



FREQUENTLY ASKED QUESTIONS: NEXTSHARES EXCHANGE-TRADED MANAGED FUNDS

Overview

1. What is a NextShares Exchange-Traded Managed Fund?

NextShares Exchange Traded Managed Funds are a new type of exchange-traded product designed to bring the performance advantages and tax efficiencies of ETFs to active fund strategies while protecting confidential portfolio trading information. NextShares will be required to disclose their portfolio holdings at least quarterly with no more than a sixty-day lag, like mutual funds. The SEC issued an order granting Eaton Vance approval to offer NextShares on December 2, 2014.

Additional information on NextShares can be found at www.nextshares.com.

2. How do NextShares differ from a traditional ETF?

Like a mutual fund, NextShares are not required to disclose fund holdings on a daily basis. Rather than requiring market makers to calculate the Intraday Net Asset Value (NAV) in order to make a market, intraday prices will be reflected in a market-determined spread (discount or premium) to next end-of-day NAV.

3. What is the relationship between Nasdaq and NextShares Solutions?

NextShares Solutions LLC is a wholly-owned subsidiary of Eaton Vance Corp and is the owner of the NextShares Intellectual Property (IP). Nasdaq will be the primary listing venue for NextShares and Nasdaq has enhanced proprietary trade and data platforms to support both listing and trading of NextShares.

5. When does Nasdaq plan to begin trading NextShares?

The first NextShares is expected to launch on February 26, 2016.

6. What are the trading hours for NextShares?

NextShares will be available to trade on the Nasdaq Stock Market during regular market hours (9:30 a.m. – 4:00 p.m. ET).

7. How are orders handled outside of market hours?

NextShares orders submitted to Nasdaq prior to market open, or after market close will be rejected.

NAV-Based Trading

8. What is NAV-based trading?

NextShares prices are based on NAV like mutual funds and trade intraday like ETFs. With NAV-based trading, prices are directly linked to the fund's end-of-day net asset value (NAV). All bids, offers, and trades are expressed as a spread (premium or discount) to the end-of-day NAV. For each trade, the premium or discount to NAV is locked-in at intraday and the final transaction price is determined once NAV is calculated at the end of the day.

9. What is proxy price?

NextShares next-determined NAV is represented as 100.00 (proxy price). Proxy price for all NextShares will have a base value of 100.00 which serves as a proxy for the fund's NAV and will be adjusted by the premium/discount being offered/bid as orders are placed. Bids, offers and trades for all NextShares will be transacted utilizing proxy price.

For example, if a client wanted to enter a bid of NAV minus \$0.01 the proxy price would be 99.99 and if a client wanted to enter an offer of NAV plus \$0.02 the proxy price would be 100.02.

10. Is the proxy price 100 every day?

Yes. The NAV for each NextShares is represented by 100.00 every day.

11. What is the Intraday Indicative Value (IIV)?

An intraday portfolio value, calculated from the fund's portfolio holdings using current market prices of the underlying securities. The IIV is calculated throughout the day, and published under a separate designation every 15 minutes over Nasdaq's Global Index Data Service (GIDS).

12. What is the purpose of the Intraday Indicative Value (IIV)?

The purpose of the Intraday Indicative Value (IIV) is to give investors a value for estimation purposes when a NAV does not exist. This value allows investors to best approximate what amounts they'd like to buy, based on available funds. IIV can also be used as a base for calculating exposure throughout the trading day. For example, the IIV can also be used to help investors determine the number of shares to buy or sell if they want to transact in an approximate dollar amount (*i.e.*, if I want to acquire approximately \$5,000 of a NextShares fund, how many Shares do I buy?).

13. Why do NextShares trade confirmations contain both the proxy price and the IIV?

NextShares trade confirmations provide both the proxy price and IIV to provide broker dealers and investors with the premium (or discount) at which the trade was executed as well as an approximation of the NAV near the time of the trade for any intraday post-trade processing. The premium (or discount) to NAV is locked-in at execution and final trade price is determined once the NAV is computed at the end of day.

All bids, offers and trades will be reported to the consolidated tape utilizing proxy price. Orders will be executed throughout the day utilizing proxy price and the most recent IIV is provided to allow customers to calculate risk and exposure. Trade data in NAV-based format will also be available on Nasdaq Basic.

14. How does the IIV differ from the NAV?

The intraday indicative value (IIV) is calculated from the fund's portfolio holdings (using current market prices of the underlying securities). The IIV will be calculated on a NextShares per share basis. The IIV will not reflect intra-day portfolio management activity. The Net Asset Value will be calculated by the fund valuation agent once a day per the product prospectus. The IIV will be published on Nasdaq's Global Index Data Service (GIDS)

Rules & Regulations

15. Will NextShares be Regulation NMS securities?

Yes. NextShares will be Regulation NMS-eligible securities.

