

are not eligible for execution in the Trading Halt Auction.

(C) The Corporation, if it deems such action necessary, will disseminate the time, prior to the time that orders are matched pursuant to the Trading Halt Auction, at which orders may no longer be cancelled.

(D) Interaction with ITS

(i) If a pre-opening indication is required pursuant to the ITS Plan, the Corporation will disseminate three minutes prior to the Re-Opening Time the applicable price range, consisting of the Indicative Match Price as one end of the price range and the Indicative Match Price plus an amount determined by the Corporation for the higher end of the price range.

(ii) The Archipelago Exchange will treat any responses to a pre-opening indication as an Auction-Only Limit Order.

(E) Other market centers may use private communication connections to enter Auction-Only Limit Orders for a Trading Halt Auction.

(4) Determination of Trading Halt Auction Price

(A) For exchange-listed securities:

(i) If there is no Imbalance and no other market center has re-opened trading in the security, orders will be executed in the Trading Halt Auction at the Indicative Match Price as of the Re-Opening Time.

(ii) If an Imbalance exists, or if an equilibrium exists between buy market orders and sell market orders and an Indicative Match Price does not exist, or if another market center has re-opened trading in the security, as many buy market orders and sell market orders as possible shall be matched, on a time priority basis, at the midpoint of the first uncrossed, unlocked NBBO, once an NBBO is available.

(B) For Nasdaq securities:

(i) If there is no Imbalance, orders will be executed in the Trading Halt Auction at the Indicative Match Price as of the Re-Opening Time.

(ii) If an Imbalance exists, or if equilibrium exists between buy market orders and sell market orders, as many buy market orders and sell market orders as possible shall be matched, on a time priority basis, once an NBBO is available,

(a) at the midpoint of the NBBO at the Re-Opening Time, provided that the NBBO is not crossed; or

(b) at the midpoint of the first uncrossed NBBO after the Re-Opening Time, in the case in which the NBBO is crossed, but one side of the BBO is not crossed by the NBBO; or

(c) at the midpoint of the first uncrossed NBBO after the Re-Opening

Time, in the case in which the NBBO is crossed and where both sides of the BBO are crossed by the NBBO; or

(d) at the bid (offer) of the BBO that was crossed prior to the Re-Opening Time, in the case in which the BBO is crossed by a market participant; or

(C) For those issues for which the Corporation is the primary market: Orders will be executed at the Indicative Match Price at the Re-Opening Time. If equilibrium exists between buy and sell Market Orders, the match price shall be at the last Corporation sale price in the security regardless of the trading session; however, if the last Corporation sale price is lower than the BBO, the match price shall be the displayed bid in the security, or if the last Corporation sale price is higher than the BBO, the match price will be the displayed offer in the security.

(5) If any orders are not executed in their entirety during the Trading Halt Auction, then such orders shall be executed in accordance with Rule 7.37 after the completion of the Trading Halt Auction.

(6) After the completion of the Trading Halt Auction, the Archipelago Exchange will re-open for trading the previously halted security in accordance with Rule 7.

(h) Whenever in the judgment of the Corporation the interests of a fair and orderly market so require, the Corporation may adjust the timing of the auctions set forth in this Rule.

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

In its filing with the Commission, the PCX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it had received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The 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

1. Purpose

The PCX proposes to amend PCXE Rule 7.35 to introduce the Closing Auction, which would apply to both Nasdaq and exchange-listed securities

traded on ArcaEx.⁵ The Closing Auction would take place following the Core Trading Session. The Closing Auction would occur at 1:02 p.m. (Pacific Time). The PCX also proposes to amend PCXE Rule 7.31 to implement two new order types designated as a Market-on-Close Order⁶ and Limit-on-Close Order,⁷ and to amend PCXE Rule 7.34 to clarify that these two new order types are eligible for execution during the Late Trading Session. Market-on-Close Orders and Limit-on-Close Orders would be eligible for execution only during the Closing Auction. Any Market-on-Close Order or Limit-on-Close Order that is not executed during the Closing Auction would be cancelled. Market-on-Close Orders and Limit-on-Close Orders that are designated as Timed Orders⁸ and designated as good from 1:02 p.m. (Pacific Time) would not be eligible for execution during the Closing Auction.

Under proposed PCXE Rule 7.35(e), ArcaEx would publish the Indicative Match Price,⁹ the matched volume and Imbalance relative to the Closing Auction.¹⁰ Accordingly, beginning at 12:00 p.m. (Pacific Time), and updated real-time thereafter, the Indicative Match Price of the Closing Auction and the volume available to trade at such price, and the Imbalance associated with the Closing Auction, if any, would be published via electronic means by the PCX. The following are examples of the foregoing:

Example 1: (1) Limit-on-Close Order to buy 1000 shares at 50;

(2) Limit-on-Close Order to sell 5000 at 40; and

(3) Market-on-Close Order to sell 2000 shares

In this example, ArcaEx would publish an Indicative Match Price of 40, a match volume of 1000 shares, and an Imbalance of 1000 shares.

Example 2: (1) Market-on-Close to buy 3000 shares;

(2) Market-on-Close to sell 1000 shares;

(3) Limit Order to sell 1000 shares at 41; and

(4) Limit Order to sell 1000 shares at 41.25.

In this example, ArcaEx would publish an Indicative Match Price of 41.25 and a match

⁵ See PCXE Rule 1.1(aa) (definition of "Nasdaq Security").

⁶ See proposed PCXE Rule 7.31(dd) (definition of Market-on-Close Order ("MOC")).

⁷ See proposed PCXE Rule 7.31(ee) (definition of Limit-on-close Order ("LOC")).

⁸ See PCXE Rule 1.1(q) (definition of "Timed Order").

⁹ See PCXE Rule 1.1(r). Pursuant to this current proposed rule change, the definition of "Indicative Match Price" in PCXE Rule 1.1(r) would be changed to reflect the inclusion of the Closing Auction.

¹⁰ The proposed rule change also provides for the publication of the Indicative Match Price and Imbalance following a trading halt.