

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 009 Amendment No. (req. for Amendments *)
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Filing by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to amend FINRA Rule 6121.02 (Market-wide Circuit Breakers in NMS Stocks) concerning the resumption of trading following a Level 3 market-wide circuit breaker halt

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Racquel Last Name * Russell
 Title * Associate General Counsel
 E-mail * Racquel.russell@finra.org
 Telephone * (202) 728-8363 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)
 Sr Vice President & Director Capital Markets

Date 03/18/2020
 By Stephanie Dumont
 (Name *)

Stephanie Dumont,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rule 6121.02 (Market-wide Circuit Breakers in NMS Stocks) concerning the resumption of trading following a Level 3 market-wide circuit breaker halt.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing.

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

(a) Purpose

¹ 15 U.S.C. 78s(b)(1).

FINRA proposes to amend Rule 6121.02 concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. FINRA is proposing this rule change in conjunction with other self-regulatory organizations (“SROs”).

Rule 6121.02 addresses the circumstances under which FINRA shall halt, and subsequently resume, over-the-counter trading in all NMS stocks due to extraordinary market volatility (i.e., market-wide circuit breakers). The market-wide circuit breaker (“MWCB”) mechanism under Rule 6121.02 was approved by the Commission to operate on a pilot basis, the term of which was to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS (the “LULD Plan”),² including any extensions to the pilot period for the LULD Plan.³ Last year, the Commission approved an amendment to the LULD Plan for it to operate on a permanent, rather than pilot, basis.⁴ In light of the proposal to make the LULD Plan permanent, FINRA amended Rule 6121.02 to untie the pilot’s effectiveness from that of the LULD Plan and to extend the pilot’s effectiveness to the close of business on October

² See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the “Limit Up-Limit Down Release”). The LULD Plan provides a mechanism to address extraordinary market volatility in individual securities.

³ See Securities Exchange Act Release Nos. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (Order Approving File No. SR-FINRA-2011-054); and 68778 (January 31, 2013), 78 FR 8668 (February 6, 2013) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2013-011) (Proposed Rule Change to Delay the Operative Date of FINRA Rule 6121.02).

⁴ See Securities Exchange Act Release No. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019) (Order Approving the Eighteenth Amendment to the National Market System Plan To Address Extraordinary Market Volatility).

18, 2019.⁵ FINRA then filed a proposed rule change to extend the pilot for an additional year to the close of business on October 18, 2020.⁶

The market-wide circuit breaker under Rule 6121.02 provides an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. FINRA and the U.S. equity exchanges adopted uniform rules on a pilot basis relating to market-wide circuit breakers in 2012 (“MWCB Rules”), which are designed to slow the effects of extreme price movement through coordinated trading halts across securities markets when severe price declines reach levels that may exhaust market liquidity.⁷ Market-wide circuit breakers provide for trading halts in all equities and options markets during a severe market decline as measured by a single-day decline in the S&P 500 Index.

Pursuant to Rule 6121.02, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day’s closing price of

⁵ See Securities Exchange Act Release No. 85547 (April 8, 2019), 84 FR 14981 (April 12, 2019) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2019-010).

⁶ See Securities Exchange Act Release No. 87078 (September 24, 2019), 84 FR 51669 (September 30, 2019) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2019-023).

⁷ See Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (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) (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).

that index. Currently, the triggers are set at three circuit breaker thresholds: 7% (Level 1), 13% (Level 2), and 20% (Level 3). A market decline that triggers a Level 1 or Level 2 halt after 9:30 a.m. ET and before 3:25 p.m. ET would halt market-wide trading for 15 minutes, while a similar market decline at or after 3:25 p.m. ET would not halt market-wide trading. A market decline that triggers a Level 3 halt, at any time during the trading day, would halt market-wide trading until the primary listing market opens the next trading day.

Today, in the event that a Level 3 market decline occurs, trading in exchange-listed stocks would be halted until the primary listing market opens the next trading day. Upon feedback from industry participants, FINRA has been working with other SROs to establish a standardized approach for resuming trading in all NMS stocks following a Level 3 halt. The proposed approach would allow for the opening of all NMS stocks the next trading day after a Level 3 halt as a regular trading day, and is designed to ensure that Level 3 MWCB events are handled in a more consistent manner that is transparent for market participants.⁸

⁸ Of note, the U.S. futures markets, which have similar rules for coordinated MWCB halts, normally begin their “next day” trading session at 6:00 p.m. ET (for CFE and CME) or at 8:00 p.m. ET (for ICE). If the U.S. futures markets amend their MWCB rules, as needed, to allow for normal course trading following a Level 3 halt, the futures markets would resume trading in their normal course at 6:00 p.m. ET (CFE and CME) or 8:00 p.m. ET (ICE) the same day as the Level 3 halt.

