

Shortcomings of the NOCP

- ❑ ***Does not solve the fundamental problems of the old closing process***
 - *Still Not a Market Clearing Event (Market could be closed on 100 shares)*
 - *Still Difficult to get Guarantees*
 - *Still Open to Pricing Anomalies*
 - *Still Subject to Delay (price still not official until 5:20 pm)*
- ❑ The NOCP can be modified if “the trade on which the NOCP is based is cancelled or corrected by the firm entering it or a set of highly unusual system factors has interfered with the setting of the NOCP.”
- ❑ NASDAQ estimates that **20%** of NASDAQ-100 and 18% of S&P 500 stocks would be ‘normalized’ by the quote each day. [Source: NASDAQ, NOCP presentation, January 2003]
- ❑ The quote used for comparison could potentially be locked or crossed complicating the “normalization” process.
- ❑ Index participants can not mark a position to a quote, a trade is needed.
- ❑ This process excludes consideration of activity in all UTP markets outside of SuperMontage and ACT, eliminating over 40% (October 2003) of the activity in the marketplace.
- ❑ The Option Clearing Corporation (OCC) does not use the NOCP for expiring NASDAQ equity options [OCC Memo #18964, 6/19/2003].