SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67090; File Nos. SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011-131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SR-NYSEArca-2011-68; SR-Phlx-2011-129)

May 31, 2012

Self-Regulatory Organizations; BATS Exchange, Inc.; BATS Y-Exchange, Inc.; NASDAQ OMX BX, Inc.; Chicago Board Options Exchange, Incorporated; C2 Options Exchange, Incorporated; Chicago Stock Exchange, Inc.; EDGA Exchange, Inc.; EDGX Exchange, Inc.; Financial Industry Regulatory Authority, Inc.; International Securities Exchange LLC; The NASDAQ Stock Market LLC; New York Stock Exchange LLC; NYSE Amex LLC; NYSE Arca, Inc.; National Stock Exchange, Inc.; NASDAQ OMX PHLX LLC; Notice of Filing of Amendments No. 1 and Order Granting Accelerated Approval of Proposed Rule Changes as Modified by Amendments No. 1, Relating to Trading Halts Due to Extraordinary Market Volatility

On September 27, 2011, each of BATS Exchange, Inc. ("BATS"), BATS Y-Exchange, Inc. ("BYX"), NASDAQ OMX BX, Inc. ("BX"), Chicago Board Options Exchange, Incorporated ("CBOE"), C2 Options Exchange, Incorporated ("C2"), Chicago Stock Exchange, Inc. ("CHX"), EDGA Exchange, Inc. ("EDGA"), EDGX Exchange, Inc. ("EDGX"), International Securities Exchange LLC ("ISE"), The NASDAQ Stock Market LLC ("Nasdaq"), National Stock Exchange, Inc. ("NSX"), New York Stock Exchange LLC ("NYSE"), NYSE Amex LLC ("NYSE Amex"), NYSE Arca, Inc. ("NYSE Arca"), NASDAQ OMX PHLX LLC ("Phlx") (collectively, the "Exchanges") and the Financial Regulatory Industry Authority, Inc. ("FINRA") (together, with the Exchanges, the "SROs") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] proposed rule changes (the "SRO Proposals") to amend certain of their respective rules relating to trading halts due to extraordinary market volatility. The SRO Proposals were published for comment in the Federal Register on October

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

4, 2011.[3] The Commission received seven comment letters on the SRO Proposals.[4]

On November 17, 2011, the Commission extended the time period in which to approve the SRO Proposals, disapprove the SRO Proposals, or institute proceedings to determine whether to disapprove the SRO Proposals, to December 30, 2011.[5] On December 28, 2011, the Commission instituted proceedings to determine whether to disapprove the SRO Proposals.[6]

---

3 See Securities Exchange Act Release Nos. 65437 (September 28, 2011), 76 FR 61466 (October 4, 2011); 65428 (September 28, 2011), 76 FR 61453 (October 4, 2011); 65429 (September 28, 2011), 76 FR 61432 (October 4, 2011); 65433 (September 28, 2011), 76 FR 61453 (October 4, 2011); 65438 (September 28, 2011), 76 FR 61447 (October 4, 2011); 65426 (September 28, 2011), 76 FR 61460 (October 4, 2011); 65431 (September 28, 2011), 76 FR 61425 (May 12, 2011); 65440 (September 28, 2011), 76 FR 61444 (October 4, 2011); 65430 (September 28, 2011), 76 FR 61429 (October 4, 2011); 65425 (September 28, 2011), 76 FR 61438 (October 4, 2011); 65435 (May 6, 2011), 76 FR 61416 (October 4, 2011); 65436 (September 28, 2011), 76 FR 61450 (October 4, 2011); 65427 (September 28, 2011), 76 FR 61457 (October 4, 2011); 65432 (September 28, 2011), 76 FR 61422 (October 4, 2011); 65439 (September 28, 2011), 76 FR 61463 (October 4, 2011); 65434 (September 28, 2011), 76 FR 61419 (October 4, 2011) (collectively, the "Notices").

