

MEMO# 16720

October 31, 2003

INSTITUTE LETTER ON SEC POLICY STATEMENT ON BUSINESS CONTINUITY PLANNING FOR TRADING MARKETS

[16720] October 31, 2003 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 26-03 END OF DAY PRICING FORUM No. 11-03 TECHNOLOGY ADVISORY COMMITTEE No. 18-03 RE: INSTITUTE LETTER ON SEC POLICY STATEMENT ON BUSINESS CONTINUITY PLANNING FOR TRADING MARKETS The Institute has filed a comment letter (a copy of which is attached) with the Securities and Exchange Commission on the SEC's Policy Statement on business continuity planning for trading markets. The most significant aspects of the comment letter are summarized below. The letter contains several comments on the Policy Statement, in particular, regarding the timeframe and process for the resumption of trading following a "wide-scale disruption." Specifically, the letter recommends that the resumption of trading in the securities markets following a wide-scale disruption should not begin until all securities in all markets can resume trading. The letter notes that resuming trading in securities in a piecemeal manner could be very disruptive to the markets, confusing to market participants and investors, and could lead to certain difficulties for funds. The letter also supports the establishment of mutual back-up arrangements between markets but states that certain technical issues must be considered in connection with such arrangements, the most significant of which is the stock symbols that would be used by the alternative market. The letter therefore recommends that if mutual back-up arrangements are established between markets, the back-up market should be required to use the closed market's unique stock symbols. Finally, the letter recommends that the Commission strongly encourage data vendors and securities firms to implement business continuity plans as soon as practicable, to ensure the proper functioning of the markets in case of a wide-scale disruption. Ari Burstein Associate Counsel Attachment (in .pdf format)