NASDAQ TICK SIZE PILOT PROGRAM FAQ
FREQUENTLY ASKED QUESTIONS

Q: What is the Tick Size Pilot?

On June 24, 2014, the Securities and Exchange Commission ("SEC") issued an order directing the national securities exchanges and FINRA (collectively, "SROs") to act jointly to develop and file an NMS plan with the SEC. This NMS plan aims to implement a pilot program to study the impact of wider quoting and trading increments on trading of certain small capitalization stocks. On May 6, 2015 the SEC approved an amended Tick Pilot NMS Plan. The Pilot will be two years in length, and market participants will be required to collect data to ensure the impact of the Pilot can be properly studied. Data collection for the Pilot began on **April 4, 2016**, 6 months prior to the implementation of the trading and quoting rules for the Pilot. Implementation of the trading and quoting rules for the Pilot will begin on **October 3, 2016**.

The Pilot will be conducted using a Control Group and three Test Groups (Test Group 1, Test Group 2 and Test Group 3), with variations in quoting and trading rules between each group. Please see the Tick Pilot NMS Plan for additional information.

Q: Will the Tick Size Pilot quoting and trading rules apply during regular market hours, pre-market hours and post market hours?

The Nasdaq Stock Market, Nasdaq BX, and Nasdaq PSX (collectively, "Nasdaq Exchanges") will apply the Tick Size Pilot rules during all operational hours (premarket, regular hours, and post market hours trading), including the Trade-at provision of Test Group 3.

Q: Will orders in Control Group securities be accepted in price increments of less than $0.05?

Yes, orders submitted in price increments of less than $0.05 will continue to be accepted in Control Group securities.

Q: Will orders in a Test Group 1, 2 or 3 security be accepted in price increments of less than $0.05?

No, unless covered by an exception, orders submitted in price increments of less than $0.05 will be rejected.

Q: Will there be any new order types?

Nasdaq Exchanges will introduce a Trade-at ISO ("TAISO") instruction which indicates that the order sender has, simultaneously with routing the limit order identified as TAISO to Nasdaq Exchanges, routed one or more additional limit orders, as necessary, to execute against the full size of any protected quote with a price that is better than or equal to the TAISO order's limit price. Nasdaq Exchanges will execute the TAISO against contra side displayed and non-displayed orders up to and equal to the order's limit price, regardless of prices displayed at other market centers. Orders designated as TAISO in non-Test Group 3 symbols (including non-Tick Pilot Test Group symbols) will be treated as regular ISO orders.

Q: Will there be any changes to the Nasdaq Opening / Closing process?

There will be no changes to the Opening / Closing process. All orders entered and eligible to participate in the Opening / Closing Cross will be accepted in increments of $0.05. All quotes will be published in increments of $0.05. Net Order Imbalance Indicator (NOII) prices may be published in increments of $0.025.

Q: Will Directed Trade-at Intermarket Sweep Orders (TAISO) be supported?

Directed TAISOs will be supported on RASHport, INET FIX, SUMO FIX, BRUT FIX, and QIX protocols. Please see Specifications Page for additional information.

Q: Will there be any market data changes?

There will be no messaging changes to the market data products of the Nasdaq Exchanges.

Q: How will the Block Size exception be applied on Nasdaq, BX and PSX?

On Nasdaq Exchanges, if an order is entered with at least 5,000 shares, the order will be considered a "Block Size" order. If upon receiving a Block Size order, Nasdaq Exchanges can satisfy a minimum aggregate execution size of 5,000 shares or more, the incoming Block Size order will remove liquidity against displayed and non-displayed liquidity at the price of a protected quote at another market center.

Q: How will order handling change on Nasdaq, BX and PSX?

Order Type / Attribute	Test Group 1	Test Group 2	Test Group 3
Limit Order	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		
Price to Comply Limit Order	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ If the limit price would lock or cross a protected quote at another market center, the order will be booked at the locking price and display at one $0.05 increment away from the locking price.		Same as Test Groups 1 and 2, however, if the limit price would lock or cross a protected quote at another market center, the order will be booked at the midpoint and displayed at one $0.05 increment away from the protected quote. **Effective December 14, 2016**, if market conditions allow, depending on the order port setting, OUCH/FLITE orders will be updated to book at a price closer to or equal to the previously locking price or will be cancelled.
Price to Display Limit Order	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ If the limit price would lock or cross a protected quote at another market center, the order will be repriced to one $0.05 increment away from the protected quote.		