Furthermore, there may be cross-market differences in how each exchange currently opens the next day after a Level 3 MWCB halt. For example, while some exchanges currently resume trading in listed securities no differently from a regular trading day, other exchanges may, for instance, conduct a halt auction process instead of opening in the normal course under their respective rules. As discussed later in this filing, the proposed changes will allow each SRO to resume

As proposed, a Level 3 halt would end at the end of the trading day on which it is declared. This proposed change would allow over-the-counter trading in all NMS stocks to resume the next day no differently from any other trading day. In other words, a member could resume trading otherwise than on an exchange in any NMS stock on the day following the Level 3 market wide circuit breaker, and would not need to wait for the primary listing market to re-open trading in a security before it could start trading such security, so long as the halt has been lifted by the applicable securities information processor (“SIP”).⁹

To effect this change, FINRA is amending Rule 6121.02 to delete the language requiring that members wait until the primary listing exchange opens the next trading day following a Level 3 market decline, and specify that FINRA will halt trading otherwise than on an exchange in all NMS stocks for the remainder of the trading day. The proposed rule change would therefore allow each SRO to resume trading in all NMS stocks the next trading day following a Level 3 halt as they normally would. Members should ensure that they have policies and procedures in place that address their resumption of over-the-counter trading in NMS stocks following a Level 3 MWCB.

trading in all NMS stocks the next trading day following a Level 3 halt no differently from a regular trading day.

⁹ The SEC has approved a proposed rule change by NASDAQ to permit NASDAQ to resume trading the day following a Level 3 market decline as it would on any other trading day. See Securities Exchange Act Release No. 88360 (March 11, 2020) (Order Approving File No. SR-NASDAQ- 2020-003) (“Nasdaq Approval Order”). FINRA anticipates that the other SROs also will file similar proposals to amend their MWCB rules on the resumption of trading following Level 3 halts, and amend their rules, where required, to have their Level 3 next-day openings happen normally.

FINRA expects that the primary listing exchanges will facilitate this change by sending resume messages to the applicable SIP to lift the Level 3 trading halt message in all NMS stocks. The resumption messages will be disseminated after the SIP has started on the next trading day and before the start of the earliest pre-market trading session of all exchanges. If a security is separately subject to a regulatory halt that has not ended, FINRA expects that the primary listing exchanges would replace the Level 3 halt message with the applicable regulatory halt message.

Having a consistent approach for all NMS stocks will make the opening process the day after a Level 3 halt more uniform and reduce complexity, which FINRA believes is important after a significant market event. Based on industry feedback, FINRA believes that opening in the normal course for all NMS stocks will be more beneficial to the marketplace. By allowing trading to resume after a Level 3 halt in all NMS stocks no differently from any normal trading day under the respective rules of each SRO, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS stocks and balances out potential concerns around volatility. While FINRA recognizes that the impact of this proposal is to permit all NMS stocks to be traded during time periods that do not have certain price protections for volatility such as LULD Bands or MWCB protections, FINRA nonetheless believes that this outcome is outweighed by the benefits provided by opening in a manner that is more familiar to the marketplace. Moreover, allowing the resumption of trading to occur as it would on any other trading day will allow for price formation to occur earlier in the trading day, which in turn allows market participants to

react to news that has developed. As such, trading at the beginning of regular hours may be more orderly.

As noted in Item 2, FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ 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, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The market-wide circuit breaker mechanism under Rule 6121.02 is an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. FINRA believes that the proposed rule change promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning when and how to halt trading in all stocks as a result of extraordinary market volatility, and how the markets will resume trading following a Level 3 market decline.

As described above, FINRA together with other SROs, is seeking to adopt a standardized approach related to resuming trading in NMS stocks after a Level 3 MWCB halt. In this regard, FINRA believes that the proposal to resume trading in all NMS

¹⁰ 15 U.S.C. 78o-3(b)(6).

stocks following a Level 3 halt in the same manner that these securities would open trading on a regular trading day will benefit investors, the national market system, and FINRA members by promoting a fair and orderly market and reducing confusion during a significant cross-market event. By allowing trading to resume after a Level 3 halt in all NMS stocks no differently from any normal trading day under the respective rules of each exchange, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS stocks.

