

MEMO# 25289

June 20, 2011

Draft ICI Letter on "Limit Up-Limit Down" Proposal

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TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 32-11
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 22-11
ETF ADVISORY COMMITTEE No. 40-11
EQUITY MARKETS ADVISORY COMMITTEE No. 36-11
SEC RULES COMMITTEE No. 62-11 RE: DRAFT ICI LETTER ON "LIMIT UP-LIMIT DOWN"
PROPOSAL

As we previously informed you, FINRA and the national securities exchanges have filed a proposal with the SEC 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.

Attached is the ICI's draft comment letter on the proposal. Comments are due to the SEC no later than this Wednesday, June 22. If you have any comments on the letter, please contact Ari Burstein by email at aburstein@ici.org or by phone at 202-371-5408 by COB Tuesday, June 21.

The draft 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 draft letter recommends that the proposed 15 second timeframe permitted for a stock to exit a "limit state" condition should be lengthened, to at least 30 seconds, to provide sufficient time to reasonably attract additional available liquidity to the stock.

The draft letter also states that to fully understand the usefulness of the limit up-limit down mechanism, it is imperative that as many stocks as possible be included in the pilot program to gather valuable empirical data. Significantly, the letter notes that given the impact on ETFs of the market events on May 6, it is imperative that all ETFs be included in the pilot program on an expedited basis. The draft letter therefore encourages the participants in the pilot program and the Commission to expand the limit up-limit down pilot as soon as possible.

Ari Burstein
Senior Counsel - Securities Regulation

[Attachment](#)

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