Order Type / Attribute	Test Group 1	Test Group 2	Test Group 3
Non-Displayed Limit Order	Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		➢ Same as Test Groups 1 and 2, however, cannot execute at the price of a protected quote at another market center unless it can be executed under an exception to Trade-at. ➢ If the limit price would lock or cross a protected quote of another market center, the order will be booked at either one $0.05 increment away or at the midpoint, whichever is higher (lower) for a buy (sell) order. **Effective December 14, 2016**, if market conditions allow, depending on the order port setting, OUCH/FLITE orders will be updated to book at a price closer to or equal to the previously locking price or will be cancelled.
Market Peg	Limit price and offset amount must be in $0.05 increments, otherwise the order will be rejected.		
Primary Peg	Limit price and offset must be in $0.05 increments; otherwise, the order will be rejected.		
Market Maker Peg	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ When the price is adjusted by the exchange, the displayed price will be rounded to the more aggressive $0.05 increment, if needed. – *Note*: As a consequence of rounding the order to the more aggressive $0.05 increment, a Market Maker Peg order may have a higher likelihood of execution, particularly in lower priced securities.		
Midpoint Peg	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ Can execute at the midpoint of the NBBO in non-$0.05 increments.		

Order Type / Attribute	Test Group 1	Test Group 2	Test Group 3
Midpoint Peg Post-Only (Nasdaq and PSX Only)	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ Can execute at the midpoint of the NBBO in non-$0.05 increments.		
Supplemental Order (Nasdaq Only)	Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		Not supported. If entered, order will be rejected.
Discretionary	Must be entered with a limit price and discretionary price range in $0.05 increments; otherwise, the order will be rejected.		
Reserve Order	Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		Same as Test Groups 1 and 2, however, the Reserve size cannot execute at the price of a protected quote at another market center unless it can be executed under an exception to Trade-at.
Post-Only Order	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ If the limit price would lock or cross a protected quote at another market center, the order will be booked at the locking price and display at one $0.05 increment away from the locking price.		Same as Test Groups 1 and 2, however, if the limit price would lock or cross a protected quote at another market center, the order will be booked at the midpoint and displayed at one $0.05 increment away from the protected quote. **Effective December 14, 2016**, if market conditions allow, depending on the order port setting, OUCH/FLITE orders will be updated to book at a price closer to or equal to the previously locking price or will be cancelled.
Intermarket Sweep Order (ISO) <u>Day</u>	➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ Can execute against displayed **and non-displayed** liquidity at a price equal to the order's limit price.		
Intermarket Sweep Order (ISO) IOC	Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		Same as Test Groups 1 and 2, however, will only execute against displayed liquidity at a price equal to the order's limit price.
*Trade-at Intermarket Sweep Order (TAISO) <u>Day</u>	Will be accepted and treated same as an ISO Day order.		

Order Type / Attribute	Test Group 1	Test Group 2	Test Group 3
*Trade-at Intermarket Sweep Order (TAISO) IOC	Will be accepted and treated same as Test Groups 1 and 2 ISO IOC orders.		Same as Test Groups 1 and 2, however, will execute against displayed **and non-displayed** liquidity at a price equal to the order's limit price.
Retail Price Improving (RPI) Orders (BX Only)	No changes. Can be entered and executed in $0.001 increments.	Must be entered in $0.005 increments and only executable if its price is at least $0.005 better than the NBBO.	
Retail Order (Type-1 / Type-2) (BX Only)	➢ Must be entered with a limit price in $0.05 increments. ➢ Can execute in non-$0.05 increments if provided with price improvement that is at least $0.001 better than the NBBO.	➢ Must be entered with a limit price in $0.05 increments. ➢ Can execute in non-$0.05 increments if provided with price improvement that is at least $0.005 better than the NBBO.	
Market On Open (Nasdaq Only)	No changes.		
Limit On Open (Nasdaq Only)	Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		
Market On Close (Nasdaq Only)	No changes.		
Limit On Close (Nasdaq Only)	Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		
Imbalance Only (Nasdaq Only)	Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected.		
Good-till-Cancelled	➢ All open orders will be cancelled after market / system hours on the trading day prior to the start of the Pilot (*note*: open orders for Control Group and non-Tick Size Pilot securities will **not** be cancelled). ➢ Must be entered with a limit price in $0.05 increments; otherwise, the order will be rejected. ➢ For ports set to have their orders adjusted in the same manner as non-test group securities except that the adjustments will round to $0.05 increments. GTC corporate action adjustments work as follows. For cash dividends, the adjusted price of buy orders will be rounded down to the nearest $0.05. For forward stock splits or stock dividends, the adjusted price of buy orders will be rounded down to the nearest increment of $0.05 and sell orders will be rounded up to the nearest increment of $0.05. For other corporate actions, including symbol changes, changes in primary listing venue, reverse splits, and dividends payable in either cash or securities at the option of the stockholder, all orders will continue to be cancelled back to the order sender.		

* Denotes new order types and attributes