4 See letter to Elizabeth M. Murphy, Secretary, Commission, from Ann L. Vlcek, Managing Director and Associate General Counsel, the Securities Industry and Financial Markets Association, dated October 27, 2011 ("SIFMA Letter I"); letter to Commission, from James J. Angel, Ph.D., CFA, Associate Professor of Finance, Georgetown University, McDonough School of Business, dated October 25, 2011 ("Angel Letter"); letter to Elizabeth M. Murphy, Secretary, Commission, from Craig S. Donohue, CME Group, Inc., dated October 25, 2011 ("CME Group Letter I"); letter to Elizabeth M. Murphy, Secretary, Commission, from Commissioner Bart Chilton, Commodity Futures Trading Commission, dated October 25, 2011 ("Commissioner Chilton Letter"); letter to Elizabeth M. Murphy, Secretary, Commission, from Richard H. Baker, President and CEO, Managed Funds Association, dated October 25, 2011 ("MFA Letter"); letter to Commission from Suzanne H. Shatto, dated October 20, 2011 ("Shatto Letter"); letter to Commission from Mark Roszak, dated October 4, 2011 ("Roszak Letter").

5 See Securities Exchange Act Release No. 65770 (November 17, 2011), 76 FR 72492 (November 23, 2011).

6 See Securities Exchange Act Release No. 66065 (December 28, 2011), 77 FR 316 (January 4, 2012).

The Commission thereafter received an additional three comment letters on the SRO Proposals.[7] On May 10, 2012, NYSE Euronext, on behalf of the three U.S. exchanges it operates, NYSE, NYSE Amex and NYSE Arca, filed a response to comments (the "Response").[8]

On May 23, 2012 and May 24, 2012, the SROs each submitted Amendment No. 1 to their respective proposed rule change (the "Amendments"). In the Amendments, the SROs propose to make the SRO Proposals operative on a pilot basis scheduled to end on the same date that the pilot period for the Limit Up-Limit Down Plan (as defined below) ends.[9] The Commission is publishing this notice to solicit comments on the SRO Proposals, as modified by the Amendments, from interested persons and is approving the SRO Proposals, as modified by the Amendments, on an accelerated basis.

I. Description of the Proposals

In the SRO Proposals, the Exchanges and FINRA propose to revise the existing market-wide circuit breakers, which halt trading in all NMS securities (as defined in Rule 600(b)(47) of Regulation NMS under the Act[10]) in the event of extraordinary market volatility, in order to make them more meaningful in today's high-speed electronic markets. In so doing, the exchanges took into account the events of May 6, 2010, where the markets experienced

---

7 See letters to Elizabeth Murphy, Secretary, Commission, from Timothy Quast, Managing Director, ModernIR, dated January 20, 2012 ("ModernIR Letter"); Craig S. Donohue, Chief Executive Officer, CME Group, Inc., dated January 25, 2012 ("CME Group Letter II"), and Ann L. Vlcek, Managing Director and Associate General Counsel, the Securities Industry and Financial Markets Association, dated February 7, 2012 ("SIFMA Letter II").

8 See letter to Elizabeth M. Murphy, Secretary, Commission, from Janet McGinness, EVP & Corporate Secretary, General Counsel, NYSE Markets, dated May 10, 2012.

9 See, e.g., SR-NYSE-2011-48, Amendment No. 1. The text of proposed Amendment No. 1 is available on the NYSE's website at http://www.nyse.com, at the principal office of NYSE and at the Commission's Public Reference Room.

10 17 C.F.R. 242.600(b)(47).

excessive volatility in a short period of time, as well as the recommendations of the Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues (the "Joint CFTC-SEC Advisory Committee").

The existing market-wide circuit breakers provide for specified trading halts following certain "Level 1," "Level 2," and "Level 3" market declines.[11] The values of Levels 1, 2 and 3 are calculated at the beginning of each calendar quarter, using 10%, 20% and 30%, respectively, of the average closing value of the Dow Jones Industrial Average ("DJIA") for the month prior to the beginning of the quarter.[12] The existing Level 1, Level 2, and Level 3 circuit breakers operate as follows:

<u>Level 1 Halt</u>

Before 2:00 p.m. – one hour;

At or after 2:00 p.m. but before 2:30 p.m. – 30 minutes;

At or after 2:30 p.m. – trading shall continue, unless there is a Level 2 Halt.

