nasdaq, on behalf of a member, requests a determination by another market center that a transaction is clearly erroneous, Nasdaq will pass any resulting charges through to the relevant member.

(f) Refusal to Abide by Rulings of a Nasdaq Official or the Nasdaq Review Council

It shall be considered conduct inconsistent with just and equitable principles of trade for any member to refuse to take any action that is necessary to effectuate a final decision of a Nasdaq official or the Nasdaq Review Council under Rule 11890.

(g) Securities Subject to Limit Up-Limit Down Plan. For purposes of this paragraph, the phrase "Limit Up-Limit Down Plan" or "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The provisions of paragraphs (a) through (f) above and (h) through (i) below shall govern all Exchange transactions, including transactions in securities subject to the Plan, other than as set forth in this paragraph (g). If as a result of an Exchange technology or systems issue any transaction occurs outside of the applicable price

bands disseminated pursuant to the Plan, a Senior Official of the Exchange, acting on his or her own motion or at the request of a third party, shall review and declare any such trades null and void. Absent extraordinary circumstances, any such action of the Senior Official of the Exchange shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Senior Official of the Exchange must be taken by no later than the start of Regular Trading Hours on the trading day following the date on which the execution(s) under review occurred. Each Member involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, the Exchange will make the determination of whether to nullify transactions based on paragraphs (a) through (f) above and (h) through (i) below.

(h) **Multi-Day Event.** A series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the "Event"). An Officer of the Exchange or senior level employee designee, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, an Officer of the Exchange or senior level employee designee shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a security. To the extent transactions related to an Event occur on one or more other market centers, the Exchange will promptly coordinate with such other market center(s) to ensure consistent treatment of the transactions related to the Event, if practicable. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each Member involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c) above.

(i) **Trading Halts.** In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer of the Exchange or senior level employee designee, acting on his or her own motion, shall nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error

and is then re-instituted, an Officer of the Exchange or senior level employee designee shall nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of the Regular Market Session (or the Bond Trading Session, as applicable) on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each Member involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (c) above.

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OPTIONS RULES

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Options 9 Business Conduct

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Section 4. Reserved.[Disruptive Quoting and Trading Activity Prohibited

(a) No Participant shall engage in or facilitate disruptive quoting and trading activity on the Exchange, as described in subsections (i) and (ii) of this Rule, including acting in concert with other persons to effect such activity.

(1) For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the following facts are present:

(A) Disruptive Quoting and Trading Activity Type 1:

(i) a party enters multiple limit orders on one side of the market at various price levels (the "Displayed Orders"); and

(ii) following the entry of the Displayed Orders, the level of supply and demand for the security changes; and

(iii) the party enters one or more orders on the opposite side of the market of the Displayed Orders (the "Contra-Side Orders") that are subsequently executed; and

(iv) following the execution of the Contra-Side Orders, the party cancels the Displayed Orders.

(B) Disruptive Quoting and Trading Activity Type 2:

(i) a party narrows the spread for a security by placing an order inside the NBBO; and

(ii) the party then submits an order on the opposite side of the market that executes against another market participant that joined the new inside market established by the order described in paragraph (b)(i).

(iii) Applicability. For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the facts listed above are present. Unless otherwise indicated, the order of the events indicating the pattern does not modify the applicability of the Rule. Further, disruptive quoting and trading activity includes a pattern or practice in which of the quoting and trading activity is conducted on the Exchange as well as a pattern or practice in which some portion of the quoting or trading activity is conducted on the Exchange and the other portions of the quoting or trading activity is conducted on one or more other exchanges.]

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