16. How will NextShares be treated under the Limit Up Limit Down (LU/LD) plan?

Limit Up Limit Down (LU/LD) will apply to NextShares in the same manner as traditional Exchange-Traded Products using the proxy price as the reference price.

17. How will NextShares be treated under Regulation SHO?

Regulation SHO will apply to NextShares in the same manner as traditional Exchanged-Traded Products.

18. How will NextShares be treated under Nasdaq's Clearly Erroneous Rules?

Clearly Erroneous Rule will apply to NextShares in the same manner as traditional Exchange-Traded Products.

In addition, Nasdaq plans to institute a Proxy Price Protection (PPP) on incoming NextShares orders. The Proxy Price Protection threshold will be a single percentage amount determining a lower and upper threshold whereby orders will not be accepted when received, and where executions can occur. Given all trading occurs in proxy price format, the Proxy Price Protection threshold will be applied to the start of day proxy amount of one hundred (100) dollars. Nasdaq will set the initial Proxy Price Protection threshold at one (1) percent. For more details on the Proxy Price Protection please refer to <link to PPP rule filing>

Nasdaq Trading

19. What trading protocols will support NextShares?

The following protocols will support NextShares:

- OUCH
- DROP
- FIX
- FIX DROP – CORE
- FIX DROP – RASH
- RASH

20. How will the open / close process on Nasdaq be different for NextShares?

The open process for NextShares will function differently than it does for other equities. Orders for NextShares will not be eligible to participate in the NASDAQ opening cross. Any NextShares order received prior to 9:30 am will be rejected back to the customer. Orders for NextShares securities will be processed in the order in which they are received beginning at 9:30 am.

All NextShares orders will be eligible to participate in the closing cross. NextShares securities will be subject to all rules governing the closing cross. All NextShares orders that are to participate in the closing cross will be processed in proxy price format. All NextShares orders that are to participate in the closing cross will be subject to cross cut off times.

21. What order types will be supported for NextShares?

All existing order types will be supported for NextShares with the following exceptions:

NextShares can NOT use the following Order types/TIFs:

- GTC orders (DAY or EXT)
- GTT
- Any type of pegged order other than a market peg – market peg is the only peg type that will be supported.

22. How will firms register as market makers in NextShares securities?

Firms will need to qualify as Nasdaq registered market makers in order to be an NextShares market maker. NextShares market maker registration will follow existing equity and ETF market making processes.

Market Data Dissemination

23. What Nasdaq proprietary data feeds will be updated to support NextShares?

The following Nasdaq proprietary data feeds support orders and trades from the exchange systems for all Nasdaq-listed instruments (including NextShares):

- Nasdaq TotalView-ITCH (Standard and FPGA)
- Nasdaq TotalView-Aggregate
- Nasdaq Level 2
- Nasdaq Basic / Nasdaq Best Bid and Offer (QBBO)
- Nasdaq Last Sale (NLS)
- NLS Plus
- NOIView
- Nasdaq Net Order Imbalance Snapshot (NOIS)

In addition, the Nasdaq Global Index Data Service (GIDS) data feed will carry the IIV data for NextShares and the Mutual Fund Dissemination Service (MFDS) will carry the daily NAV for NextShares.

24. What data elements will be supported for NextShares on Nasdaq proprietary data feeds?

As part of the normal trading process, Nasdaq will support the net order imbalance, order, quotation and trade data for NextShares in proxy price format on its exchange data feeds. In addition, Nasdaq will disseminate NAV-based format for vendor display purposes on QBBO, NLS and NLS Plus.

As a reference point, Nasdaq will disseminate IIV values for NextShares via the GIDS data feed on a 15-minute basis intraday.

At the end of day, Nasdaq will disseminate the daily NAV from the fund accounting firm via its Mutual Fund Dissemination Service (MFDS).

Below is a summary of the expected NextShares values by Nasdaq data feed:

Data Feed	Data Description	Expected NextShares Values
Nasdaq TotalView-ITCH	Nasdaq order-by-order updates (including executions); Cross trade messages; Net order imbalance data for crosses	Trading Data in Proxy Price Format
Nasdaq TotalView-Aggregated	Nasdaq order depth by price level; Net order imbalance data for crosses	Trading Data in Proxy Price Format
Nasdaq Level 2	Nasdaq top-of-file market participant quotes	Trading Data in Proxy Price Format
Nasdaq Best Bid and Offer (QBBO)	Nasdaq best bid and offer position	Trading Data with Proxy Price Format and NAV-based Format
Nasdaq Last Sale (NLS)	Nasdaq trades; Adjusted Previous Close	Trading Data with Proxy Price Format and NAV-based Format
NLS Plus	Nasdaq, BX and PSX trades; Adjusted Previous Close	Trading Data with Proxy Price Format and NAV-based Format
NOIView	Net Order Imbalance Data	NOII Data in Proxy Price Format (Closing cross only)
NOIS	Net Order Imbalance Snapshot	NOII Data in Proxy Price Format (Closing cross only)
Nasdaq Global Index Data Service (GIDS)	Nasdaq index values; Nasdaq ETP Intraday Reference Price values	IIVs in U.S. Dollars
Mutual Fund Dissemination Service (MFDS)	Intraday or end-of-day NAV values for mutual funds, Dividends and distributions for mutual funds	End of Day NAVs in U.S. Dollars