<u>Level 2 Halt</u>

Before 1:00 p.m. – two hours;

At or after 1:00 p.m. but before 2:00 p.m. – one hour;

At or after 2:00 p.m. – trading shall halt and not resume for the rest of the day.

<u>Level 3 Halt</u>

At any time – trading shall halt and not resume for the rest of the day.

As described in detail in the Notices, the SRO Proposals, among other things, would: (i) replace the DJIA with the S&P 500® Index ("S&P 500") as the reference index; (ii) recalculate

---

11 <u>See</u>, <u>e.g.</u>, NYSE Rule 80B.

12 Each percentage calculation is rounded to the nearest 50 points and remains in effect until the next quarterly calculation.

the values of the triggers daily instead of each calendar quarter; (iii) reduce the 10%, 20%, and 30% market decline trigger percentages to 7%, 13%, and 20%; (iv) shorten the length of the trading halts associated with each market decline level; and (v) modify the times when a trading halt may be triggered. The proposed Level 1, Level 2, and Level 3 circuit breakers would operate as follows:

Level 1 Halt

Before 3:25 p.m. – 15 minutes;

At or after 3:25 p.m. – trading shall continue, unless there is a Level 3 halt.

Level 2 Halt

Before 3:25 p.m. – 15 minutes;

At or after 3:25 p.m. – trading shall continue, unless there is a Level 3 halt.

Level 3 Halt

At any time – trading shall halt and not resume for the rest of the day.

II. Limit Up-Limit Down Plan

Separately, certain equities exchanges[13] and FINRA have proposed to establish a new mechanism to address extraordinary market volatility in individual securities, pursuant to a national market system plan filed under Rule 608 of Regulation NMS (the National Market System Plan to Address Extraordinary Market Volatility, or, the "Limit Up-Limit Down Plan").[14] The new Limit Up-Limit Down Plan, which would replace the existing single-stock

[13] These exchanges are BATS, BX, BYX, CBOE, CHX, EDGA, EDGX, Nasdaq, NSX, NYSE, NYSE MKT LLC (f/k/a NYSE Amex LLC), NYSE Arca, and Phlx.

[14] See Securities Exchange Act Release No. 64547 (May 25, 2011), 76 FR 31647 (June 1, 2011).

circuit breaker mechanism,[15] would prevent trades in individual securities from occurring outside of a specified price band, and would be coupled with a trading pause mechanism to accommodate more fundamental price moves. In essence, a security would enter a "limit state" if its price moves a certain percentage – generally 5%, 10% or 20%, depending on the stock and the time of day – over a five-minute period. If the market does not naturally exit the limit state within 15 seconds, there would be a five-minute trading pause. The Commission also is approving today the Limit Up-Limit Down Plan on a pilot basis.[16]

As discussed below, the Commission, in the Notices for the SRO Proposals, specifically requested comment on how the proposed changes to the market-wide circuit breakers would interact with the Limit Up-Limit Down Plan for individual securities, if approved, and several commenters expressed views on this issue.[17]

III. Summary of Comments

The Commission received ten comment letters from eight commenters on the SRO Proposals.[18] The commenters generally supported the proposals and their goals, but several expressed concern with particular provisions or offered alternative suggestions.[19]

---

15 See Securities Exchange Act Release No. 64735 (June 23, 2011), 76 FR 38243 (June 29, 2011) (order approving the current single-stock circuit breaker mechanism). The single-stock circuit breaker mechanism, which was approved as a pilot program, is currently scheduled to expire on July 31, 2012. See e.g., Securities Exchange Act Release No. 66136 (January 11, 2012), 77 FR 2589 (January 18, 2012) (SR-NYSE-2011-69).

