Enhanced Closing Price for ETPs

Nasdaq

What is Nasdaq Enhanced Closing Price for ETPs?

The Nasdaq Enhanced Closing Price methodology for ETP's uses the Time-Weighted Average Midpoint (T-WAM) of the Best Bid and Offer (BBO) as the Nasdaq Official Closing Price when there is no closing cross in a Nasdaq-listed ETP or when the closing cross for a Nasdaq-listed ETP is less than a round lot trade.
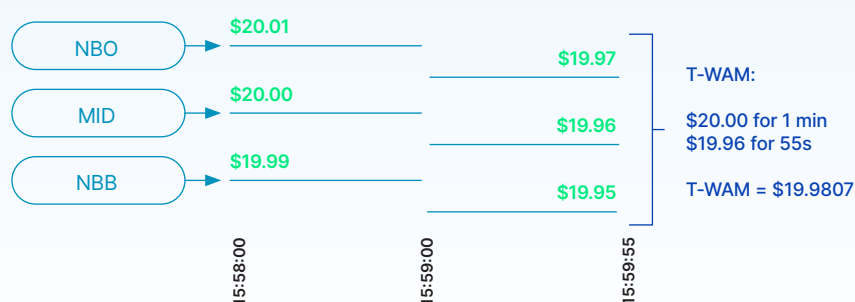
What is T-WAM?

The methodology utilizes observed BBO quotes to calculate the T-WAM during the time frame 03:58:00pm -03:59:55pm. The calculation excludes the BBO quotes observed in the 5 seconds prior to the close 03:59:56pm - 4:00:00pm. 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.

What if T-WAM cannot be calculated?

In circumstances where T-WAM cannot be calculated such as if the ETP is halted through the close, the Consolidated Last Sale Eligible Price will be used as the Nasdaq Official Closing Price.

How does the T-WAM Work?

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

NBO $20.01 → $19.97

MID $20.00 → $19.96

NBB $19.99 → $19.95

15:58:00   15:59:00   15:59:55

T-WAM:

$20.00 for 1 min
$19.96 for 55s

T-WAM = $19.9807

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 BBO = 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*10% = $2). If the BBO 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*10% = $2).

Sales and Support

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