

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64424; File No. SR-FINRA-2011-023]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change To Amend FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility) and FINRA Rule 6272 (Character of Quotations) To Include all NMS Stocks

May 6, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder, <sup>2</sup> notice is hereby given that on May 4, 2011, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change, from interested persons.

#### I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility) to expand the scope of the trading pause pilot to include all NMS stocks covered by the trading pause pilot rules of a primary listing market and FINRA Rule 6272 (Character of Quotations) to conform the quotation requirements on the Alternative Display Facility (“ADF”) to those in place on the national securities exchanges.

The text of the proposed rule changes is available on FINRA’s Web site at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

#### II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

FINRA proposes to amend FINRA Rule 6121.01 to expand the scope of the trading pause pilot to include all NMS stocks covered by the trading pause pilot rules of a primary listing market.

FINRA Rule 6121.01 provides that if a primary listing market has issued an individual stock trading pause under its rules, FINRA will halt trading otherwise than on an exchange in that security until trading has resumed on the primary listing market. The pilot was developed and implemented as a market-wide initiative by FINRA and other self-regulatory organizations (“SROs”) in consultation with Commission staff, and is currently only applicable to the S&P 500<sup>®</sup> Index, <sup>3</sup> the Russell 1000<sup>®</sup> Index and a pilot list of Exchange Traded Products (“ETPs”). <sup>4</sup>

FINRA, in coordination with other SROs, now is expanding the scope of the trading pause pilot to include all NMS stocks that are not already included therein. In particular, the proposed additional stocks are those not currently included in the S&P 500 Index, Russell 1000 Index, or the pilot list of ETPs, and therefore are more likely to be less liquid securities or securities with lower trading volumes. Accordingly, consistent with the approach of the primary listing markets, broader threshold move percentages would be appropriate for these securities. <sup>5</sup> Similarly, because leveraged ETPs trade at a ratio against the associated index, a broader threshold move percentage would also be appropriate for leveraged ETPs.

FINRA and the other SROs continue to assess the effect of the trading pause pilot on the marketplace, whether other initiatives should be adopted in lieu of the current pilot, <sup>6</sup> and whether the

<sup>3</sup> See Securities Exchange Act Release No. 62251 (June 10, 2010), 75 FR 34183 (June 16, 2010) (Order Approving File No. SR-FINRA-2010-025).

<sup>4</sup> See Securities Exchange Act Release No. 62883 (September 10, 2010), 75 FR 56608 (September 16, 2010) (Order Approving File No. SR-FINRA-2010-033).

<sup>5</sup> FINRA understands that the primary listing markets are proposing that these securities be subject to a 30% threshold when priced at or above \$1, and a 50% threshold when priced below \$1. The rationale for this differentiation is that lower-priced securities may tend to be more volatile, and price movements of lower-priced stocks equate to a higher percentage move than a similar price change for a higher-priced stock.

<sup>6</sup> On April 5, 2011, the SEC announced that national securities exchanges and FINRA filed a proposal to establish a new “limit up-limit down” mechanism to address extraordinary market

parameters for invoking a trading pause continue to be appropriate and whether they should be modified.

In 2010, the SEC also approved amendments to FINRA Rule 6272 to ensure consistency in quotation requirements across markets by imposing the same limitations on a Registered Reporting ADF Market Maker’s quotations on the ADF that apply to market makers on national securities exchanges. <sup>7</sup> The amendments were intended to eliminate trade executions against market maker “placeholder” quotations that are priced far away from the inside market, commonly known as “stub quotes.” Under Rule 6272, limitations on permissible quotations are determined by the individual character of the security, the time of day in which the quote is entered, and any applicable stock trading pause triggers. FINRA is proposing amendments to the ADF quotation requirements in Rule 6272 to conform those requirements to the proposed amendments to the quotation requirements of the national securities exchanges. <sup>8</sup>

FINRA has requested that the Commission approve the proposed rule change on an accelerated basis, so that it may become operative on a pilot basis as soon as possible.

##### 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, <sup>9</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change meets these requirements in that it expands the scope of the pilot to cover all NMS stocks covered by the trading pause pilot rules of a primary listing market and promotes uniformity across markets concerning decisions to pause trading in a security when there are significant price movements. The proposed rule change also continues to ensure that market makers are subject to the same quotation requirements on the ADF that they would be subject to on a national securities exchange, thus ensuring

volatility in U.S. equity markets. Available at: <http://www.sec.gov/news/press/2011/2011-84.htm>.

<sup>7</sup> See Securities Exchange Act Release No. 63255 (November 5, 2010), 75 FR 69484 (November 12, 2010).

<sup>8</sup> The proposed rule change is based on similar proposed rule changes being filed by numerous national securities exchanges.

<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

consistent quotation requirements across markets.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change, or
- (B) Institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. 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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2011-023 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 Number SR-FINRA-2011-023. This file number 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 Web site (<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 Web site 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. 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 Number SR-FINRA-2011-023 and should be submitted on or before June 2, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Elizabeth M. Murphy,**  
*Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-64421; File No. SR-NYSEAmex-2011-32]

### **Self-Regulatory Organizations; NYSE Amex LLC; Notice of Filing of Proposed Rule Change Amending Rule 80C—NYSE Amex Equities To Include Additional Securities in the Pilot by Which Such Rule Operates and Amending Rule 104—NYSE Amex Equities To Simplify Certain Aspects of the Text While Also Conforming Certain of the Percentages Thereunder to the Proposed Changes to Rule 80C**

May 6, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 4, 2011, NYSE Amex LLC ("NYSE Amex" or the "Exchange") filed with the Securities and Exchange Commission

("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by NYSE Amex. The Commission is publishing this notice to solicit comments on the proposed rule change, from interested persons.

#### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend Rule 80C—NYSE Amex Equities to include additional securities in the pilot by which such rule operates and amend Rule 104—NYSE Amex Equities to simplify certain aspects of the text while also conforming certain of the percentages thereunder to the proposed changes to Rule 80C. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.nyse.com>.

#### **II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

#### *A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

##### 1. Purpose

The Exchange proposes to amend Rule 80C to include additional securities in the pilot by which such rule operates and amend Rule 104 to simplify certain aspects of the text while also conforming certain of the percentages thereunder to the proposed changes to Rule 80C.

The Commission approved Rule 80C on a pilot basis on June 10, 2010 to provide for trading pauses in individual securities due to extraordinary market volatility ("Trading Pause") in all securities included within the S&P 500<sup>®</sup> Index ("S&P 500") ("Trading Pause Pilot" or "Pilot").<sup>3</sup> The Exchange noted in its

<sup>10</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Commission approved the Trading Pause Pilot for all equities exchanges and FINRA. See Securities Exchange Act Release No. 62252 (June 10, 2010), 75 FR 34186 (June 16, 2010) (File Nos. SR-BATS-2010-014; SR-EDGA-2010-01; SR-