Based on the foregoing, FINRA believes that the benefits to market participants under the proposed revisions to Rule 6121.02 with the proposed standardized process for resuming trading in all NMS stocks following a Level 3 halt will promote fair and orderly markets, and protect investors and the public interest.

4. 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 because the proposed Level 3 rule change described above would standardize the opening process for all NMS stocks, which would make the opening process the day after a Level 3 halt more uniform and reduce complexity. Further, The Nasdaq Stock Market LLC ("Nasdaq") already amended its rules to adopt amendments concerning the resumption of trading following a Level 3 MWCB to allow for the opening of all securities the next trading day after a Level 3 halt as a regular trading day.¹¹ FINRA

¹¹ See Nasdaq Approval Order.

understands that the other SROs will file similar proposals to adopt the proposed changes related to resumptions following a Level 3 MWCB.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.¹²

Regulatory Objective

FINRA proposes to amend Rule 6121.02 concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. The proposed rule change would allow each SRO to resume trading in all NMS stocks the next trading day following a Level 3 halt as they normally would, without requiring the primary listing market to first re-open trading in a security.

Economic Baseline

The market-wide circuit breaker under Rule 6121.02 provides an automatic mechanism that is invoked to promote stability and investor confidence during a period of stress when securities markets experience extreme broad-based declines. Market-wide circuit breakers provide for trading halts in all equities and options markets during a severe market decline as measured by a single-day decline in the S&P 500 Index.

Pursuant to Rule 6121.02, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day's closing price of

¹² FINRA believes an abbreviated economic impact assessment is appropriate to facilitate the expedient adoption of consistent rules regarding the resumption of trading in all NMS stocks following a Level 3 market-wide circuit breaker.

that index. A market decline that triggers a Level 3 halt, defined as a 20% decline in price from the prior day's closing price of the S&P 500 Index, currently would halt market-wide trading until the primary listing market opens the next trading day.

Over-the-counter trading in an NMS stock currently may start the next trading day when its primary listing market opens the security. Consequently, the opening process for NMS stocks after a Level 3 halt is different from any other trading day that was not preceded by a Level 3 MWCB. This adds to complexity the day after a Level 3 MWCB halt.

Economic Impact

Having a consistent approach for all NMS stocks will make the opening process the day after a Level 3 halt more uniform and reduce complexity. FINRA recognizes that the proposed rule change would permit all NMS stocks to be traded during time periods when certain price protections for volatility such as LULD Bands or MWCB protections are not in force. The absence of these protections may be mitigated because the resumption of trading would occur as it would on any other trading day, which permits price formation to occur earlier in the trading day, and should allow market participants to more quickly react to news events. As a result, trading at the beginning of regular hours may be less volatile.

Alternatives

No further alternatives are under consideration.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act¹³ and paragraph (f)(6) of Rule 19b-4 thereunder,¹⁴ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate. In addition, FINRA provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.¹⁵ FINRA requests that the Commission waive the five-day pre-filing requirement and the 30-day period for the proposed rule change to become operative.

The proposed rule change would not significantly affect the protection of investors or the public interest because it seeks to make uniform amongst the SROs the resumption of trading in NMS stocks following a Level 3 Market Decline. Nasdaq already filed a proposed rule change with the SEC to adopt similar changes, which was approved by the SEC on March 11, 2020.¹⁶ FINRA understands that the other SROs also

¹³ 15 U.S.C. 78s(b)(3).

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ 17 CFR 240.19b-4(f)(6)(iii).

¹⁶ See Nasdaq Approval Order.

will file similar proposals with the Commission to modify their methods for resuming trading following a Level 3 market decline. Accordingly, FINRA has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹⁷ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁸

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

On January 14, 2020, Nasdaq filed with the SEC a proposed rule change to amend Nasdaq Rule 4121(b) concerning the resumption of trading following a Level 3 trading halt due to extraordinary market volatility.¹⁹ Pursuant to the Nasdaq proposal, a Level 3 MWCB halt would end at the end of the trading day on which it is declared, and next-day trading would resume on Nasdaq in all NMS stocks no differently from any other trading day, which for Nasdaq would be at the beginning of its pre-market session at 4:00 a.m. ET under its current rules. The amendments will allow Nasdaq to resume trading in any security when it first begins trading under its rules and would not need to wait for the primary listing market to re-open trading in a security before it could start trading such security. The Commission received no comment letters on the proposed rule change and

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4.