16 See Securities Exchange Act Release No. 67091 (May 31, 2012) (File No. 4-631).

17 See Commissioner Chilton Letter, CME Group Letters I and II, and SIFMA Letters I and II.

18 See supra notes 4 and 7.

19 See SIFMA Letters I and II, MFA Letter, CME Group Letter I, Angel Letter, and Shatto Letter. Some commenters suggested the Commission instead focus on other market structure changes; those changes are outside the scope of the SRO Proposals. See Modern IR Letter (suggesting the Commission suspend core trading rules in the event of

Some commenters expressed concern that the Level 2 circuit breaker would not apply after 3:25 p.m.[20] As explained in the Notices, the SROs adopted this approach to avoid disrupting the normal 4:00 p.m. market close. The Commission, however, specifically solicited comment on whether some provision should be made to end the regular trading session if a market decline suddenly occurs after 3:25 p.m., even if the decline is less than 20%. Some commenters believed that the proposal could leave the market vulnerable to a severe decline that occurs late in the trading day, and instead suggested that a Level 2 circuit breaker triggered at or after 3:25 p.m. halt trading for the remainder of the trading session.[21]

The Commission also specifically requested comment on how the proposed changes would interact with the single-stock circuit breaker pilot program or, if approved, the proposed Limit Up-Limit Down Plan for individual securities. The Commission further asked whether the market-wide circuit breaker should be triggered if a sufficient number of single-stock circuit breakers or price limits were triggered. One commenter believed that the market-wide circuit breaker should be triggered if a sufficient number of single-stock circuit breakers or price limits were triggered, given the potential difficulties of accurately calculating the value of the S&P 500 Index in such circumstances.[22] This commenter made some suggestions for this additional trigger, and encouraged Commission staff to assess empirical data to develop appropriate

---

extraordinary volatility) and Roszak Letter (suggesting the Commission more vigorously regulate high-frequency traders such as by limiting connection speeds).

[20] See CME Group Letters I and II, Commissioner Chilton Letter, MFA Letter, and SIFMA Letter II.

[21] See CME Group Letters I and II, MFA Letter and SIFMA Letter II.

[22] See SIFMA Letters I and II. SIFMA also believed it was critical to coordinate the market-wide circuit breakers with the options and futures markets. The Commission notes that the SRO Proposals have been developed in consultation with the options and futures markets. See, e.g., Securities Exchange Act Release No. 65427, 76 FR at 61458.

parameters in this area.[23] Two other commenters also expressed concern about the interaction of market-wide circuit breakers and single-stock circuit breakers, and the effect that might have on index calculations, particularly in macro-market events.[24]

Two commenters also expressed views on how market centers should treat pending orders in the event a market-wide circuit breaker is triggered. One commenter believed that orders pending with a market center at the time of a Level 1 or Level 2 circuit breaker should remain queued by the market center during the halt and be eligible for execution after the halt.[25] However, in the event of a Level 3 circuit breaker, that commenter was of the view that all pending orders should be cancelled, since trading will cease for the remainder of the day. The commenter reiterated these views in its subsequent comment letter.[26] Another commenter generally took the position that the SROs should not cancel pending orders during a trading halt, in order to preserve the queue priority of market participants.[27] These views were restated by the same commenter in its subsequent comment letter.[28]

---

23 See SIFMA Letter II. For example, SIFMA suggested that there be an additional market-wide circuit breaker trigger when both (1) 5% (or 25) of the securities in the S&P 500 are in a limit down state or halted and (2) 10% of the market weighting of the SPX is in a limit down state or halted. As a simpler alternative, SIFMA also suggested there be an additional trigger if 10% of the securities in the S&P 100 are in a limit state or halted.

24 See CME Group Letters I and II and Commissioner Chilton Letter. CME Group noted, among other things, that in a macro-market event, multiple constituent stocks in the S&P 500 index could be limited, halted and reopened on staggered timelines, creating complexity and confusion in understanding the index calculation and in ascertaining the true value of the index. CME Group Letter I at 3.

