

Reminder: NASDAQ Announces Enhancements to Price-to-Comply Order Type



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Please Route To: Head Traders; Technical Contacts; Compliance Officers

What you need to know:

- On **Monday, June 2, 2008**, NASDAQ will enhance the processing of the Price-to-Comply order type.
- Price-to-Comply executions will be eligible for the full liquidity provider credit as displayed orders as outlined in the [pricing schedule](#).

Who you should contact: [NASDAQ Market Sales](#) at +1 800 846 0477

How do Price-to-Comply orders work in today's environment?

Price-to-comply orders are designed to comply with the Reg NMS Order Protection Rule and the Locked and Crossed market rule by re-pricing orders. When a firm sends a non-attributable order that would lock or cross the market, NASDAQ® re-prices the order and converts it to non-displayed. Buy orders are priced at the inside offer and sell orders are priced at the inside bid. The price will adjust with the market to stay at the inside. If the market moves such that displaying the original entered price would not result in a locked market, the order is displayed at its original entered price.¹

What is changing with the enhancement?

Beginning **Monday, June 2, 2008**, new functionalities will be available for a Price-to-Comply order that would lock or cross another protected quote will be put on the NASDAQ book as non-displayed at the locking price and will also display the order at the most aggressive price allowed under Reg NMS, which is one minimum price increment away from the locking price. With the change, orders will now be displayed at a price which is either setting or joining the National Best Bid and Offer (NBBO).

How will this enhancement benefit my executions?

Currently, all Price-to-Comply orders are non-displayed. In the new environment, the order is displayed, and thus more likely to attract order flow. In addition, the Price-to-Comply enhancement will reduce the chance of locked and crossed situations, allowing more executions to occur.

Example situation:

The inside of the market is \$9.97 x \$10.00 NBBO with the \$10.00 offer on another market center. A firm enters a Price-to-Comply to buy at \$10.00.

- Under today's process, the order would reside on the NASDAQ book hidden at \$10.00.

¹ Orders entered via OUCH will be re-priced upon entry if necessary, but will not continue to re-price as the market moves. However, firms may configure their OUCH ports such that if an order would be re-priced more aggressively, it will be canceled back to the firm.

- With the new enhancement in place, the order will reside on the NASDAQ book hidden at \$10.00 and will also be displayed at \$9.99. If a seller comes to NASDAQ at \$9.99, the order will execute at \$10.00.

Will the execution receive the full liquidity provider credit as a displayed order?

Yes. As announced in [Head Trader Alert #2008-044](#), as of May 1, 2008, NASDAQ now offers U.S. Equity pricing. The non-attributable Price-to-Comply executions will be eligible for the following rebate schedule:

Rebate to Add Displayed Liquidity (based on average daily shares per month)	Per Share Executed
Greater than 35 million shares added	\$0.0028
Greater than 20 million shares added	\$0.0025
Less than 20 million shares added	\$0.0020

What are the Price-to-Comply protocol specifications?

Please visit the [protocol specifications](#) page on the NASDAQ Trader® website for additional information.

Where can I get additional Information?

- Refer to [NASDAQ's Order Types and Routing Strategies Reference Guide](#) for a full description of all of NASDAQ's sophisticated order types and routing strategies.
- Contact [NASDAQ Market Sales](#) at +1 800 846 0477.

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