

MEMO# 29607

January 5, 2016

SEC Staff Releases Research Concerning Market Volatility of August 24, 2015

[29607]

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TO: ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 1-16
ETF ADVISORY COMMITTEE No. 1-16
EQUITY MARKETS ADVISORY COMMITTEE No. 1-16 RE: SEC STAFF RELEASES RESEARCH
CONCERNING MARKET VOLATILITY OF AUGUST 24, 2015

The staff of the Securities and Exchange Commission (“SEC”) recently released a research note containing empirical data and other information to help assess the operation of the U.S. equity markets under the stressed conditions of August 24, 2015. [\[1\]](#) Among other things, the note provides an overview of trading on August 24, compares trading in a large dataset of corporate stocks and exchange-traded products (“ETPs”) on August 24 with trading during previous control periods, describes the opening processes at the primary listing exchanges, considers the operation of the National Market System Plan to Address Extraordinary Market Volatility (commonly known as the Limit Up-Limit Down Plan), and examines the widely varying nature of trading in ETPs on August 24. [\[2\]](#)

The note does not recommend any rulemaking or other initiatives to address the market volatility on August 24, but the material in the note may foster discussion about potential refinements to equity market structure. The SEC staff is continuing to examine a number of issues related to trading on August 24, including the factors that may have been associated with volatility in ETPs and other securities, the effect of short sale restrictions, the opening process on primary listing exchanges, the reopening process following Limit Up-Limit Down halts, the operation of the Limit Up-Limit Down Plan, and the operation of market-wide circuit breakers.

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endnotes

[1] “Research Note: Equity Market Volatility on August 24, 2015” (December 2015), available at https://www.sec.gov/marketstructure/research/equity_market_volatility.pdf.

[2] In November, ICI submitted a letter to SEC Chair White with several recommendations to improve market structure in the aftermath of the August 24th market volatility. The recommendations include the need for exchanges to work together to develop a uniform, orderly mechanism for reopening trading in a security after a limit up-limit down trading halt. The letter also urges the SEC to provide buy-side market participants a formal voice on the operating committee of the Limit Up-Limit Down plan. An ICI Viewpoints article, published at the same time as the letter describes in more detail the need for changes in the limit up-limit down process. See ICI Memorandum 29517, available at https://www.ici.org/my_ici/memorandum/memo29517 and “Traders, Start Your Engines: After August 24, Exchanges Need to Coordinate” (November 30, 2015), available at https://www.ici.org/viewpoints/view_15_trading_luld.

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