25 See SIFMA Letter I.

26 See SIFMA Letter II.

27 See CME Group Letter I.

28 See CME Group Letter II.

The Commission also sought comment on whether a provision should be made for a closing auction in the event of a Level 3 circuit breaker decline. One commenter responded that allowing a closing auction under these extreme circumstances would risk greater market dislocations, and therefore was unadvisable,[29] but others believed there should be a closing process so that, among other things, options market participants can unwind hedges and mutual fund prices can be properly determined.[30] Another commenter recommended that the markets hold an end-of-day closing auction if the triggering of a Level 2 or Level 3 circuit breaker precluded a normal 4:00 p.m. close.[31]

The Commission also sought comment on whether the primary market should have a longer period (e.g. 30 minutes) to re-open trading following a Level 2 circuit breaker decline. One commenter responded that trading halts should be as short as operationally practicable, and was of the view that the 15-minute trading halt remained appropriate in this circumstance.[32]

Finally, commenters offered several other specific suggestions with respect to the SRO Proposals. Two commenters suggested that the market-wide circuit breakers apply after hours.[33] One believed the trigger thresholds should be recalculated weekly rather than daily as proposed.[34] Another commenter offered a variety of additional recommendations, including triggering the circuit breakers in the event of material issues with market data integrity or disruptions, triggering the circuit breakers based on opening prices rather than the previous day's

---

[29] See CME Group Letter I.

[30] See SIFMA Letter II and Angel Letter.

[31] See SIMFA Letter II.

[32] See CME Group Letter I.

[33] See CME Group Letter I and Chilton Letter.

[34] See CME Group I Letter.

close and using a velocity-based mechanism similar to the single-stock circuit breakers, maintaining the Level 1 circuit breaker at 10%, and not having a Level 3 circuit breaker close the markets for the remainder of the day.[35] Two commenters stressed the need to coordinate the market-wide circuit breakers with the futures markets.[36]

The Response addressed the main issues the commenters raised. With respect to the relationship between the Limit Up-Limit Down Plan and the market-wide circuit breakers, and specifically the suggestion that a market-wide trading halt be declared if a sufficient number of single-stock trading pauses or price limits were triggered, the Response argued that attempting to identify the appropriate correlation between individual securities in a trading pause or limit state and a related trigger for a market-wide circuit breaker at this stage is premature. Instead, the Response urged that the Commission use the pilot periods for both the SRO Proposals and Limit Up-Limit Down Plan to examine data and develop a better understanding of how the Limit Up-Limit Down Plan will operate in practice before determining whether any further revisions to the SRO Proposals should be made.[37]

The Response also addressed the suggestions by certain commenters that provision be made for a trading halt other than a Level 3 halt after 3:25 p.m. The Response recommended that the types of declines that should trigger a halt after 3:25 p.m. should continue to be explored during the pilot period, but that the SRO Proposals should be approved in their current form.[38] The Response expressed particular concern that a 15-minute market-wide halt after 3:25 p.m. would be disruptive to the fair and orderly closing of the markets at 4:00 p.m.

---

35 See Angel Letter.

36 See SIFMA Letters I and II and CME Group Letter I.

37 See Response at 3.

38 Id. at 4.

IV. Discussion and Commission Findings

After careful review of the SRO Proposals, as modified by the Amendments, and consideration of the comment letters and the Response, the Commission finds that the SRO Proposals relating to trading halts due to extraordinary market volatility are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and national securities association and, in particular, the requirements of Sections 6[39] and 15A[40] of the Act. Specifically, the Commission finds that the SRO Proposals are consistent with Sections 6(b)(5)[41] and 15A(b)(6)[42] of the Act, which, among other things, require that rules of a national securities exchange and national securities association be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.[43]

The Commission believes that the SRO Proposals are reasonably designed to update the existing market-wide circuit breakers to make them more meaningful and effective in today's high-speed electronic securities markets. The Exchanges and FINRA are amending, in a uniform manner, their rules that halt trading in all NMS securities in the event of extraordinary market volatility so that these circuit breakers would, among other things, be triggered by a smaller market-wide decline but last for a shorter period of time. In developing their proposals, the

---

39 15 U.S.C. 78f.

