

Equity Kill Switch

Frequently Asked Questions

Q. What is the Nasdaq Kill Switch?

The Nasdaq Kill Switch is a tool offered by Nasdaq that enables a participant to establish levels of Risk Exposure, to receive notifications as the value of executions and open orders (if applicable) approach the Risk Exposure levels, and to have order entry ports disabled and open orders administratively cancelled when the value of executions exceed the Risk Exposure limit.

Q. Is the Kill Switch Functionality available on all three Nasdaq Equity Markets?

Yes. Kill Switch functionality is available on the Nasdaq Stock Market, BX and PSX. The rules governing Kill Switch are [NASDAQ Rule 6130](#), [BX Rule 4764](#) and [PSX Rule 3316](#).

Q. How does the Kill Switch work?

The system computes the total value of all executions, and all open orders (if applicable), in a trading day and compares this total value against the limit(s) set by the firm.

Firms have the ability to set limits for the following Risk Exposure checks:

- **Gross Executed Risk Exposure** – calculates the total value of all executions against the value set by the firm
- **Gross Notional Risk Exposure** – calculates the total value of all executions and all open orders against the value set by the firm. Market priced auction orders (e.g. MOO/MOC) are excluded from this calculation.

When the total value of executions, and all open orders (if applicable), exceeds certain percentages, an email notification is sent to the firm. When the total value of executions, and all open orders (if applicable), exceeds the limits set by the firm, the system disables order entry ports and cancels open orders for the firm. Orders that are routed away to other exchanges are not included in the Risk Exposure calculations.

Q. What granularity is offered for the Kill Switch?

Kill Switch operates on an MPID level.

Q. Are all trades and orders included in the total value calculation for an MPID?

Trades and open orders (if applicable) in test symbols and orders routed away to other exchanges are not included in the total value. If a trade is cancelled or corrected, the original trade is not subtracted from the total value.

Q. Are all orders cancelled by the Kill Switch?

All open orders are cancelled on the PSX and BX equity markets. On the Nasdaq Stock Market, cross orders during the late period are not cancelled. The rules cited above gives more detail on which orders are not cancelled. Orders that are routed away to other exchanges are not cancelled by the Kill Switch application.

Q. Is the Kill Switch a post trade or pre trade process?

Kill Switch is a post trade, best efforts process. When a Risk Exposure limit for an MPID has been exceeded, the system disables order entry ports and cancels open orders for the MPID.

Q. Does the Kill Switch work across the three Nasdaq equity markets?

No. Each of the three Nasdaq equity markets has a separate calculation for an MPID. Trades and open orders (if applicable) on the Nasdaq Stock Market do not get calculated towards the Risk Exposure limits for PSX or BX for an MPID.

Q. Once the Kill Switch has been triggered, how does an MPID get reset?

Once a Kill Switch is triggered, a call must be made to the Nasdaq Trade desk at [+1 212 231 5180](tel:+12122315180) in order for the Risk Exposure limit(s) for an MPID to be reset.

Q. How does a firm set their Risk Exposure levels?

Risk Exposure limits for an MPID are set using the Nasdaq Infocenter front end. These values can be set before the beginning of the trading day and intraday.

Q. At what levels of Risk Exposure are notifications sent to a firm? Is this configurable?

Notifications are sent to a firm when 50, 75, 85, 90 and 95% of each Risk Exposure limit are exceeded by an MPID. These levels are not configurable.

Q. Can I use the Nasdaq Infocenter front end to trigger the Kill Switch?

For an MPID, the Nasdaq Infocenter front end shows the Risk Exposure limits and the current total value of executions, and all open orders (if applicable) for the firm. If a firm sets their Risk Exposure limits to be below the current total value of executions, and open orders (if applicable), the Kill Switch is triggered.

Q. How does a firm sign up for the Kill Switch?

Firms can sign up for the Kill Switch by contacting [Nasdaq Subscriber Services](#) or by filling out the [Front End Request form](#).

Q. Can participants provide a correspondent clearing firm access to their Kill Switch?

Yes. Participants may optionally provide a correspondent clearing firm with the ability to view, set, update and/or receive notifications for the participant's Risk Exposure limits. Requests for clearing firm access must be initiated by the participant.