



CLEARLY ERRONEOUS TRANSACTION GUIDANCE

For Filings Under NASDAQ Rule 11890(a) and Single Stock Events Under NASDAQ Rule 11890(b)

NASDAQ is providing the following guidance on how NASDAQ generally considers:

- All complaints filed by market participants under [NASDAQ Rule 11890\(a\)](#)
- Events involving a single security on NASDAQ's own motion pursuant to [NASDAQ Rule 11890\(b\)](#)

NASDAQ is also providing guidance for multi-stock events considered by NASDAQ on its own motion pursuant to NASDAQ Rule 11890(b) in a separate document.

NASDAQ generally considers a transaction to be clearly erroneous when the price is substantially inconsistent with the market price at the time of execution. In making such a determination, NASDAQ takes into account the circumstances at the time of the transaction, the preservation of the integrity of the market and the maintenance of a fair and orderly marketplace. Participants in NASDAQ are responsible for ensuring that the appropriate price and type of order are entered into NASDAQ's systems. Simple assertion by a firm that it made a mistake in entering an order or a quote, or that it failed to pay attention or to update a quote, may not be sufficient to establish that a transaction was clearly erroneous.

NASDAQ also reserves the right to delete from the consolidated tape(s) any transaction even if the parties do not agree to cancel or modify the terms of the transaction.

Numerical Factors for Review

NASDAQ primarily considers the numerical factors of the execution price in determining whether a trade is clearly erroneous.

Execution Price	Range Away From Reference
\$1.75 and under	Equal to or greater than the minimum threshold required for adjudication under NASDAQ Rule 11890(a)(2)(C)(ii)
\$1.76 to \$25	10%
\$25.01 to \$50	5%
\$50.01 and greater	3%

NASDAQ uses different Reference Prices based on the time of the trade and the listing venue of the security in order to establish an appropriate comparison point. These Reference Prices are detailed below. In unusual circumstances, however, NASDAQ may use a different Reference Price.

Context of Execution	Reference Price
NASDAQ-listed securities for trades executed between 9:30 a.m. and 4:00 p.m., Eastern Time (ET) (regular market hours)	The best bid or best offer (BBO) in NASDAQ at the time of execution of the first share of the disputed order
Non-NASDAQ-listed securities for trades executed during regular market hours and after the primary market has posted the first two-sided quote	The national BBO at the time of execution of the first share of the disputed order
Non-NASDAQ-listed securities for trades executed during regular market hours and before the primary market has posted the first two-sided quote	The national BBO at the time of execution of the first share of the disputed order. If the national BBO does not appear substantially related to the market, NASDAQ may consider other Reference Prices, including the opening trade, indication of interest and the first two-sided quote in the primary market (which may occur after the execution) and the closing price for the prior regular market hours for the security's primary market.
NASDAQ-listed and non-NASDAQ-listed securities for trades executed after 4:00 p.m. and before 9:30 a.m., ET	The closing price of the security for the last Regular Session on the security's primary market

Additional Factors

In occasional circumstances, NASDAQ may consider additional factors in determining whether a transaction is clearly erroneous. These include:

- Material news released for the security
- Suspicious trading activity
- System malfunctions or disruptions
- Locked or crossed markets
- Trading in the security was recently halted/resumed
- The security is an initial public offering
- Volume and volatility for the security
- Stock-split, reorganization or other corporate action
- Validity of consolidated tape trades and quotes and NASDAQ BBO in comparison to national BBO
- General volatility of market conditions
- Reason for the error

Additional Information Concerning NASDAQ Rule 11890(b)

NASDAQ, on its own motion, may review transactions in any security in the event of:

- A disruption or malfunction in the use or operation of any quotation, execution, communication or trade reporting system owned or operated by NASDAQ and approved by the SEC
- Extraordinary market conditions or other circumstances in which the nullification or modification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest

Consequently, NASDAQ Rule 11890(b) is focused on systemic problems that involve large numbers of parties or trades, or market conditions where it would not be in the best interests of the market to proceed under the processes set forth in NASDAQ Rule 11890(a). Sometimes events involving a single security will meet the standards of NASDAQ Rule 11890(b). However, market participants should not assume that NASDAQ Rule 11890(b) will be available where, for example, they failed to file a complaint within the time periods specified in NASDAQ Rule 11890(a). The rule could be available, however, in cases where a trade not eligible for adjudication under NASDAQ Rule 11890(a) nevertheless could present systemic risks if permitted to stand.

The guidance set forth in IM-11890-4 applies to many events involving a single security adjudicated pursuant to NASDAQ Rule 11890(b). However, NASDAQ may apply the guidance set forth in IM 11890-5 to some events involving a single security, such as some situations where trading activity occurs in multiple market centers and NASDAQ is acting in consultation with other markets.