

# FREQUENTLY ASKED QUESTIONS

## Market Wide Single Stock Trading Pause

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*Last Updated February 22, 2013*

### **GENERAL OVERVIEW QUESTIONS**

#### **What was implemented by U.S. equity exchanges?**

In conjunction with all U.S. equity exchanges, The NASDAQ Stock Market® (NASDAQ®), NASDAQ OMX PSX<sup>SM</sup> (PSX<sup>SM</sup>), and NASDAQ OMX BX<sup>SM</sup> (BX<sup>SM</sup>) filed rule changes with the Securities and Exchange Commission (SEC) to establish a trading pause initiated by primary listing markets for individual stocks that experience a price change of 10% or more during a rolling five-minute period.

Phase I of the program included stocks in the S&P 500 Index and Phase II, effective Tuesday, September 14, 2010, included securities in the [Russell 1000 Index](#) and select [Exchange-Traded Products](#). On August 8, 2011, the pilot was expanded to the remaining Reg NMS securities (Phase III securities). For Phase III securities, the price move required to trigger a trading pause is 30% or more for securities priced at \$1 or higher and 50% or more for securities priced less than \$1. Effective November 25, 2011, all rights and warrants were excluded from the Single Stock Trading Pause functionality.

#### **When does the pilot period run? Did NASDAQ take a phased-in approach?**

The six month pilot period for the Single Stock Trading Pause functionality mandated a full roll-out across all eligible securities by June 14, 2010. NASDAQ did not use a phased roll-out and therefore implemented the trading pause functionality for all S&P 500 issues on **June 14, 2010**. The current pilot period for all stocks, except rights and warrants, now extends until the earlier of the initial date of operations of the limit up/limit down plan or February 4, 2014.

#### **Did NASDAQ OMX allow the industry to test prior to implementation?**

NASDAQ OMX held testing for NASDAQ and BX on Saturday, June 12<sup>th</sup>. For additional details on testing opportunities, please refer to the [NASDAQ OMX Testing Facility](#) page for more information.

#### **What stocks are included in the pilot?**

The original pilot covered all securities in the [S&P 500](#).

Effective Tuesday, September 14, 2010, securities included in the [Russell 1000 Index](#) and select [Exchange-Traded Products](#) were added to the pilot.

Effective Monday, August 8, 2011, the pilot was expanded to the remaining Reg NMS securities.

Effective November 25, 2011, all rights and warrants were excluded from the Trading Pause pilot.

NASDAQ maintains updated lists in its system as securities are added or removed from the various indexes.

#### **When is the Single Stock Trading Pause functionality in effect during the trading day?**

The functionality is in effect between 9:45 a.m., ET, and 3:35 p.m., ET. No single stock trading pause is called outside of these times. Please note, while NASDAQ does not implement a market pause after 3:35 p.m., ET, a trading pause can remain in effect as late as 3:45 p.m., ET.

### **Do NASDAQ, BX and PSX recognize trading pauses issued by another primary market?**

Yes, NASDAQ, BX and PSX pause trading in that security.

Refer to the [NASDAQ](#) and [BX](#) filings for additional details.

### **Where can I find additional information?**

- Refer to the NASDAQ and BX rule filings:
  - [File No. SR-NASDAQ-2010-061](#)
  - [File No. SR-BX-2010-037](#)
- Contact [Transaction Services U.S. Market Sales](#) at +1 800 846 0477.

## **INITIATING A TRADING PAUSE**

### **How is a trading pause initiated?**

For an eligible stock, NASDAQ reviews each print on the Consolidated Tape that is last sale eligible as compared to every print for that ticker in the last five minutes. If **three** prints in the prior five minutes deviate 10% or more from the last print and are through the National Best Bid or Offer (NBBO), a trading pause is initiated by the primary listing market. Affected securities are also re-opened by the primary listing market.

#### **Example:**

At 1:30 p.m., ET, the last sale eligible trades on the Consolidated Tape for a single security for the past five minutes were priced within the range of \$10.00 and \$9.50. At 1:30 p.m., if **three** last sale eligible trades to the tape were 10% or more away from either of the two reference prices of \$10.00 or \$9.50, a trading pause will be triggered:

- Three last sale eligible trades at or less than \$9.00 will trigger a trading pause.
  - $\$10.00 \text{ less } (\$10.00 \times 10\%) = \$9.00$
- Three last sale eligible trades at or greater than \$10.45 will trigger a trading pause.
  - $\$9.50 \text{ plus } (\$9.50 \times 10\%) = \$10.45$

If a last sale eligible execution is at or higher than the 10% threshold and is also at or within the NBBO within the five-minute period, NASDAQ will invoke a trading pause based on that single transaction.

Trading pauses for Phase III securities will follow the same behavior based on the appropriate triggering percentage for the security.