¹⁹ See Securities Exchange Act Release No. 88004 (January 17, 2020), 85 FR 3992 (January 23, 2020) (Notice of Filing of File No. SR-NASDAQ-2020-003).

the proposed rule change was approved by the SEC on March 11, 2020.²⁰ FINRA, in coordination with Nasdaq and the other SROs, is filing the instant proposed rule change to amend FINRA Rule 6121.02 to permit members to resume trading otherwise than on an exchange in any NMS stock on the day following the Level 3 MWCB, without needing to wait for the primary listing market to re-open trading in the security.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of the proposed rule change.

²⁰ See Nasdaq Approval Order.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2020-009)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rule 6121.02 (Market-wide Circuit Breakers in NMS Stocks)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , 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, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. 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 6121.02 (Market-wide Circuit Breakers in NMS Stocks) concerning the resumption of trading following a Level 3 market-wide circuit breaker halt.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is available on FINRA's website 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 Rule 6121.02 concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. FINRA is proposing this rule change in conjunction with other self-regulatory organizations ("SROs").

Rule 6121.02 addresses the circumstances under which FINRA shall halt, and subsequently resume, over-the-counter trading in all NMS stocks due to extraordinary market volatility (i.e., market-wide circuit breakers). The market-wide circuit breaker ("MWCB") mechanism under Rule 6121.02 was approved by the Commission to operate on a pilot basis, the term of which was to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS (the

“LULD Plan”),⁴ including any extensions to the pilot period for the LULD Plan.⁵ Last year, the Commission approved an amendment to the LULD Plan for it to operate on a permanent, rather than pilot, basis.⁶ In light of the proposal to make the LULD Plan permanent, FINRA amended Rule 6121.02 to untie the pilot’s effectiveness from that of the LULD Plan and to extend the pilot’s effectiveness to the close of business on October 18, 2019.⁷ FINRA then filed a proposed rule change to extend the pilot for an additional year to the close of business on October 18, 2020.⁸

The market-wide circuit breaker under Rule 6121.02 provides an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. FINRA and the U.S. equity exchanges adopted uniform rules on a pilot basis

⁴ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the “Limit Up-Limit Down Release”). The LULD Plan provides a mechanism to address extraordinary market volatility in individual securities.

⁵ See Securities Exchange Act Release Nos. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (Order Approving File No. SR-FINRA-2011-054); and 68778 (January 31, 2013), 78 FR 8668 (February 6, 2013) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2013-011) (Proposed Rule Change to Delay the Operative Date of FINRA Rule 6121.02).

⁶ See Securities Exchange Act Release No. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019) (Order Approving the Eighteenth Amendment to the National Market System Plan To Address Extraordinary Market Volatility).

⁷ See Securities Exchange Act Release No. 85547 (April 8, 2019), 84 FR 14981 (April 12, 2019) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2019-010).

⁸ See Securities Exchange Act Release No. 87078 (September 24, 2019), 84 FR 51669 (September 30, 2019) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2019-023).

relating to market-wide circuit breakers in 2012 (“MWCB Rules”), which are designed to slow the effects of extreme price movement through coordinated trading halts across securities markets when severe price declines reach levels that may exhaust market liquidity.⁹ Market-wide circuit breakers provide for trading halts in all equities and options markets during a severe market decline as measured by a single-day decline in the S&P 500 Index.

Pursuant to Rule 6121.02, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day’s closing price of that index. Currently, the triggers are set at three circuit breaker thresholds: 7% (Level 1), 13% (Level 2), and 20% (Level 3). A market decline that triggers a Level 1 or Level 2 halt after 9:30 a.m. ET and before 3:25 p.m. ET would halt market-wide trading for 15 minutes, while a similar market decline at or after 3:25 p.m. ET would not halt market-wide trading. A market decline that triggers a Level 3 halt, at any time during the trading day, would halt market-wide trading until the primary listing market opens the next trading day.

Today, in the event that a Level 3 market decline occurs, trading in exchange-listed stocks would be halted until the primary listing market opens the next trading day.

