

against an away market participant(s), then such order will be routed (i) serially as component orders, such that each component corresponds to the displayed price, or (ii) only once in its entirety, including both the displayed and reserve portions.

(B) *Random Reserve Order.* A Reserve Order designated as a Random Reserve Order will have a random reserve value which, as a range of round lots, will vary the displayed size of the Reserve Order. A random reserve value set to zero will permit the displayed size of the Reserve Order to vary to within 20% of the original specified displayed size.

(i)—(u)—No change.

(v) *NOW Order.* A Limited Price Order that is to be executed in whole or in part on the Corporation, and the portion not so executed shall be routed pursuant to rule 7.37(d) only to one or more NOW Recipients for immediate execution as soon as the order is received by the NOW Recipient. Any portion not immediately executed by the NOW Recipient shall be cancelled. If a NOW Order is not marketable when it is submitted to the Corporation, it shall be cancelled. NOW Orders may not be Directed Orders. NOW Orders for ITS Trade-Through Exempt Securities (as defined in rule 7.37) may be routed and executed at a price that is no more than three cents (\$0.03) away from the NBBO displayed in the Consolidated Quote. *The NBBO price protection provision set forth in rule 7.37 will not apply to NOW Orders in Nasdaq securities.*

(w) *PNP Order (Post No Preference).* A limit order to buy or sell that is to be executed in whole or in part on the Corporation, and the portion not so executed is to be ranked in the Arca Book, without routing any portion of the order to another market center; provided, however, the Corporation shall cancel a PNP Order that would lock or cross the NBBO. PNP Orders for Trade-Through Exempt Securities (as defined in rule 7.37) will not be canceled at the time of order entry if such orders would lock or cross the NBBO. PNP Orders in ITS Trade-Through Exempt Securities may be executed at a price no more than three cents (\$0.03) away from the NBBO displayed in the Consolidated Quote. *The NBBO price protection provision set forth in Rule 7.37 will not apply to PNP Orders in Nasdaq securities.*

(x)—(z)—No change.

(aa)—(bb)—Reserved.

(cc) *Pegged Order.* A limit order to buy or sell a stated amount of a security at a display price set to track the current bid or ask of the NBBO in an amount specified by the User. The associated

price of each Pegged Order that is updated will be assigned a new entry time with priority in accordance with rule 7.36(a). A Pegged Order may be designated as a Reserve Order or Discretionary Order.

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#### Order Execution

Rule 7.37. Subject to the restrictions on short sales under rule 10a-1 under the Exchange Act, like-priced orders, bids and offers shall be matched for execution by following Steps 1 through 5 in this rule; provided, however, for an execution to occur in any Order Process, the price must be equal to or better than the NBBO, unless the Archipelago Exchange has routed orders to away markets at the NBBO, where applicable (however, a User may submit a NOW Order or Primary Only Order that may be routed to an away market without consideration of the NBBO). This rule will not apply to *designated order types including IOC, NOW, PNP, Passive Discretionary, Discretion Limit (except for exchange-listed securities), IOC Cross and PNP Cross orders in Nasdaq securities* or securities that are subject to an exemption from the Commission under SEC rule 11Aa3-2(f) to the trade-through provisions of the ITS Plan ("ITS Trade-Through Exempt Securities"). Orders in ITS Trade-Through Exempt Securities [designated as IOC, NOW and PNP orders] will be effected at a price no more than three cents (\$0.03) away from the best bid and offer quoted in CQS.

(a)—No change.

(b)(1)—No change.

(2) Step 3: Working Order Process.

(A) An incoming marketable order shall be matched for execution against orders in the Working Order Process in the following manner:

(i)—(iii)—No change.

(iv) *Determination of a Passive Discretionary Order's Execution Price.*

(a) *For Nasdaq Securities, if the BBO is outside the NBBO and a Passive Discretionary Order(s) within the Working Order Process has a discretionary price worse than the NBBO, then the incoming order will execute against such Passive Discretionary Order(s) at the price of the incoming order or the displayed price of the Discretionary Order(s), whichever is better.*

(b) *For Nasdaq Securities, if the BBO is outside the NBBO and a Passive Discretionary Order(s) within the Working Order Process has a discretionary price equal to or better than the NBBO, then the incoming order will execute against such Passive*

*Discretionary Order(s) pursuant to subsection (2)(A)(ii) above.*

(c) *For ITS Trade-Through Exempt Securities (as defined in Rule 7.37), if the BBO is outside the NBBO and a Passive Discretionary Order(s) within the Working Order Process has a discretionary price worse than the NBBO by three cents (\$0.03) or less, the incoming order will execute against such Passive Discretionary Order(s) at the price of the incoming order or the displayed price of the Discretionary Order(s), whichever is better.*

(v)—No change.

(B) An incoming order that is not marketable shall be matched for execution against orders in the Working Order Process in the following manner:

(i)—(ii)—No change.

(C) *With the exception of Passive Discretionary Orders and Discretion Limit Orders, [I]f any change in the NBBO or other available away trading interest would cause a potential match between the away order and an order in the Working Order Process, a commitment to trade shall be sent to that market center or market participant pursuant to Step 5 below after having proceeded through Step 4.*

(i) *Passive Discretionary Orders will be routed away only if the displayed price is marketable against an away market participant.*

(ii) *Discretion Limit Orders will be routed away only if the displayed share size of the Discretion Limit Order is equal to or less than the displayed share size of the away market participant.*

(c)—(e)—No change.

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Nasdaq included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in item IV below. PCX has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

#### Purpose

##### 1. Proposed New Order Types

As part of its ongoing preparation for the trading of Nasdaq securities on the Archipelago Exchange ("ArcaEx")