40 15 U.S.C. 78o-3.

41 15 U.S.C. 78f(b)(5).

42 15 U.S.C. 78o-3(b)(6).

43 Further, in approving the SRO Proposals, the Commission considered the SRO Proposals' impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

SROs took into account the events of May 6, 2010 – where the markets experienced substantial volatility in a short period of time but at a level insufficient to trigger the existing market-wide circuit breakers – as well as the recommendations of the Joint CFTC-SEC Advisory Committee.

As discussed above, the SRO Proposals would reduce the market decline percentage thresholds necessary to trigger a Level 1, 2, or 3 market-wide circuit breaker from 10%, 20% and 30% to 7%, 13% and 20%, respectively. In light of the fact that the market-wide circuit breakers were not triggered on May 6, 2010 when the markets experienced extraordinary market volatility, the SROs are of the view that somewhat lower percentage thresholds are appropriate so that the market-wide circuit breakers are more meaningful. However, given the highly-automated nature of today's markets and improvements in communication and connectivity, the SROs believe that a trading halt of shorter duration – 15 minutes – would be sufficient to allow market participants an opportunity to assess a serious market decline and express their trading interest, with less disruption to the markets than the existing market-wide circuit breakers. The SROs also believe the broader-based S&P 500 is a more meaningful benchmark against which to assess a serious market-wide decline than the 30 listings that comprise the DJIA, and seek to improve the calibration and sensitivity of the circuit breaker mechanism by calculating the trigger values daily rather than quarterly.

Commenters generally supported these core elements of the SRO Proposals, but several expressed concern about the interaction of the updated market-wide circuit breakers with the mechanisms to moderate excessive volatility in individual securities set forth in the proposed Limit Up-Limit Down Plan. Concerns were expressed about the impact on index calculations of a significant number of individual securities being in a limit state or halted, and the effectiveness of the market-wide circuit breakers. Some interest was expressed in establishing an additional trigger for the market-wide circuit breakers if trading were limited or halted in a sufficient number of individual securities, and one commenter offered specific suggestions on how such a trigger might be established. The Commission notes that, in the Amendments, the SROs propose to establish the updated market-wide circuit breakers on a pilot basis, so that further thought could be given to this issue – as well as certain other issues raised by commenters – in light of the markets' experience with the new Limit Up-Limit Down mechanism for individual securities that is being approved today, and the further comment the Commission is seeking from market participants in this Order.

Several commenters also expressed concern with the fact that the SRO proposals only provide for a Level 3 circuit breaker after 3:25 p.m., so that the markets could experience up to a 20% decline during this period, and suggested instead that the Level 2 circuit breaker apply so as to leave the markets less vulnerable to a severe decline late in the trading day. Although a 13% decline after 3:25 p.m. would not halt trading under the SRO Proposals, the revised market-wide circuit breaker rules do maintain the 20% threshold that is currently in place as the minimum trigger level that would halt trading after 3:25 p.m. The Commission notes that it will continue to consider this issue during the pilot period, and is specifically seeking further comment from market participants on this issue.

Suggestions also were made with respect to certain other technical aspects of the SRO Proposals, such as providing for a closing auction in the event of a Level 3 circuit breaker,[44] applying the circuit breakers after hours, creating an additional trigger if there are material market data issues, and clarifying the treatment of pending orders during a market-wide circuit

[44] Certain commenters believed there should be a closing process so that, among other things, options market participants can unwind hedges and mutual fund prices can be properly determined.

breaker halt.[45] The Response recommended that the Commission use the pilot periods contemplated in the SRO Proposals and Limit Up-Limit Down Plan to further consider all the concerns raised by the commenters.[46] The Commission will continue to consider these issues during the pilot period.