Upon feedback from industry participants, FINRA has been working with other SROs to

⁹ See Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (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) (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).

establish a standardized approach for resuming trading in all NMS stocks following a Level 3 halt. The proposed approach would allow for the opening of all NMS stocks the next trading day after a Level 3 halt as a regular trading day, and is designed to ensure that Level 3 MWCB events are handled in a more consistent manner that is transparent for market participants.¹⁰

As proposed, a Level 3 halt would end at the end of the trading day on which it is declared. This proposed change would allow over-the-counter trading in all NMS stocks to resume the next day no differently from any other trading day. In other words, a member could resume trading otherwise than on an exchange in any NMS stock on the day following the Level 3 market wide circuit breaker, and would not need to wait for the primary listing market to re-open trading in a security before it could start trading such security, so long as the halt has been lifted by the applicable securities information processor (“SIP”).¹¹

¹⁰ Of note, the U.S. futures markets, which have similar rules for coordinated MWCB halts, normally begin their “next day” trading session at 6:00 p.m. ET (for CFE and CME) or at 8:00 p.m. ET (for ICE). If the U.S. futures markets amend their MWCB rules, as needed, to allow for normal course trading following a Level 3 halt, the futures markets would resume trading in their normal course at 6:00 p.m. ET (CFE and CME) or 8:00 p.m. ET (ICE) the same day as the Level 3 halt.

Furthermore, there may be cross-market differences in how each exchange currently opens the next day after a Level 3 MWCB halt. For example, while some exchanges currently resume trading in listed securities no differently from a regular trading day, other exchanges may, for instance, conduct a halt auction process instead of opening in the normal course under their respective rules. As discussed later in this filing, the proposed changes will allow each SRO to resume trading in all NMS stocks the next trading day following a Level 3 halt no differently from a regular trading day.

¹¹ The SEC has approved a proposed rule change by NASDAQ to permit NASDAQ to resume trading the day following a Level 3 market decline as it would on any other trading day. See Securities Exchange Act Release No. 88360 (March 11,

To effect this change, FINRA is amending Rule 6121.02 to delete the language requiring that members wait until the primary listing exchange opens the next trading day following a Level 3 market decline, and specify that FINRA will halt trading otherwise than on an exchange in all NMS stocks for the remainder of the trading day. The proposed rule change would therefore allow each SRO to resume trading in all NMS stocks the next trading day following a Level 3 halt as they normally would. Members should ensure that they have policies and procedures in place that address their resumption of over-the-counter trading in NMS stocks following a Level 3 MWCB.

FINRA expects that the primary listing exchanges will facilitate this change by sending resume messages to the applicable SIP to lift the Level 3 trading halt message in all NMS stocks. The resumption messages will be disseminated after the SIP has started on the next trading day and before the start of the earliest pre-market trading session of all exchanges. If a security is separately subject to a regulatory halt that has not ended, FINRA expects that the primary listing exchanges would replace the Level 3 halt message with the applicable regulatory halt message.

Having a consistent approach for all NMS stocks will make the opening process the day after a Level 3 halt more uniform and reduce complexity, which FINRA believes is important after a significant market event. Based on industry feedback, FINRA believes that opening in the normal course for all NMS stocks will be more beneficial to the marketplace. By allowing trading to resume after a Level 3 halt in all NMS stocks no

2020) (Order Approving File No. SR-NASDAQ- 2020-003) (“Nasdaq Approval Order”). FINRA anticipates that the other SROs also will file similar proposals to amend their MWCB rules on the resumption of trading following Level 3 halts, and amend their rules, where required, to have their Level 3 next-day openings happen normally.

differently from any normal trading day under the respective rules of each SRO, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS stocks and balances out potential concerns around volatility. While FINRA recognizes that the impact of this proposal is to permit all NMS stocks to be traded during time periods that do not have certain price protections for volatility such as LULD Bands or MWCB protections, FINRA nonetheless believes that this outcome is outweighed by the benefits provided by opening in a manner that is more familiar to the marketplace. Moreover, allowing the resumption of trading to occur as it would on any other trading day will allow for price formation to occur earlier in the trading day, which in turn allows market participants to react to news that has developed. As such, trading at the beginning of regular hours may be more orderly.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹² 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, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The market-wide circuit breaker mechanism

¹² 15 U.S.C. 78q-3(b)(6).

under Rule 6121.02 is an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. FINRA believes that the proposed rule change promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning when and how to halt trading in all stocks as a result of extraordinary market volatility, and how the markets will resume trading following a Level 3 market decline.

