

MEMO# 30483

December 15, 2016

Draft ICI Comment Letter to SEC on Proposed Amendment to the Limit Up-Limit Down Plan (Single Stock Circuit Breakers), Member Comment Requested by Tuesday, December 20

[30483] December 15, 2016 TO: Equity Markets Advisory Committee

ETF (Exchange-Traded Funds) Committee

ETF Advisory Committee RE: Draft ICI Comment Letter to SEC on Proposed Amendment to the Limit Up-Limit Down Plan (Single Stock Circuit Breakers), Member Comment Requested by Tuesday, December 20

The Securities and Exchange Commission (SEC) recently published for comment an amendment to the national market system (NMS) plan to address extraordinary market volatility (Limit Up-Limit Down Plan).[*] The proposed amendment would address certain market structure failings that contributed to the volatile trading on August 24, 2015. Specifically, Proposed Amendment 12 would consolidate the liquidity for reopening auctions at the primary listing exchanges and ensure that trading does not resume until limit up-limit down price bands are in place. In separate but related actions the primary listing exchanges have filed rule changes that would harmonize the procedures they use to resume trading following a limit up-limit down pause.

ICI's draft comment letter on the proposal is attached for your review. If you have any comments on the draft letter, please send them to George Gilbert at george.gilbert@ici.org **by close of business on December 20**. We expect to file the letter on December 21.

Our draft comment letter urges the SEC to approve Proposed Amendment 12 and the corresponding exchange rule changes. The letter notes that these proposed market structure refinements should improve the transparency of the reopening process, allow reopening auctions to establish more accurate prices, and make it less likely that trading in a security will be halted again shortly after trading resumes. Implementing these proposals should reduce the likelihood that the operation of the Limit Up-Limit Down plan creates confusion during volatile markets, when clarity and certainty are most important.

The draft letter also emphasizes that further improvements to the Limit Up-Limit Down Plan are needed, particularly with respect to: (1) the discordance between the rules governing clearly erroneous executions and the limit up-limit down price bands; and (2) the

governance of the plan. We urge the Commission to address these concerns in the near future to improve the functioning of the equity markets to benefit and protect funds and their investors.

Jennifer S. Choi
Associate General Counsel

George M. Gilbert
Counsel

[Attachment](#)

endnotes

[*] Securities Exchange Act Release No. 79410 (November 28, 2016), 81 FR 87114 (December 2, 2016), *available at* <https://www.gpo.gov/fdsys/pkg/FR-2016-12-02/pdf/2016-28937.pdf> (Proposed Amendment 12).

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