

MEMO# 11061

June 18, 1999

SEC APPROVES NYSE PROPOSED RULE CHANGE AMENDING MARKET-ON-CLOSE AND LIMIT-ON-CLOSE PROCEDURES

1 Securities Exchange Act Release No. 41497 (June 9, 1999), 64 FR 32595 (June 17, 1999). [11061] June 18, 1999 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 21-99 RE: SEC APPROVES NYSE PROPOSED RULE CHANGE AMENDING MARKET-ON-CLOSE AND LIMIT-ON-CLOSE PROCEDURES

The Securities and Exchange Commission ("SEC") has approved a proposed rule change (attached) filed by the New York Stock Exchange ("NYSE") amending its market-on-close ("MOC") and limit-on-close ("LOC") order entry and cancellation procedures during regulatory halts.¹

1. Cancellation of MOC/LOC Orders During Regulatory Halts Currently, NYSE procedures prevent members from canceling MOC and LOC orders after 3:40 p.m., except when a member entering an order has made a legitimate error or a member must cancel an order to comply with NYSE Rule 80A(c). Therefore, if a stock is subject to a regulatory halt at 3:40 p.m. or later, market participants are prohibited from canceling their MOC or LOC orders in that stock, regardless of whether the stock reopens at a price substantially different from the last sale. The rule change amends this policy by allowing market participants to cancel MOC or LOC orders until 3:50 p.m. or the reopening of the stock, whichever occurs first.

2. Entry of MOC/LOC Orders During Regulatory Halts NYSE members are currently permitted to enter MOC and LOC orders after 3:40 p.m. only to offset a published imbalance. If any type of trading halt is in effect at 3:40 p.m., however, MOC/LOC imbalances are not published. Therefore, no MOC or LOC orders could be entered after 3:40 p.m. during a trading halt. Under the NYSE's amended procedures, if a regulatory halt is in effect at 3:40 p.m. or later, market participants would be permitted to enter MOC and LOC orders on either side of the market until 3:50 p.m. or until the stock reopens, whichever occurs first. If an order imbalance is published following a regulatory halt, however, MOC and LOC orders may only be entered to offset any imbalance.

23. Order Imbalance Publication After a Trading Halt NYSE procedures currently require that if a stock reopens at or before 3:50 p.m. following any type of trading halt, the specialist will publish imbalances of 50,000 shares or more (or less than 50,000 shares with the approval of a floor official) as soon as practicable after 3:50 p.m. The rule change amends this procedure to require a specialist to also publish imbalances of 50,000 shares or more (or less than 50,000 with the approval of a floor official) for stocks opening after 3:50 p.m., if practicable.

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