

**MEMO# 15319**

November 1, 2002

## **NASDAQ PROPOSAL RELATING TO AN OFFICIAL CLOSING PRICE**

[15319] November 1, 2002 TO: ACCOUNTING/TREASURERS COMMITTEE No. 48-02 RE: NASDAQ PROPOSAL RELATING TO AN OFFICIAL CLOSING PRICE Attached is a memorandum prepared by NASDAQ describing their proposal to implement an "Official Closing Price." As you know, NASDAQ currently does not have an official closing price and instead uses the "last sale" as the measure of the close. NASDAQ, however, believes that the last sale is an imperfect measure of the market at the close. Among other things, NASDAQ is concerned that it is possible for market participants to affect the last sale with slowly reported transactions. In addition, NASDAQ is concerned that the recent increase in trading of NASDAQ securities by UTP exchanges raises issues regarding the viability of the current last sales, as the inclusion of trading activity outside of NASDAQ's regulatory oversight limits its ability to monitor the close for manipulative activity. To address these concerns, NASDAQ's proposal would adopt an Official Closing Price equal to the normalized price of the last unmodified trade reported to ACT at or before 4:00:02 p.m. The normalized price is the last trade price within the concurrent BBO, adjusted up to the concurrent bid if it is below the bid price (or down to the concurrent ask if it is above the ask price). NASDAQ is seeking input on how to handle cancellations and corrections submitted after the close that impact the Official Closing Price and how to enable vendors to carry and identify the Official Closing Price. If you have any comments on the proposal, please contact the undersigned at 202/326-5851 or smith@ici.org. Gregory M. Smith Director - Operations/Compliance & Fund Accounting Attachment (in .pdf format)

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