The NASDAQ Closing Cross

NASDAQ®

INNOVATION | PRICE DISCOVERY | LIQUIDITY | TRANSPARENCY

The NASDAQ Closing Cross enables market participants to execute market-on-close and limit-on-close interest and provides unparalleled transparency. Market makers and other industry professionals continue to demonstrate their willingness and ability to offset imbalances in the cross. The cross generates a closing price widely used throughout the industry, including Russell Indexes, Standard & Poor's and Dow Jones.

In June of 2006, NASDAQ® attained its greatest success with the Closing Cross, reaching a record high of 690.8 million shares representing $10.5 billion executed in the cross in 5.1 seconds on Russell Reconstitution Day.

All NASDAQ securities, except those dually listed on other exchanges, are eligible for the Closing Cross. All new listings on NASDAQ will be added to the Closing Cross on their first day of trading.

Accurate, Consistent Closing Prices

The NASDAQ Closing Cross provides accurate and consistent closing prices for NASDAQ-listed issues. For traders, indexers, institutional investors, individual investors and issuers, the Closing Cross:

- Offers enhanced transparency and execution choices prior to and at the close.
- Provides a true price discovery facility that represents supply and demand in the marketplace.
- Creates robust benchmark prices for NAVs and index valuations.
- Provides a facility to resolve natural order imbalances in critical events, such as index rebalances.

How the Closing Cross Works

- NASDAQ accepts and stores on-close order types that are executable only at market close.
- Leading up to the close, NASDAQ disseminates information about order imbalances in the closing book, along with an indicative closing price.
- At 4:00 p.m., Eastern Time (ET), the closing book and the NASDAQ book are brought together to create a single NASDAQ closing price.

Closing Cross Statistics

Daily statistics, as well as archived imbalance messages, are available on NASDAQ's Experimental Market Information (EMI) website at http://emi.nasdaq.com.

Closing Order Types

- **On-Close Orders (OC)**: Market-on-close (MOC) and limit-on-close (LOC) orders allow investors to specifically request an execution at the closing price. On-Close Orders are accepted between 7:00 a.m. and 3:50 p.m., Eastern Time (ET).
- **Imbalance-Only Orders (IO)**: Executable only during the cross, IO orders are priced orders that provide liquidity to offset on-close orders during the Closing Cross and only execute at or below/above the 4:00 p.m., ET, NASDAQ bid/ask. Orders more aggressively priced than the 4:00 p.m., ET, NASDAQ best bid/ask are adjusted to the NASDAQ best bid/ask prior to the execution of the Closing Cross. IO orders are accepted beginning at 7:00 a.m., ET. After 3:50 p.m., users will not be able to update IO orders (although new IOs can still be entered).

Dissemination of Imbalance Information

One of the hallmarks of the NASDAQ Closing Cross is the transparency of the order imbalances. Unlike all other closing auctions among the U.S. equity markets, NASDAQ provides detailed and continuous information regarding the imbalances and likely clearing prices. The imbalance information is disseminated via the NASDAQ TotalView® data feed, the NASDAQ Cross Net Order Imbalance Indicator (NOII) website, the NASDAQ Workstation® and numerous market data distributors and service bureaus between 3:50 and 4:00 p.m., ET.

The Net Order Imbalance Indicator includes the following data elements:

- **Near Clearing Price**: The crossing price at which orders in the NASDAQ closing book and continuous book would clear against each other.
- **Far Clearing Price**: The crossing price at which orders in the NASDAQ closing book would clear against each other.
- **Current Reference Price**: A price within the NASDAQ Inside at which paired shares are maximized, the imbalance is minimized and the distance from the bid-ask midpoint is minimized, in that order.
- **Number of Paired Shares**: The number of closing shares that NASDAQ is able to pair off at the current reference price.
- **Imbalance Quantity**: The number of closing shares that would remain unexecuted at the current reference price and the side of the imbalance (buy, sell or none if there is no imbalance).

This information is disseminated every 5 seconds between 3:50 and 4:00 p.m., ET.

To subscribe to the new NASDAQ Cross Net Order Imbalance Indicator website, go to https://noii.nasdaq.com/enroll/.

To view a guide on how to access NASDAQ Closing Cross Net Order Imbalance data through market data vendors and service bureaus and how to enter closing orders, visit www.NASDAQTrader.com/close.

More Information

For more information about the NASDAQ Closing Cross:

- Contact NASDAQ Market Sales at 800.846.0477 or sales@nasdaq.com.
- Visit www.NASDAQTrader.com/close.