



Frequently Asked Questions Market-Wide Circuit Breakers

Q: How have the Market-Wide Circuit Breakers been revised?

A: In conjunction with all U.S. equity exchanges, the NASDAQ Stock Markets filed a rule change with the Securities and Exchange Commission (SEC) to modify the existing Market-Wide Circuit Breakers (MWCB) in order to address extraordinary market volatility. When triggered, these circuit breakers halt trading in all exchange listed securities throughout the U.S. markets. [The rule](#) was approved on May 31, 2012.

This revised rule made a reduction in the market declines percentages threshold necessary to trigger a circuit from 10, 20 and 30 percent to 7, 13 and 20 percent from the previous day's close. It shortened the duration of the halts from 30, 60 or 120 minutes to 15 minutes. Finally, the revision changed the pricing reference to measure the market decline from the DJIA to the S&P 500 Index.

Q: When does this change become effective?

A: April 8, 2013.

Q: Will NASDAQ OMX allow the industry to test prior to implementation?

Yes.

- Saturday, January 26th, 2013 – Industry Wide LULD and MWCB Test –Scripted/Limited symbols
- Saturday, February 2nd, 2013 – Final Industry Wide LULD before test symbols go live –Partially Scripted/Limited symbols
- Saturday, March 2nd, 2013 – Industry Wide LULD and MWCB Test –Scripted/Limited symbols
- Saturday, April 6th, 2013 – Final Industry Wide LULD before Phase I rollout –Partially Scripted/Limited symbols

Q: What stocks will halt when a Market-Wide Circuit Breaker threshold is breached?

A: All NMS securities are included in both the pilot and finalized version.

Q: What are the new circuit breakers and time durations?

A:

Level 1 Halt = 7% decline in S&P 500

- Before 3:25 p.m. – 15 minutes;
- At or after 3:25 p.m. – trading shall continue, unless there is a Level 3 halt.

Level 2 Halt = 13% decline in S&P 500

- Before 3:25 p.m. – 15 minutes;
- At or after 3:25 p.m. – trading shall continue, unless there is a Level 3 halt.

Level 3 Halt = 20% decline in S&P 500

- At any time – trading shall halt and not resume for the rest of the day.

Q: Who is responsible for monitoring and triggering the MWCB?

A: During regular trading hours, if the S&P 500 Index declines equal to or greater than the threshold levels (either 7%, 13% or 20%) a market-wide circuit breaker halt will be declared by the SIPs. The Primary Listing venues are responsible for both monitoring and triggering the halts in each of their listed securities.

Q: In the event of a level 3 halt results in closing the markets for the day, should the last sale price establish the official closing prices?

A: In the event of a level 3 halt (i.e., the market is closed for remainder of the day), the NOCP should be generated at the last NASDAQ sale price in each security. In the event that there were no trades in a given security, the NOCP will not be disseminated.

Q: Can there be either a Level 1 or Level 2 halt more than once per day?

A: No. Trading Halts based on a Level 1 or Level 2 market decline may only occur once per day. For example, if a Level 1 market decline were to occur and trading was halted, following the reopening of trading, the Exchange would not halt the market again unless a Level 2 decline were to occur.

Q: Do orders remain on the NASDAQ, BX and PSX books during a halt?

A: Yes, resting orders in both NASDAQ and other Exchanges' listed securities do remain on the NASDAQ, BX or PSX books unless cancelled by the customer.

Q: Does NASDAQ, BX and PSX allow new orders in a NYSE-listed security during a halt?

A: No, new orders are not able to be entered until the security re-opens on the primary market. For NASDAQ listed securities, quoting is permitted in the last five minutes of a Level 1 or Level 2 halt during the quote only period. Quote resumption period will be signaled by NASDAQ to the UTP SIP with the Trading Action message "Q" (quote resume) and Reason Code "MWCQ" for each NASDAQ listed symbol.

Q: How does the UTP data feeds show the trading halt?

A: The UTP Quotation Data Feed (UQDF) and UTP Trade Data Feed (UTDF) utilize the existing Trading Action messages to relay the start and end of the trading pause for NASDAQ-listed securities. At the time that the trading halt is initiated, the NASDAQ SIP disseminates a Trading Action message with the Action value of "H" (Halted) and the Reason Code of MWCx (x will be replaced depending on level with either 1, 2 or 3). Following the first trading action message, the NASDAQ SIP will zero out the UTP participant quotations.

