

MEMO# 29164

July 10, 2015

NYSE Halts, Resumes Trading; Available ICI Resources

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 19-15
BANK, TRUST AND RETIREMENT ADVISORY COMMITTEE No. 23-15
BROKER/DEALER ADVISORY COMMITTEE No. 32-15
CHIEF COMPLIANCE OFFICER COMMITTEE No. 15-15
END OF DAY PRICING FORUM No. 4-15
INDEPENDENT DIRECTORS COUNCIL No. 1-15
INVESTMENT COMPANY DIRECTORS No. 21-15
OPERATIONS COMMITTEE No. 14-15
SEC RULES COMMITTEE No. 22-15
SMALL FUNDS COMMITTEE No. 19-15
TRANSFER AGENT ADVISORY COMMITTEE No. 34-15 RE: NYSE HALTS, RESUMES TRADING;
AVAILABLE ICI RESOURCES

On Wednesday, the New York Stock Exchange (“NYSE”) suspended trading at 11:32 am; trading on the NYSE resumed later that afternoon (just after 3:00 pm), and the market closed at 4:00 pm without further incident. [\[1\]](#) According to the NYSE, “[T]here were communication issues between customer gateways and the trading unit with the new release [of Tuesday night’s rollout of software]. It was determined that the NYSE and NYSE MKT customer gateways were not loaded with the proper configuration compatible with the new release.” [\[2\]](#) Because the NYSE was able to resume trading and close in an orderly fashion, the effects of this particular disruption for the fund industry were relatively muted.

In addition to potentially affecting registered funds’ ability to buy and sell portfolio holdings, disruptions to trading on a securities or commodities market may have important legal and operational consequences for them as well, relating to issues such as valuation of portfolio holdings, pricing of fund shares, and processing of transactions in fund shares. [\[3\]](#) Disruptions affecting the NYSE in particular can have unique ramifications, because closings (other than customary closings) and certain restrictions on trading on this exchange may result in the suspension of redemptions of fund shares. [\[4\]](#) Consequently, events such as the NYSE’s trading suspension on Wednesday require careful monitoring, and fund complexes must evaluate them in light of their valuation procedures and prospectus disclosure to determine how and when to value portfolio holdings, price fund shares, and

process transactions in fund shares (e.g., some funds as a matter of policy price fund shares as of the close of trading on the NYSE, which may not always be 4:00 pm). These events also provide fund complexes with an opportunity to evaluate whether their valuation policies and procedures, together with their procedures for pricing, purchasing, and redeeming fund shares as disclosed in their prospectuses and statements of additional information, [5] are equipped to function as intended in response to unforeseen events.

Of course, ICI also carefully monitors these situations. Throughout Wednesday, we were in close communication with the SEC, NYSE, FINRA, ICI members, and other market participants. As a reminder, ICI's webpage contains a Business Continuity Resource Center, with valuable materials for members to access. [6] On days like Wednesday, we post time-sensitive information either there or on the main homepage. As future unforeseen events occur, we stand ready to assist our members, guided by our past experience in dealing with similarly disruptive events.

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endnotes

[1] Trading on NYSE MKT was also suspended. Trading on NYSE ARCA, Arca Options and NYSE AMEX Options, and on other unrelated markets, was unaffected.

[2] See NYSE's "Market Status History," available at www.nyse.com/market-status/history.

[3] See, e.g., Section 2(a)(41) of the Investment Company Act and Rules 2a-4 and 22c-1 thereunder.

[4] Section 22(e) of the Investment Company Act.

[5] See Items 11 and 23 of Form N-1A.

[6] Available at www.ici.org/continuity. Particularly useful are "Mutual Fund Operations Planning Guide for an Unexpected Market Close" and "Emergency Pricing Procedures under the Investment Company Act."