



**July 10, 2013**

**By Electronic Mail**

Mr. John Ramsay  
Acting Director  
Division of Trading and Markets  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: File No. 4-631, Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934 (“Exchange Act”)

Dear Mr. Ramsay:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> respectfully requests that the Securities and Exchange Commission (“Commission”) approve an adjustment to the implementation schedule for Phase II of the Plan to Address Extraordinary Market Volatility (known as the “Limit Up-Limit Down Plan”).<sup>2</sup> As described in more detail below, SIFMA requests that the Commission postpone the application of the Limit Up-Limit Down Plan to the close of trading until: (1) the rules of the primary listing exchanges to govern the interaction between closing auctions and the Plan are filed with the Commission and have become effective; and (2) broker-dealers have had sufficient time to implement the necessary systems and coding changes and conduct testing.<sup>3</sup>

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<sup>1</sup> The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

<sup>2</sup> See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (Order Approving, on a Pilot Basis, National Market System Plan to Address Extraordinary Market Volatility).

<sup>3</sup> SIFMA also understands that the participants of the Limit Up-Limit Down Plan are discussing with the Commission the fact that there is a lack of liquidity in certain Tier 1 NMS Stocks and that, as a result, those stocks should be reclassified as Tier 2 NMS Stocks. SIFMA supports this reclassification, and we urge the Commission to allow the reclassification to take effect in the most expeditious manner possible.

SIFMA continues to support the implementation of the Limit Up-Limit Down Plan on a pilot basis, and we believe it is an effective and constructive addition to U.S. equity market structure. Currently, Phase II of the Limit Up-Limit Down Plan is scheduled to take effect on August 5, 2013, at which point the Plan would apply during the full trading day, including during opening and closing auctions on the primary listing exchanges. However, there are critical operational issues to be resolved before Limit Up-Limit Down Plan is applied during the closing auctions at the primary listing exchanges.

SIFMA believes there is not sufficient time between now and August 5<sup>th</sup> for the exchanges' proposals to become effective and allow sufficient time to both implement the necessary systems and coding changes and conduct robust testing for the application of the Limit Up-Limit Down Plan at the close of trading. We and our members are working with the primary listing exchanges as they develop proposals to amend their closing auction mechanisms to interact with the requirements of the Limit Up-Limit Down Plan. At this point, however, the exchanges' proposals have not been filed with the Commission, and there is not enough information available for SIFMA members and industry participants to properly develop the technology specifications for the necessary systems and coding changes to apply the Limit Up-Limit Down requirements at the close of trading. Those specifications, coupled with the associated systems and coding changes, are essential to fully test and properly implement the requirements for Phase II of the Limit Up-Limit Down Plan on August 5, 2013.

Accordingly, SIFMA requests that the implementation schedule for Phase II of the Limit Up-Limit Down Plan be bifurcated as follows:

- Phase II(a) would begin on August 5<sup>th</sup>. Under Phase II(a), the calculation and dissemination of the price bands would begin at 9:30 a.m. (instead of 9:45 a.m.). In addition, the requirements of the Plan would take effect for all NMS Stocks. We understand there has been some consideration given to extending the calculation and dissemination of the price bands beyond 3:30; however, if such an extension requires rule changes or coding changes, we do not believe there is sufficient time between now and August 5<sup>th</sup> to implement those changes.
- Phase II(b) would begin after the necessary rule changes of the primary listing exchanges have become effective and after the industry has had sufficient time to implement the necessary systems and coding changes and conduct testing. Under Phase II(b), the calculation and dissemination of the price bands would begin at 9:30 a.m. and end at 4:00 p.m.

SIFMA believes that bifurcating the implementation Phase II in this manner would allow market participants to gain the benefits of the Limit Up-Limit Down Plan for the start of regular trading hours, while providing the primary listing exchanges and industry members additional time to resolve the complex issues associated with the various exchange closing processes.

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SIFMA greatly appreciates the Commission's consideration of the request above in connection with the Limit Up-Limit Down Plan. SIFMA would be pleased to discuss these comments in greater detail with the Commission and the staff. If you have any questions, please contact me at 202-962-7383 or [tlazo@sifma.org](mailto:tlazo@sifma.org).

Sincerely,



Theodore R. Lazo  
Managing Director and  
Associate General Counsel

cc: Hon. Mary Jo White, Chairman  
Hon. Luis A. Aguilar, Commissioner  
Hon. Troy A. Paredes, Commissioner  
Hon. Elisse B. Walter, Commissioner  
Hon. Daniel J. Gallagher, Commissioner

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