

MEMO# 24438

July 23, 2010

ICI Comment Letter on Expansion of Single Stock Circuit Breakers Pilot Program

[24438]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 39-10
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 22-10
ETF ADVISORY COMMITTEE No. 31-10
EQUITY MARKETS ADVISORY COMMITTEE No. 29-10
SEC RULES MEMBERS No. 66-10 RE: ICI COMMENT LETTER ON EXPANSION OF SINGLE STOCK CIRCUIT BREAKERS PILOT PROGRAM

The Institute has filed the attached comment letter with the Securities and Exchange Commission on the proposals filed by the national securities exchanges and the Financial Industry Regulatory Authority (collectively "SROs") to expand the single stock circuit breakers pilot program which was adopted in response to market events on May 6. [\[1\]](#)

Under the pilot program, trading in a stock pauses across U.S. equity markets for a 5-minute period in the event that the stock experiences a 10 percent change in price over the preceding 5 minutes. The pilot program currently applies to the stocks comprising the S&P 500 Index. The SRO proposals would expand the pilot program to include all stocks in the Russell 1000 Index and certain exchange-traded funds ("ETFs").

The letter strongly supports the expansion of the pilot program beyond those securities included in the S&P 500 Index. The letter explains that by expanding the pilot program to securities in the Russell 1000 Index and certain ETFs, the proposals address Institute concerns that the scope of the pilot program is too narrow. In particular, the letter states that the inclusion of ETFs in the pilot program is critical given the impact on ETFs of the market events on May 6. It explains that, if circuit breakers exist for individual securities contained in an ETF's basket, but not for the ETFs themselves, ETFs could again suffer disproportionately during a market event similar to that of May 6.

The letter also supports the examination of the connection between the equity, options, and futures markets and whether rules need to be made consistent across all types of markets to account for exchange-traded instruments whose value is correlated to securities in the pilot program.

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Associate Counsel

[Attachment](#)

endnotes

[1] See [Memorandum](#) to SEC Rules Members No. 53-10, Equity Markets Advisory Committee No. 22-10, ETF (Exchange- Traded Funds) Committee No. 16-10, ETF Advisory Committee No. 24-10, and Closed-End Investment Company Members No. 30-10 [24364], dated June 14, 2010.

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