25. Will NextShares be supported on UTP SIP data feeds?

Yes, the UTP Quotation Data Feed (UQDF) and UTP Trade Data Feed (UTDF) will carry NextShares data in proxy price format. Please refer to [UTP Vendor Alert #2015-10](#) for details.

26. How will NextShares be identified on Nasdaq proprietary data feeds?

Nasdaq will use the Directory message formats to identify NextShares. On exchange data feeds, Nasdaq will introduce a new Issue Sub-Type code of “EM” for NextShares. Nasdaq will use similar fields to identify NextShares on GIDS and MFDS.

27. What will NextShares symbology be?

For trading purposes, Nasdaq will issue unique five-character identifiers ending with “C” for NextShares instruments. For example: NEXTC.

For IIV data, Nasdaq will append a “.IV” suffix to the NextShares trading symbol as is the normal practice for exchange traded products on the GIDS. For example: ETMFC.IV.

For NAV data, Nasdaq will issue a seven-character MFQS symbol for NextShares. The MFQS symbol will consist of the exchange trading symbol identifier followed by the characters "NX". For example: ETMFCNX.

28. How does Nasdaq recommend that market data vendors display NextShares data?
Please refer to the [NextShares Price Display Guideline document](#).

29. Which data feeds will support proxy price format?

Nasdaq will support proxy price format for all of its proprietary exchange data feeds as well as the UTP SIP data feeds.

30. Which data feeds will support NAV-based format?

Versions 2.1 of the Nasdaq Basic (QBBO), Nasdaq Last Sale (NLS) and NLS Plus data feeds will support NextShares prices in both proxy price and NAV +/- format.

31. Which data feeds will support IIVs?

Nasdaq will disseminate IIV values for NextShares on the Nasdaq Global Index Data Service (GIDS) data feed at 15-minute intervals during the trading day.

32. Which data feeds will support NAVs?

Nasdaq will disseminate end-of-day NAVs for NextShares via the Mutual Fund Dissemination Service (MFDS) data feed and web service. MFDS currently supports NAVs for more than 30,000 open-end and closed-end mutual fund securities on a daily basis.

33. How will the Nasdaq Official Closing Price (NOCP) be calculated for NextShares?

Nasdaq will calculate the NOCP using proxy price orders from the closing cross process. Nasdaq does not currently plan to adjust NOCP prices on any data feeds after the NAV is struck.

35. Will Nasdaq provide final NAV-adjusted prices on its exchange data feeds?

No. As noted above, Nasdaq will disseminate order, quotation and trade data in proxy price format on its proprietary data feeds. Nasdaq will not make any price adjustments on its real-time data feeds once the NAV is struck.

Nasdaq plans to post a new end-of-day file with the actual trade transactions for NextShares securities. Please refer to [Data Technical News #2015-33](#) for the file formats.

End of Day Processing / Clearing & Settlement

36. Will Nasdaq send trade confirms with the NAV-adjusted price once NAV is determined?

Yes, Nasdaq will send trade confirms with the final NAV-adjusted price once NAV has been determined. All NextShares trades will be re-priced at the end of day by subtracting (adding) the discount from (to) the NAV. All NextShares trades will be cancelled/corrected with the proper price (NAV +/- the premium or discount). End-of-day price confirms will go out with the NAV +/- the premium or discount amount for each execution to all broker dealers.

37. When will NAV be determined.

Nasdaq expects a NextShares NAV to be calculated, like mutual funds, between 17:00 and 18:30. For NextShares end-of-day price calculations, Nasdaq plans to use the NAV as it appears in the MFDS spin at 18:45.

38. How will NextShares clear / settle?

NextShares will settle t+3.

Other

39. Where can I find additional information?

- Refer to NextShares website at www.nextshares.com.
- Refer to [Nasdaq proprietary data feed specifications](#).
- Contact [U.S. Market Sales](#) at +1 800 846 0477.
- Contact [Nasdaq Global Information Services](#) at +1 301 978 5307.

Last Updated: January 15, 2016.