

Enhanced Closing Price for ETPs

Nasdaq has an Enhanced ETP closing price methodology that provides a more current valuation price for less active ETPs. Nasdaq uses a closing price methodology for ETPs that do not have a closing auction, which is based upon the prevailing best bid and offer, “BBO,” at the end of the regular day trading session. Our research has shown that utilizing a time-weighted average of the prevailing end of day quotes, “T-WAM,” is more reflective of the current valuation of the ETP versus the previous methodology of using the last transaction price. This methodology determines the Official Closing Price for all ETPs that do not have a closing auction that results in a closing price.

FAQs

Why did Nasdaq introduce a new Enhanced Closing Price for ETPs in 2019?

For active ETPs that have a closing cross, the closing cross provides an accurate end of day market price of an ETP. However, less actively traded ETPs do not have consistent order interest on a daily basis to conduct a closing cross and referencing the last sale in that instrument could have been hours or days old leading to a potentially stale closing reference price.

When is the T-WAM used?

The T-WAM Calculation is used when a Nasdaq-listed ETP does not have a closing cross. Previously, Nasdaq used the Nasdaq Last Sale when an ETP did not have a closing cross.

When is the T-WAM calculated?

The methodology utilizes observed BBO quotes to calculate the T-WAM during the time frame 15:58:00- 15:59:55. The calculation excludes the BBO quotes observed in the 5 seconds prior to the close 15:59:56-16:00:00. The exclusion of quotations during this time period is due to an observation that BBO quotes were often cancelled or widened during that period and were less reflective of the valuation of the ETP. The beginning of the T-WAM calculation time period 3:58:00 aligns with the end of the cut off period for the acceptance of Limit on Close “LOC” orders.

How does the T-WAM work?

The T-WAM uses the midpoint of the NBBO during the previously stated calculation timeframe. See example below:



What qualifies as an eligible quote in the T-WAM?

In order to account for situations where an ETP may have a BBO quotation that is excessively wide, Nasdaq defines a maximum spread width for purposes of defining an eligible quote. An eligible quote is defined as a quote whose spread width is no greater than a value of 10% of the midpoint price. All quoted spreads within the T-WAM's calculation time period that are greater than 10% of the midpoint value are excluded from the T-WAM calculation. If there are no eligible quotes for the T-WAM, Nasdaq uses the consolidated last sale as the official closing price.

For example: If the NBBO = 19.99 x 20.01 (midpoint = \$20), validation logic would allow a maximum quote width up to \$2 to be used as part of the calculation ($\$20.00 \times 10\% = \2). If the NBBO was 17.00 x 23.00 (midpoint = \$20.00), the midpoint would not be used in the T-WAM calculation because it violates the maximum quote width ($\$20.00 \times 10\% = \2).

Sales & Support

Contact: etfs@nasdaq.com or sales@nasdaq.com

Call: +1 800 846 0477

Visit: www.nasdaq.com/solutions/etfsnasdaq

For more information on this new enhancement and our methodology please see [Nasdaq's Market Makers blog](#) by [Phil Mackintosh](#).