

MEMO# 30494

December 22, 2016

ICI Submits Comment Letter to SEC on proposed Amendment to the Limit Up-Limit Down Plan (Single Stock Circuit Breakers)

[30494] December 22, 2016 TO: ICI Members SUBJECTS: Exchange-Traded Funds (ETFs) Trading and Markets RE: ICI Submits Comment Letter to SEC on proposed Amendment to the Limit Up-Limit Down Plan (Single Stock Circuit Breakers)

ICI submitted a comment letter urging the Securities and Exchange Commission (SEC) to adopt a proposed amendment to the national market system (NMS) plan to address extraordinary market volatility (Limit Up-Limit Down Plan).[*] The proposed amendment would address certain market structure failings that contributed to the volatile trading on August 24, 2015. Specifically, Proposed Amendment 12 would consolidate the liquidity for reopening auctions at the primary listing exchanges and ensure that trading does not resume until limit up-limit down price bands are in place. In separate but related actions three primary listing exchanges have filed rule changes that would harmonize the procedures they use to resume trading following a limit up-limit down pause.

The letter notes that the market structure refinements proposed in the amendment and related exchange rule filings should improve the transparency of the reopening process, allow reopening auctions to establish more accurate prices, and make it less likely that trading in a security will be halted again shortly after trading resumes. Implementing these proposals also should increase market confidence by reducing the likelihood of the Limit Up-Limit Down Plan creating confusion during volatile markets, when clarity and certainty are most important.

The letter also emphasizes that further improvements to the Limit Up-Limit Down Plan are needed, particularly with respect to: (1) the discordance between the rules governing clearly erroneous executions and the limit up-limit down price bands; and (2) the governance of the plan. We urge the Commission to address these concerns in the near future to improve the functioning of the equity markets to benefit and protect funds, their shareholders, and other investors.

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[Attachment](#)

endnotes

[*] Securities Exchange Act Release No. 79410, 81 FR 87114 (December 2, 2016), *available* at <https://www.gpo.gov/fdsys/pkg/FR-2016-12-02/pdf/2016-28937.pdf> (Proposed Amendment 12).

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