

MEMO# 32307

March 23, 2020

SEC Approves NYSE Modifications to Electronic Auctions Until May 15, 2020 in Response to COVID-19

[32307]

March 23, 2020 TO: ICI Members SUBJECTS: Closed-End Funds

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International/Global

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Operations

Risk Oversight

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Unit Investment Trusts (UITs)

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The SEC noticed for immediate effectiveness a proposed rule filing submitted by New York Stock Exchange LLC (NYSE) to modify its electronic auctions in light of NYSE's decision to temporarily close its New York trading floor.[\[1\]](#)

According to the press release, NYSE announced that it has temporarily closed its trading floor as a precautionary measure to prevent the potential spread of COVID-19. The NYSE rule filing modifies several trading rules with respect to its electronic auctions.

The rule filing describes four modifications that are designed to help ensure an orderly transition by clarifying when designated market makers (DMMs) can electronically facilitate auctions and by aligning these parameters with the price collars that would apply during an auction facilitated by the exchange's own systems. They are described below.

- The first modification suspends the existing price and volume parameters restricting DMMs from effecting a core open auction, trading halt auction, or closing auction.
- The second modification widens to ten percent the percentage price parameters for

when a DMM may electronically effect a core open auction, trading halt auction, or closing auction. Under current NYSE rules, these price parameters are—unless suspended by the exchange for a given trading day—four percent for opening auctions under normal market conditions (eight percent under volatile conditions), and from two to five percent for closing auctions, depending on a security’s price.

- The third modification suspends the requirement for DMMs to publish pre-opening indications before a core open or trading halt auction, which is a floor-based manual action.
- The fourth modification establishes the auction collars for an exchange-facilitated trading halt auction following a Level 1 or Level 2 market-wide circuit breaker halt at the greater of ten percent or \$0.15.

The press release also states that NYSE conducted a full test of these modifications on Saturday, March 21. The modifications are temporary until May 15, 2020 (or sooner if the floor becomes operable). NYSE has published a set of related FAQs for market participants regarding the floor closure.^[2]

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[Attachment](#)

endnotes

^[1] See *SEC Enables Immediate Effectiveness of Proposed Rule Change to Facilitate NYSE Electronic Auctions in Light of Temporary Closure of Physical Trading Floor*, dated March 21, 2020, available at <https://www.sec.gov/news/press-release/2020-67>.

^[2] NYSE, NYSE Floor Trading Closure FAQ, available at https://www.nyse.com/publicdocs/nyse/NYSE_Floor_Closure_FAQ_20200320.pdf.