

OMB APPROVAL

OMB Number: 3235-0045
Expires: August 31, 2011
Estimated average burden
hours per response.....38

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2010 - 025

Amendment No.

Proposed Rule Change by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial ☒ Amendment ☐ Withdrawal ☐

Section 19(b)(2) ☒ Section 19(b)(3)(A) ☐ Section 19(b)(3)(B) ☐

Rule

Pilot ☒ Extension of Time Period
for Commission Action ☐ Date Expires

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Exhibit 2 Sent As Paper Document
☐

Exhibit 3 Sent As Paper Document
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Description

Provide a brief description of the proposed rule change (limit 250 characters).

Proposed Rule Change to amend FINRA Rule 6121 to permit FINRA to halt trading by FINRA members otherwise than on an exchange where a primary listing market has issued a trading pause due to extraordinary market conditions.

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 proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

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 officer.

Date

By
(Name)

Senior Vice President and Director of Capital Markets
Policy

(Title)

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.

Stephanie Dumont,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS 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 2 - Notices, Written Comments, Transcripts, Other Communications

Add

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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 Sent As Paper Document

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Exhibit 3 - Form, Report, or Questionnaire

Add

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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 Sent As Paper Document

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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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“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 (Trading Halts Due to Extraordinary Market Volatility) to permit FINRA to halt trading by FINRA members otherwise than on an exchange where a primary listing market has issued a trading pause due to extraordinary market conditions.

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

* * * * *

6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

6100. QUOTING AND TRADING IN NMS STOCKS

* * * * *

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.

• • • Supplementary Material: -----

.01 Trading Pauses.

¹ 15 U.S.C. 78s(b)(1).

(a) 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. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor or the primary listing market has issued notice that it cannot resume trading for a reason other than a significant imbalance, FINRA may permit the resumption of trading otherwise than on an exchange in such stock if trading has commenced on at least one other national securities exchange.

(b) The provisions of Supplementary Material .01 of this Rule shall be in effect during a pilot set to end on December 10, 2010. During the pilot, the provisions in paragraph (a) above shall be in effect only with respect to securities included in the S&P 500® Index.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on December 3, 2007, the FINRA Board of Governors authorized the filing of proposed rule changes with the SEC relating to coordination of circuit breakers with exchanges. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has requested that the Commission approve the proposed rule change on an accelerated basis, so that it may become operative on June 7, 2010, and fully rolled out across all eligible securities by June 14, 2010.

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

(a) Purpose

In October 2008, FINRA adopted FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility) to permit FINRA to halt over-the-counter ("OTC") trading of NMS stocks² if other major U.S. securities markets initiate market-wide trading halts in response to their rules or extraordinary market conditions or if otherwise directed by the SEC.³ This proposed rule change was designed to further the goal of coordinated self-regulatory organization ("SRO") action to address potentially destabilizing market volatility, consistent with the circuit breaker trading halt authority of the exchanges.

On May 18, 2010, several national securities exchanges filed new rules with the Commission to provide the exchanges with authority to issue trading pauses for individual securities if the price of such security moves 10% or more from a sale in a preceding five-minute period. These changes would provide uniform market-wide trading pause standards for individual securities in the S&P 500® Index that experience a rapid price movement. Consistent with the exchanges' proposals and in consultation with the staff of the Commission, FINRA is proposing to amend FINRA Rule 6121 to add new Supplementary Material .01 to provide 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. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from

² NMS stock means any NMS security other than an option. See SEC Rule 600 of Regulation NMS.

³ See Securities Exchange Act Release No. 58753 (October 8, 2008), 73 FR 61177 (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2008-048).

the responsible single plan processor or the primary listing market has issued notice that it cannot resume trading for a reason other than a significant imbalance, FINRA may permit the resumption of trading otherwise than on an exchange if trading has commenced on at least one other national securities exchange. Consistent with the exchanges, FINRA is proposing that this rule be implemented as a pilot set to end on December 10, 2010, so that the markets may assess the effect of the new rules on the markets. During this pilot period, the rule would be in effect only with respect to securities included in the S&P 500[®] Index.