TRADE RESUMPTION

Q: What is the process for resuming trading on NASDAQ after a trading halt?

A: If a trading pause is triggered in a NASDAQ-listed security NASDAQ reopens the security using the NASDAQ Halt Cross process set forth in NASDAQ Rule 4753. Upon resumption of trading by NASDAQ and the dissemination of a first print, trading may commence on other markets. Refer to [NASDAQ Rule 4753](#) or the [NASDAQ Halt Cross](#) fact sheet for details.

Q: Are there any Imbalance-Only orders or other special orders for a Halt Cross?

A: No.

Q: What orders are accepted by NASDAQ during the quote resumption period?

A: The following order types are accepted:

- Regular market orders, limit orders and quotes
- All time in force types are eligible

Q: How will the UTP/SIPs communicate quote resumption process?

A: In the last five minutes of the Level 1 and 2 halts of the 15 minute halt, a quote resumption period will be signaled by the UTP SIP with the Trading Action message "Q" (quote resume) and Reason Code "MWCQ." In the event of a 3 Level 3 breach, the quote resumption will not apply because securities will be released from halts and will resume the following day with pre-session trading starting at 4 a.m.

Q: How will the UTP/SIPs communicate during the halt resumption process?

A: If a Level 1 or Level 2 MWCB halt is declared with 35 minutes or more remaining in regular trading hours (i.e., 15:25:00 or earlier on a normal trading day), NASDAQ will re-open trading in each NASDAQ-listed security using the standard halt cross process after a 15 minute halt. NASDAQ informs the UTP SIP to resume trading in each security upon completion of the security's halt cross (Trading Action message with the Action code of "T" (Trading Resumption).

Q: Following a Level 3 halt how will NASDAQ open for trading the next day?

A: NASDAQ will reopen for trading following a level 3 breach the same as a regular trading day. However, certain messaging processes, along with a new reason code from UTP, will be published to ensure that the market-wide circuit breaker halts will be cleared out and are ready to trade in the pre-session.

Pre-session trading on NASDAQ begins (as of March 18th, 2013) at 4:00 a.m. Eastern Time (ET). After 3:58 a.m. ET, NASDAQ will send to the UTP SIP the trading action "H" (Halt) and Reason Code "MWC0" in all NASDAQ listed names. This reason code will only occur T+1 after a Level 3 Market-Wide Circuit Breaker. The 'MWC0' code indicates that the stocks are still halted, but clarifies that it is not due to another Level 3 event that day and instead is a carryover from the previous day. This will be immediately followed by trading action message with

the action code of “Q” (Quote Only) followed by a “T” (Trade Resumption). At 4:00 a.m. pre-session trading will be permitted on NASDAQ.

Q: What happens when a Market-Wide Circuit Breaker is breached and a regulatory halt is in place?

A: If a regulatory halt is in place before a Level 1, 2 or 3 Market Wide Halt, the halt will remain in effect during the Market Wide Halts, including over the next trading day if still in effect. If for whatever reason a regulatory halt is lifted during a market wide halt, it will remain halted until the market wide halt is lifted.

OPTIONS

Q: Do NOM, BX Options and PHLX halt options trading when the primary exchange of an underlying security has initiated a halt?

A: Yes. NOM, BX Options and PHLX halt trading in options when a trading halt has been initiated on an underlying security.

Q: When do NOM, BX Options and PHLX resume trading for options on underlying securities subject to a halt?

A: NOM, BX Options and PHLX resume trading in options when a trading resumption (Trading Action = T) message is received over the UTP data feeds.

Q: During a halt, do NOM, BX Options and PHLX keep open orders on their book?

A: Yes. NOM, BX Options and PHLX keep all open orders during the halt. Firms have the ability to cancel open orders.

Q: Do NOM, BX Options and PHLX accept new orders during the halt?

A: When a halt in the underlying is triggered causing the options to halt on PHLX, NOM and BX Options we will purge any standing market maker quotes on the system. During the pauses, NOM, PHLX and BX Options can accept new orders, quotes and cancel/replaces.

Q: Where can I find additional information?

A: Refer to the [NASDAQ](#), [PHLX](#) and [BX](#) SEC rule filings

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