

**MEMO# 25295**

June 22, 2011

## **ICI Letter on "Limit Up-Limit Down" Proposal**

[25295]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 48-11  
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 24-11  
ETF ADVISORY COMMITTEE No. 42-11  
EQUITY MARKETS ADVISORY COMMITTEE No. 38-11  
SEC RULES MEMBERS No. 75-11 RE: ICI LETTER ON "LIMIT UP-LIMIT DOWN" PROPOSAL

Earlier this month, the SEC published for comment a proposal filed by FINRA and the national securities exchanges to establish a new "limit up-limit down" mechanism to replace the existing single stock circuit breakers, which were approved shortly after the "flash crash" of May 6, 2010. ICI has filed a comment letter with the SEC on the proposal, which is attached and summarized below.

The letter supports the establishment of the limit up-limit down mechanism and focuses its comments on a specific aspect of the mechanism's proposed parameters as well as on the scope of the proposal. Specifically, the letter recommends that the proposed 15 second timeframe permitted for a stock to exit a "limit state" condition should be lengthened, at a minimum to at least 30 seconds, to provide sufficient time to reasonably attract additional available liquidity to the stock.

The letter also states that it is imperative that as many stocks as possible be included in the pilot program to gather valuable empirical data. Given the impact on ETFs of the market events on May 6, 2010, the letter states that it is critical that all ETFs be included in the pilot program on an expedited basis. The letter therefore encourages the participants in the pilot program to expand the limit up-limit down pilot in this manner as soon as possible.

Ari Burstein  
Senior Counsel - Securities Regulation

[Attachment](#)

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