As noted in Item 2 of this filing, FINRA has requested that the Commission approve the proposed rule change on an accelerated basis, so that it may become operative on June 7, 2010, and fully rolled out across all eligible securities by June 14, 2010.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁴ 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 is consistent with the trading pause rules of other SROs and will promote the goal of investor protection by further providing for a coordinated means to address potentially destabilizing market volatility.

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.

⁴ 15 U.S.C. 78o-3(b)(6).

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**

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁵

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

FINRA requests that the Commission approve the proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act⁶ so that it may become operative on June 7, 2010, and fully rolled out across all eligible securities by June 14, 2010. Because similar rule filings are being proposed by multiple market centers, FINRA believes that this amendment will increase transparency and uniformity regarding decisions to pause trading and reduce the negative impacts of sudden, unanticipated price movements in individual S&P 500 Index® securities. In particular, FINRA is proposing to adopt this rule filing to address the type of sudden price declines that were experienced on the afternoon of May 6, 2010. As such, FINRA does not believe that the proposal should be delayed, so that it may become operative on June 7, 2010, and fully rolled out across all eligible securities by June 14, 2010.

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

Not applicable.

⁵ 15 U.S.C. 78s(b)(2).

⁶ 15 U.S.C. 78s(b)(2).

9. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2010-025)

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)

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. 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 permit FINRA to halt trading by FINRA members otherwise than on an exchange where a primary listing market has issued a trading pause due to extraordinary market conditions.

The text of the proposed rule change 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In October 2008, FINRA adopted FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility) to permit FINRA to halt over-the-counter ("OTC") trading of NMS stocks³ if other major U.S. securities markets initiate market-wide trading halts in response to their rules or extraordinary market conditions or if otherwise directed by the SEC.⁴ This proposed rule change was designed to further the goal of coordinated self-regulatory organization ("SRO") action to address potentially destabilizing market volatility, consistent with the circuit breaker trading halt authority of the exchanges.

On May 18, 2010, several national securities exchanges filed new rules with the Commission to provide the exchanges with authority to issue trading pauses for individual securities if the price of such security moves 10% or more from a sale in a

³ NMS stock means any NMS security other than an option. See SEC Rule 600 of Regulation NMS.

⁴ See Securities Exchange Act Release No. 58753 (October 8, 2008), 73 FR 61177 (October 15, 2008) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2008-048).

preceding five-minute period. These changes would provide uniform market-wide trading pause standards for individual securities in the S&P 500® Index that experience a rapid price movement. Consistent with the exchanges' proposals and in consultation with the staff of the Commission, FINRA is proposing to amend FINRA Rule 6121 to add new Supplementary Material .01 to provide 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. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor or the primary listing market has issued notice that it cannot resume trading for a reason other than a significant imbalance, FINRA may permit the resumption of trading otherwise than on an exchange if trading has commenced on at least one other national securities exchange. Consistent with the exchanges, FINRA is proposing that this rule be implemented as a pilot set to end on December 10, 2010, so that the markets may assess the effect of the new rules on the markets. During this pilot period, the rule would be in effect only with respect to securities included in the S&P 500® Index.

FINRA has requested that the Commission approve the proposed rule change on an accelerated basis, so that it may become operative on June 7, 2010, and fully rolled out across all eligible securities by June 14, 2010.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁵ 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 is consistent with the trading pause rules of other SROs and will promote the goal of investor protection by further providing for a coordinated means to address potentially destabilizing market volatility.

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 35 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 such proposed rule change, or

⁵ 15 U.S.C. 78o-3(b)(6).

(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. Please include File Number SR-FINRA-2010-025 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-2010-025. 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 available publicly. All submissions should refer to File Number SR-FINRA-2010-025 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.⁶

Florence E. Harmon

Deputy Secretary

⁶ 17 CFR 200.30-3(a)(12).