As described above, FINRA together with other SROs, is seeking to adopt a standardized approach related to resuming trading in NMS stocks after a Level 3 MWCB halt. In this regard, FINRA believes that the proposal to resume trading in all NMS stocks following a Level 3 halt in the same manner that these securities would open trading on a regular trading day will benefit investors, the national market system, and FINRA members by promoting a fair and orderly market and reducing confusion during a significant cross-market event. By allowing trading to resume after a Level 3 halt in all NMS stocks no differently from any normal trading day under the respective rules of each exchange, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS stocks.

Based on the foregoing, FINRA believes that the benefits to market participants under the proposed revisions to Rule 6121.02 with the proposed standardized process for resuming trading in all NMS stocks following a Level 3 halt will promote fair and orderly markets, and protect investors and the public interest.

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 because the proposed Level 3 rule change described above would standardize the opening process for all NMS stocks, which would make the opening process the day after a Level 3 halt more uniform and reduce complexity. Further, The Nasdaq Stock Market LLC ("Nasdaq") already amended its rules to adopt amendments concerning the resumption of trading following a Level 3 MWCB to allow for the opening of all securities the next trading day after a Level 3 halt as a regular trading day.¹³ FINRA understands that the other SROs will file similar proposals to adopt the proposed changes related to resumptions following a Level 3 MWCB.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.¹⁴

Regulatory Objective

FINRA proposes to amend Rule 6121.02 concerning the resumption of trading following a Level 3 market-wide circuit breaker halt. The proposed rule change would allow each SRO to resume trading in all NMS stocks the next trading day following a

¹³ See Nasdaq Approval Order.

¹⁴ FINRA believes an abbreviated economic impact assessment is appropriate to facilitate the expedient adoption of consistent rules regarding the resumption of trading in all NMS stocks following a Level 3 market-wide circuit breaker.

Level 3 halt as they normally would, without requiring the primary listing market to first re-open trading in a security.

Economic Baseline

The market-wide circuit breaker under Rule 6121.02 provides an automatic mechanism that is invoked to promote stability and investor confidence during a period of stress when securities markets experience extreme broad-based declines. Market-wide circuit breakers provide for trading halts in all equities and options markets during a severe market decline as measured by a single-day decline in the S&P 500 Index.

Pursuant to Rule 6121.02, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day's closing price of that index. A market decline that triggers a Level 3 halt, defined as a 20% decline in price from the prior day's closing price of the S&P 500 Index, currently would halt market-wide trading until the primary listing market opens the next trading day.

Over-the-counter trading in an NMS stock currently may start the next trading day when its primary listing market opens the security. Consequently, the opening process for NMS stocks after a Level 3 halt is different from any other trading day that was not preceded by a Level 3 MWCB. This adds to complexity the day after a Level 3 MWCB halt.

Economic Impact

Having a consistent approach for all NMS stocks will make the opening process the day after a Level 3 halt more uniform and reduce complexity. FINRA recognizes that the proposed rule change would permit all NMS stocks to be traded during time periods when certain price protections for volatility such as LULD Bands or MWCB protections

are not in force. The absence of these protections may be mitigated because the resumption of trading would occur as it would on any other trading day, which permits price formation to occur earlier in the trading day, and should allow market participants to more quickly react to news events. As a result, trading at the beginning of regular hours may be less volatile.

Alternatives

No further alternatives are under consideration.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁵ and Rule 19b-4(f)(6) thereunder.¹⁶

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(6).

Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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. Please include File Number SR-FINRA-2020-009 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2020-009. 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 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 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2020-009 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Jill M. Peterson
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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6121. Trading Halts Due to Extraordinary Market Volatility

Pursuant to the procedures set forth in Rule 6120(b), FINRA shall halt all trading otherwise than on an exchange in any NMS stock, as defined in Rule 600(b)(47) of SEC Regulation NMS, if other major securities markets initiate market-wide trading halts in response to their rules or extraordinary market conditions or if otherwise directed by the Securities and Exchange Commission. Members must halt quoting and trading otherwise than on an exchange in any NMS stock as of the time the market-wide trading halt is publicly disseminated.

••• Supplementary Material: -----

.01 No Change.

.02 Market-wide Circuit Breakers in NMS Stocks

(a) through (b) No Change.

(c) (1) No Change.

(2) If a Level 3 Market Decline occurs at any time during the trading day, FINRA shall halt trading otherwise than on an exchange in all NMS stocks [until the primary listing market opens the next] for the remainder of the trading day.

(d) No Change.

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