

PHASE 2 LULD Industry Testing Plans

DATE: July 13th 9:30 a.m. – 12:00 pm., Eastern Time (ET)

LULD Price Bands will be in effect from 9:30 a.m. ET – 11:45 a.m. ET

Double wide bands will be in effect from 9:30 a.m. ET – 10:00 a.m. ET and from 11:35 p.m. – 11:45 p.m. ET.

The following symbols will be reserved for NASDAQ testing ONLY Saturday, July 13th, 2013:

NASDAQ
Greater than \$3 SCHL – Scholastic Corp CAKE – Cheesecake Factory Inc.
Between \$0.75 and \$3 YOD – You On Demand Holdings Inc. LIVE – LiveDeal Inc.
Less than \$0.75 ZOOM – Zoom Technologies Inc COOL – Majesco Entertainment Co.

****Outside of the 6 symbols above industry participants may use any other NASDAQ symbols in either Tier 1 or Tier 2 to conduct their independent testing****

Anticipated LULD Industry Testing Scenarios:

Test 1 – Standard sell and buy executions with double wide bands in effect until 10:00 a.m. (simulating the usual 9:45 a.m.)

- Execute a buy and sell orders within the NBBO and LULD Price Bands.
- Perform the same test for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75.

Test 2 – Limit State / No pause – Prior to 10:00 a.m. (simulating the usual 9:45 a.m.)
Double Bands

- Trigger a limit state with an aggressive buy order, cancel or execute the order before 15 seconds have elapsed.
- Trigger a limit state with an aggressive sell order, cancel or execute the order before 15 seconds have elapsed
- Perform the same test for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75

Test 3 – Limit State / Pause - Prior to 10:00 a.m. (simulating the usual 9:45 a.m.)
Double Bands

- Trigger a limit state with a buy or sell order and allow the order to trigger a trading pause.
- Perform the same test for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75.

Test 4 – Booked Order Following Opening Cross - Bands Start (9:30 a.m.) - Order Outside. Double wide bands in effect.

- At 9:30, when the bands become active under Phase 2 following an opening cross, an order is entered and priced outside the double wide bands.
 - Two orders one passive side and aggressive side should be tested.
 - Passive – Depending on Exchange either remains booked (flagged as non-executable) or cancels.
 - Aggressive – Depending on Exchange either Price slides to band or cancels.

Test 5 – Booked Order Before Bands Shrink at 10:00 a.m. (simulating the usual 9:45 a.m.) - Order Outside.

- At 10:00 a.m., a previously booked order is priced outside the reduced bands, but inside the previous double wide bands.
- Both a booked order on the passive side and aggressive side should be tested coming into the 10:00 a.m., band change.
- Passive – Depending on Exchange either remains booked (flagged as non-executable) or cancels.
- Aggressive – Depending on Exchange either Price slides to band or cancels.
- Tier 1 and Tier 2 names both.

Test 6 – Order halted during the band change at 10:00 a.m. (simulating the usual 9:45 a.m.).

- Before 10:00 a.m., place an aggressive buy or sell order to cause a limit state and halt.
- The stock will remain halted and re-open with the new tighter bands.

Test 7 – Booked Order Before Bands Shrink at 10:00 a.m. (simulating the usual 9:45 a.m.) - Order Inside.

- At 10:00, a previously booked order is priced inside both the wide and reduced bands.
 - Expected behavior is bands reduce and the order remains booked.

Test 8 – Limit State / No pause – Post to 10:00 a.m. (simulating the usual 9:45 a.m.)

- Trigger a limit state with an aggressive buy order, cancel or execute the order before 15 seconds have elapsed.
- Trigger a limit state with an aggressive sell order, cancel or execute the order before 15 seconds have elapsed.
- Perform the same test for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75.

Test 9 – Limit State / Pause - Post 10:00 a.m. (simulating the usual 9:45 a.m.)

- Trigger a limit state with a buy or sell order and allow the order to trigger a trading pause.
- Perform for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75

Test 10 – Multiple Limit States / No pause (regular bands)

- Trigger multiple limit states with aggressive buy and sell orders, but cancel or execute each order prior to triggering a trading pause.
- Perform for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75

Test 11– Multiple Limit State / Pause (regular bands)

- Trigger multiple limit states and then allow a trading pause to occur.
- Perform for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75

Test 12 – Straddle / market comes in

- Straddle the lower price band with two orders, and then execute trades near the lower price band to move the reference price so that the buy order becomes executable.

- Perform for all three tiers of stocks in Phase 2. >\$3, \$3 – \$0.75, <\$0.75

Test 13 – Booked Order Bands go double wide (11:35 a.m. ET for the weekend test) - Order becomes executable.

- Before the bands go back double, enter an order that is passively outside of the price bands. The order should be un-executable when entered.
- When the bands widen the order becomes inside the bands and is executable.

Test 14 – Booked Order Bands go to zero (11:45 a.m. ET for the weekend test)

- Before the bands go back to zero a previously un-executable order is booked and upon the bands going to zero becomes executable.

Note: All Exchanges will run these core scenarios during the testing day along with other internal tests that might be more specific to each Exchange. Additionally, we encourage all testing participants to also try to run these scenarios in the names open for testing in order to ensure that expected results are encountered.