### **Can all market center prints trigger a trading pause or just the primary market?**

All prints sent to the Consolidated Tape that are [last sale eligible](#) can trigger a trading pause.

### **What if there are no trades in the last five minutes?**

No pause is initiated if there have been no trades in the last five minutes.

**Do open orders remain on the NASDAQ, BX and PSX books during a pause in a NASDAQ-listed security?**

Yes, all open orders on the NASDAQ, BX and PSX books remain on the book during the pause, unless they are canceled by the customer.

**Do open orders remain on the NASDAQ, BX and PSX books during a pause in a NYSE-listed security?**

Yes, orders in a NYSE-listed security on the NASDAQ, BX or PSX book remain open unless cancelled by a customer.

**Do NASDAQ, BX and PSX allow new orders in a NYSE-listed security during a pause?**

No, new orders are not able to be entered until the security re-opens on the primary market. Market maker quotes, however, are allowed to be adjusted during the pause period.

**TRADE RESUMPTION**

**What is the process for resuming trading on NASDAQ after a trading pause?**

If a trading pause is triggered in a NASDAQ-listed security included in the pilot, NASDAQ re-opens 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.

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

The following order types are accepted:

- Market Orders, Limit Orders and Quotes
- Time-in-Force of Day, Extended, Good-til-Cancelled (GTC) or Immediate-or-Cancel (IOC)
- Orders do not need any special auction specification

**Do the consolidated and proprietary data feeds signal the Single Stock Trading Pause?**

Yes. For NASDAQ-listed issues, NASDAQ OMX disseminates the trading pause information via the Trading Action message on all UTP data feeds as well as most NASDAQ, BX and PSX proprietary data feeds.

For NYSE, NYSE Amex and other exchange-listed issues, NASDAQ OMX disseminates the trading pause information via the Trading Action message on NASDAQ, BX and PSX proprietary data feeds. For information on the consolidated data feed products for NYSE, NYSE Amex and other exchange-listed issues, please refer to [Consolidated Tape Authority \(CTA\) notifications](#).

**How do the UTP data feeds show the trading pause?**

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 pause is initiated, the NASDAQ SIP disseminates a Trading Action message with the Action value of "H" (Halted) and the Reason Code of "T5" (Single Stock Trading Pause). Following the first trading action message, the NASDAQ SIP zeroes out UTP participant quotations.

Immediately following, NASDAQ disseminates a Trading Action message with the Action code of "Q" (Quotation Resumption) and a Reason code of "T7" (Single Stock Trading Pause/Quotation Only Period) via the UTP and proprietary data feeds. To facilitate price transparency during this period, NASDAQ SIP allows the UTP participants to enter quotations for dissemination via the UTP data feeds. Order and quotation updates continue to be disseminated via the proprietary NASDAQ, BX and PSX data feed products throughout the trading pause period.

At the completion of the five-minute quotation only period, NASDAQ typically releases the security for trading. If market conditions warrant, however, NASDAQ has the right to extend the trading pause for up to five additional minutes.

At the end of a trading pause in which NASDAQ completes a halt cross process and disseminates a first print, NASDAQ simultaneously generates a Trading Action message with the Action code of "T" (Trading Resumption). Upon receipt of this trading action message, UTP participants resume normal trading activities. If after 10 minutes, NASDAQ is unable to complete a halt cross process and disseminate a first print, UTP participants on their own initiative, can likewise resume trading.

#### **How do the NASDAQ proprietary data feeds show a trading pause?**

NASDAQ OMX follows the same Trading Action message processing as the UTP data feeds for its proprietary U.S. equity data products, including NASDAQ TotalView, BX TotalView, PSX TotalView, NASDAQ Basic and NASDAQ Last sale (NLS).

In addition to the Trading Action messages, NASDAQ OMX disseminates Net Order Imbalance Indicator (NOII) messages during the Single Stock Trading Pause via the NASDAQ TotalView product.

Unlike the UTP data feeds, however, the NASDAQ OMX proprietary data feeds do not alter any orders or quotations upon the initiation of a Single Stock Trading Pause.

#### **What reason codes identify that the pause is a Single Stock Trading Pause and that trading has resumed?**

As noted above, NASDAQ OMX uses the following Trading Action – Reason Codes for the Single Stock Trading Pause:

<b>Reason Code</b>	<b>Description</b>
T5	<b>Single Stock Trading Pause In Effect</b> - Trading has been suspended by NASDAQ due to a violation of the Single Stock Trading Pause threshold.
T7	<b>Single Stock Trading Pause/Quotation Only Period</b> – Quotations have resumed for affected security, but trading remains paused.

#### **Does the NASDAQ SIP clear UTP participant quotes at the start of the trading pause?**

Yes, the NASDAQ SIP zeroes out all UTP participant quotes immediately following the Trading Action message with Action value of "H" (Halted).

For data quality reasons, the NASDAQ SIP requires UTP participants to re-enter data during the quotation positioning window.

