

Russell Contingency Overview



Overview

As Nasdaq and the securities industry prepare for the upcoming Russell Reconstitution, Nasdaq is highly confident that its systems will provide the reliability and capacity required to ensure a smooth, successful Reconstitution. Nonetheless, for the past several years, in advance of the Russell Reconstitution, Nasdaq has published its contingency plan in order to prepare the industry for unusual market conditions.

Due to the unpredictability of market events, Nasdaq has attempted to create a simple contingency plan that can address a wide range of scenarios in a manner similar to the regular closing cross.

Guidelines Governing Contingencies

Because Nasdaq cannot predict every possible scenario that could occur, it will employ the following guidelines in determining how to react to an unusual market condition:

- 1) It is critical that, if at all possible, Nasdaq determine the Closing Price and closing cross executions even if the process must occur after the standard 4:00 p.m., Eastern Time (ET), closing time.
- 2) The industry must be provided with a closing price on the date of the Reconstitution and no later. Nasdaq will publish the Nasdaq Official Closing Price (NOCP) through regular channels as soon as possible after the price has been established.
- 3) In the event the standard closing cross process fails to generate the NOCP in one or more securities, Nasdaq will invoke the contingency closing cross process below in each impacted security and notify participants as soon as possible.

Contingency Closing Cross Process

If the standard closing cross process fails, Nasdaq will employ the following offline contingency process to determine the price, size, and component executions for the closing cross trade in affected securities.

Determining the Closing Price

- If the standard closing cross process fails in a security, the last consolidated regular way trade prior to 4:00pm will be published through standard channels as the NOCP. To publish the NOCP as soon as possible, Nasdaq will publish the NOCP to the SIP before publishing the crossed share volume. As such the quantity/volume on the NOCP message will be represented as 100 shares.
- In the event an impacted security has no consolidated last sale price (i.e. it has not traded during the day), there will be no NOCP published and nothing done in the contingency closing cross.

Contingency Closing Cross Process:

- All Market-on-Close, Limit-on-Close and Imbalance Only orders received and not cancelled prior to 3:50pm will be eligible to participate.
- All Imbalance Only orders received between 3:50 and 4:00pm will be eligible to participate.
- Other DAY orders will not be eligible to participate in the contingency closing cross process. This is due to the fact that the contingency closing cross will be an offline process and unable to interact with the continuous book.
- Nasdaq will identify those eligible orders which, on a price-time priority basis, can cross at the NOCP (i.e. the consolidated last sale prior to 4:00pm) in order to maximize the number of shares executed in the closing cross.
 - If an order imbalance exists in the MOC/LOC interest marketable at the NOCP, Imbalance Only orders on the short side of the cross will participate (based on price/time priority) to maximize the number of paired shares.

Delivery of Executions & Market Data

- Nasdaq will publish the NOCP and total shares executed in the offline cross to the SIP.
- Individual component executions will be delivered to participants via a flat file (formatted in DROP protocol). Any MOC/LOC or Imbalance Only order not receiving an execution should be considered cancelled.

Emergency Communications Media

Nasdaq will use the following communications media to inform the market participants of the unusual market conditions, as well as to notify market participants of Nasdaq's actions to address those conditions:

- 1) System Status Alert page on the Nasdaq Trader® website
- 2) On June 24, 2016, Nasdaq, NYSE, NYSE Arca and NYSE MKT will hold a joint market-wide call beginning at 3:00 p.m., ET, and lasting approximately two hours. The call details are:
 - Dial In: +1 800 936 9761
 - Conference ID#: 21966672
 - Topic: Russell Reconstitution
 - Leader: David Lawn
- 3) Nasdaq will also use Equity Trader Alerts and email notifications as needed.
- 4) NYSE, NYSE Arca, and NYSE MKT will use email notifications as needed.

Sample Data

View a sample Russell Contingency DROP file [here](#).