

**MEMO# 15273**

October 17, 2002

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

[15273] October 17, 2002 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 27-02 RE: NASDAQ PROPOSAL RELATING TO AN OFFICIAL CLOSING PRICE As discussed at the recent Equity Markets Advisory Committee meeting, Nasdaq has proposed the implementation of a new "Official Closing Price." Attached is a memorandum prepared by Nasdaq describing the Official Closing Price and soliciting the Committee's input on several open issues relating to its implementation. 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 PM. The normalized price is the last trade price within the concurrent BBO, adjusted up to the concurrent bid (down to the ask) if it is below the bid (above the ask) price. Among the issues that Nasdaq is seeking input from the Equity Markets Advisory Committee is how to handle cancellations and corrections after the close that impact the Official Closing Price and how to enable vendors to carry the Official Closing Price. If you have any comments on Nasdaq's Official Closing Price proposal, please contact me by phone at 202-371-5408 or by e-mail at [aburstein@ici.org](mailto:aburstein@ici.org). Ari Burstein Associate Counsel Attachment (in .pdf format)