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

No.

**Does NASDAQ calculate and disseminate a Net Order Imbalance Indicator (NOII) during the trading pause?**

Yes. NASDAQ calculates a NOII value – including the reference price and paired shares – at five-second intervals during the quotation only window of the Single Stock Trading Pause. The NOII data is available in raw data format via the NASDAQ TotalView data feed product suite and in displayable format on the NASDAQ Workstation and NASDAQ DataStore products.

**What happens on NASDAQ if trading does not resume in a paused security after the five-minute quoting period?**

If there is not sufficient quote activity to re-open the security at the end of the five-minute quoting period, NASDAQ extends the quote-only period by one minute increments, for up to five additional minutes, until a Halt Cross can occur. If after 10 minutes NASDAQ is unable to complete a Halt Cross process and disseminate a first print, UTP participants, on their own initiative, can resume trading.

**What prevents a halt cross from occurring five minutes after quote resume?**

There are several reasons a halt cross would not occur after the five minute quote-only period.

Examples:

- There is an unresolved market imbalance; e.g., a market order to sell 300,000 shares and all bids on the book at every price level total only 200,000 shares.
- There is a movement of 10% or 50 cents (whichever is greater) based on the price immediately prior to the cross and the dissemination price 15-seconds prior to the cross.
- Another halt (e.g., news pending, market-wide circuit breaker) occurs and the trading pause is extended.

**Does NASDAQ also reflect the trading pause conditions via the NASDAQ OMX Trader website?**

Yes, trading pauses are included on the [Trading Halt page](#) of the NASDAQ OMX Trader website. Please refer to the [Self-Enrollment page](#) for information on how to sign up for automatic email notifications.

**ADDITIONAL PAUSES OR HALTS ON THE SAME SECURITY**

**Can another pause be triggered in less than five minutes of the first trade?**

Yes.

**Example:** A pause is called at 11:00 a.m., ET. At 11:05 a.m., the primary listing market prints a trade at \$10.00. Several seconds later a trade is reported at \$8.95. Another pause would be triggered.

**What if a regulatory halt (e.g., due to material news) is called during the five-minute trading pause?**

The five-minute quote period for the pause will be discontinued and a new five-minute period will begin when the security comes out of the regulatory halt.

In the event that a security status is changed to halted during the pause, the NASDAQ SIP and NASDAQ proprietary data feeds disseminate a new Trading Action message with the Action value of "H" and an existing regulatory Reason Code.

**BEYOND THE INITIAL FIVE-MINUTE TRADING PAUSE**

**After the initial pause period, does NASDAQ continue to disseminate NOII data?**

Yes, NASDAQ continues to calculate and disseminate NOII data at five-second intervals on the NASDAQ TotalView product until the Halt Cross occurs.

**What happens if a Single Stock Trading Pause for a NASDAQ-listed security reaches the ten-minute period and NASDAQ cannot conduct a Halt Cross for the security?**

If after 10 minutes NASDAQ is unable to complete a Halt Cross process and disseminate a first print, UTP participants, on their own initiative, can resume trading.

**What do BX and PSX do if NASDAQ has not re-opened a security after the ten-minute period?**

BX and PSX do not resume trading in a NASDAQ-listed security until NASDAQ re-opens the security.

**If NYSE cannot re-open after a ten-minute pause period in a NYSE-listed security, do NASDAQ, BX and PSX resume trading in the security?**

All NASDAQ OMX markets do not start trading until NYSE sends a resume trading message.

**If NASDAQ is not able to open after the ten-minute period and another market starts trading in that security, what happens to the open orders on NASDAQ's book?**

Orders remain open and NASDAQ executes its Halt Cross when all market order imbalance shares can be paired.

NASDAQ continues to update its quote on UQDF. To indicate that the UTP quotation is intended for price discovery purposes only, NASDAQ appends its best bid and offer position with an "N" (non-firm) quote condition from the end of the ten-minute market-wide pause until the NASDAQ Halt Cross occurs.

NASDAQ also continues to disseminate the net order imbalance indicator at five-second intervals via the NASDAQ TotalView product suite until the NASDAQ Halt Cross occurs.

**OPTIONS**

**Do NOM and PHLX halt options trading when the primary exchange of an underlying security has initiated a trading pause?**

Yes. NOM and PHLX halt trading in options when a trading pause has been initiated on an underlying security.

**When do NOM and PHLX resume trading for options on underlying securities subject to a trading pause?**

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

**During a halt, do NOM and PHLX keep open orders on their book?**

Yes. NOM and PHLX keep all open orders during the halt. Firms have the ability to cancel open orders.

**Do NOM and PHLX accept new orders during the halt?**

NOM **does not** accept new orders during the halt. Firms can cancel open orders during the halt.

PHLX **accepts** new orders, cancel/replaces and order cancels during the halt.