On balance, the Commission believes that the SRO Proposals are reasonably designed to improve the operation of the market-wide circuit breakers, in light of the changes to the trading markets since those rules were last amended and the lessons learned from the extraordinary volatility experienced on May 6, 2010. While the circuit breakers are likely to be triggered more frequently than before, the Commission believes this will continue to be a relatively rare event that is designed to address severe market declines.[47] In addition, the updated market-wide circuit breakers should be less disruptive to the markets, given their shorter duration, yet should still be able to accomplish their goals given the significant advances in communication and connectivity in recent years. The Commission, the SROs and market participants will have an opportunity to further consider issues raised by commenters with respect to certain aspects of the operation of the updated circuit breakers during the pilot period, and will further benefit from observing the operation of the Limit Up-Limit Down mechanism for individual securities, which is being approved separately by the Commission today, during that period.

---

[45] Commenters also provided input on the duration of the trading halts, the application of market-wide circuit breakers in after hours trading, the frequency in which the trigger thresholds should be recalculated, the consideration of material issues with market data integrity or disruptions, and the use of opening prices rather than the previous day's close in calculating trigger thresholds. See supra, pp. 9-10.

[46] See Response at 3.

[47] Data show that, since 1962, there would have been 13 instances where at least a Level 1 circuit breaker decline would have been reached under the revised market-wide circuit breaker thresholds.

In light of the foregoing, the Commission finds that the SRO Proposals, as modified by the Amendments, are consistent with the Act.

V. Solicitation of Comments

During the pilot period, the Commission encourages commenters to provide additional comments on the issues raised by commenters regarding certain aspects of the SRO Proposals or otherwise.

The Commission specifically requests further comment on the following:

- Should a Level 1 or Level 2 trigger result in a trading halt after 3:25 p.m., or do the SRO Proposals' provisions that only a Level 3 trigger will halt trading after 3:25 p.m. adequately balance the need for an orderly close against the potential market disruptions associated with absence of a Level 1 or Level 2 halt after 3:25 p.m.?
- Should the market-wide circuit breakers be triggered if trading is limited or halted in a sufficient number of individual securities and, if so, how should such additional trigger be designed? What are the tradeoffs associated with such a trigger regarding simplicity and the risk of unnecessary triggers?
- Should any other aspects of the market-wide circuit breakers be modified in light of the experience with the new Limit Up-Limit Down mechanism for individual securities?

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Commenters are encouraged to submit empirical evidence to support their arguments. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Numbers SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011-131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SR-NYSEArca-2011-68; SR-Phlx-2011-129 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Numbers SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011-131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SR-NYSEArca-2011-68; SR-Phlx-2011-129. These file numbers should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filings also will be available for inspection and copying at the principal offices of the exchanges and FINRA, respectively. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Numbers SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011-131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SR-NYSEArca-2011-68; SR-Phlx-2011-129 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

VI. Accelerated Approval of Proposed Rule Changes, as Modified by the Amendments

The Amendments revised the SRO Proposals to, among other things, specify that the proposed rule change will be operative on a pilot basis, beginning February 4, 2013, and continuing until February 4, 2014. The Amendments will allow the Commission, the SROs and market participants to further consider, during the pilot period, issues raised by commenters with respect to certain aspects of the SRO Proposals, and to benefit from the experience with the Limit Up-Limit Down mechanism for individual securities that also is being approved today on a pilot basis. Such further consideration will allow the Commission to consider whether modifications to the market-wide circuit breakers are warranted prior to any decision as to whether to approve them on a permanent basis. Accordingly, the Commission also finds good cause, pursuant to Section 19(b)(2) of the Act,[48] for approving the SRO Proposals, as modified by the Amendments, prior to the 30th day after the date of publication of notice in the Federal Register.

VII. Conclusion

[48] 15 U.S.C. 78s(b)(2).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[49] that the proposed rule changes (SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SR-CBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SR-EDGX-2011-30; SR-FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011-131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SR-NYSEArca-2011-68; SR-Phlx-2011-129), as modified by the Amendments, be, and hereby are, approved on an accelerated basis.

By the Commission.

Elizabeth M. Murphy
Secretary

---

49 15 U.S.C. 78s(b)(2).