March 10, 2016

The Honorable Mary Jo White
Chair
Securities and Exchange Commission
100 F. Street, NE
Washington D.C. 20549

Re: SEC Action to Address Market Structure Issues Related to August 24, 2015

Dear Chair White:

We are writing with respect to the Commission's continued efforts to analyze ways to improve equity markets structure rules in response to the events of August 24, 2015. The undersigned represent a broad spectrum of market participants; including asset managers, ETF providers, industry analysts, institutional and retail broker-dealers, and professional market makers and liquidity providers. The undersigned are all actively involved in today's equity markets, but have different business models and perspectives. Despite these differences, the undersigned collectively agree on certain improvements which must be made to our equity markets in response to the events of August 24th. We believe the SEC should prioritize the efforts outlined below and that these improvements can be implemented swiftly.

Preliminarily, we commend the Commission for its continued focus on the trading events of August 24, 2015. The recent research note, *Equity Market Volatility on August 24, 2015,* from the Division of Trading and Markets, Office of Analytics and Research provides meaningful data on the trading impacts of the operations of our equity markets on that day. Many market participants, including the SEC, exchanges, broker-dealers and buy-side institutional investors have spent considerable time over the past six months analyzing data, reviewing existing limit-up/limit-down rules (LULD), and gaining an understanding of other rules and practices of the various exchanges which impacted the events of August 24th.

At this time, we believe most market participants have reached a consensus on certain opportunities to improve existing market structure rules to limit the likelihood of a similar event occurring in the future. Absent these changes, especially with the volatility in the current equity markets, we are concerned that the markets are susceptible to a similar event occurring at any time. Most importantly, we believe the only way to address these issues is through SEC action.

Fundamentally, it is important to note that we support the LULD structure across the equity markets and the fundamental principles behind such a structure. We support the LULD goals of preventing erroneous executions from occurring in the first place and pausing trading in individual securities in times of dislocation so that the markets have sufficient time to react to news and establish appropriate prices for individual securities. In fact, we believe the existing LULD rules mitigated the impact of the events of August 24th. That said, August 24th provides an opportunity to improve existing rules and ensure the markets continue to facilitate the goals of LULD in times of stress.

There are a variety of factors which contributed to the events of August 24th, including delayed openings, the influence of market and stop orders on the markets, and the interaction of market wide circuit breakers in times of extreme volatility. Nevertheless, we believe the following contributed to the events of August 24th and are issues which can be addressed immediately: 1) a lack of consistent LULD reopening procedures across exchanges, particularly with respect to price collars of certain exchanges which are not consistent with the principles of LULD; and 2) clearly erroneous rules and procedures of exchanges which are not consistent with LULD. We believe the SEC is in a position to swiftly address these improvements to the existing LULD structure.

LULD Reopening Procedures - We believe the SEC should direct the exchanges to harmonize their rules regarding the reopening of a security that has entered a LULD halt in an effort to reduce complexity and establish more liquidity-based reopenings. August 24th demonstrated an inconsistency in the standards for reopening securities that have halted under existing LULD rules. When the SEC approved LULD, it explicitly decided that the rules would not apply LULD price bands on the reopening of securities that had entered a LULD halt because the need for a trading pause recognized that a security could reopen at a price that is "significantly above or below its previous price [and that the lack of price bands on the reopen] is reasonably designed to allow for more fundamental price moves to occur." NYSE Arca's procedures, for example, imposed restrictive collars on the prices at which securities could reopen for trading (1% from the last trade prior to the halt for certain securities) and limited market participants' ability to provide liquidity at reasonable prices. On August 24th, this practice caused securities to reopen at prices that were not indicative of market conditions at the time and resulted in certain securities experiencing multiple LULD halts after short periods of sporadic trading. The restrictive price collars of certain exchange's reopening procedures are, in effect, inconsistent with the conclusions of the SEC in approving LULD. Establishing consistent standards for pausing trading across the markets is a fundamental purpose of LULD, and therefore, consistent standards for resuming trading are equally important.

We believe the SEC should promptly direct the exchanges to harmonize their LULD reopening procedures, subject to public comment and approval of the SEC, as follows:

- Securities should only reopen after taking appropriate steps to minimize or offset order imbalances;

- Price collars on openings and reopenings should not impede price discovery. We believe price collars should mirror existing LULD price bands (5% and 10% for Tier 1 and 2 securities). If imbalances cannot be offset within such price collars, auctions should be extended in predefined and uniform time increments and price collars should be expanded based on predefined thresholds until such time as order imbalances have been appropriately minimized or offset;

- Trading should not occur at any exchange or market center until such time as the primary exchange has reopened the security and LULD bands have been disseminated and applied;

- Exchanges should be required to consolidate liquidity at the primary listing exchange during a LULD re-opening; and

- Order imbalance information should be disseminated across the markets during reopening auctions.

Clearly Erroneous Rules - LULD should, in practice, eliminate the need for separate clearly erroneous criteria. If LULD is working as designed, especially with harmonized and consistent reopening standards, trades that occur within LULD bands are, by definition, valid trades. Uncertainty as to the application of clearly erroneous rules hinders market participation in times of dislocation. We believe aligning clearly erroneous rules with LULD parameters will likely result in increased confidence on the part of market participants in providing liquidity in times of market stress.

Specifically, we believe the SEC should also harmonize clearly erroneous rules with LULD as follows:

- Clearly erroneous trades are trades which occur outside LULD price bands and associated consistent reopening standards;

- Exchanges have the onus of proactively enforcing LULD bands and promptly cancelling trades that fall outside such bands; and

- To facilitate this consistency, LULD bands should not be doubled during the beginning and ending of the trading day.

We believe the SEC should promptly direct the exchanges to propose harmonized improvements to their existing rules consistent with the above referenced principles. Absent SEC direction, the exchanges will not collectively accomplish the above referenced improvements. We believe these requirements are needed to make the LULD structure of our equity markets work as designed. We believe most market participants support the above referenced proposals.

Going forward, as a second step towards addressing market structure improvements informed by the events of August 24th, we believe the SEC should consider improvements to the opening of securities across the markets and the standards for triggering market wide circuit breakers. Market participants may have varying views on these topics and we understand further analysis is warranted to come to an industry consensus. For this reason, we believe the improvements to the LULD structure discussed above reflect a consensus among most market participants and could be implemented relatively swiftly, but only through SEC action. While these issues should be prioritized, other issues will continue to be evaluated by market participants and regulators as improvements progress.

We appreciate the continued focus of the Commission on these important issues, and each of the undersigned is available to assist in these efforts.

Sincerely,

Martin Small, Head of US iShares, BlackRock

Reginald M. Browne, ETF Group, Cantor Fitzgerald & Co

Eric M. Pollackov, Managing Director, Charles Schwab & Co., Inc.

Dave Nadig, Director of ETFs, FactSet Research Systems

David A. Lewis, SVP/Head of Americas Trading, Franklin Templeton Investments

John Comerford, Managing Director, Instinet Holdings Incorporated

Jamie Selway, Global Head of Electronic Brokerage, ITG

Daniel Ciment, Global Head of Electronic Client Solutions, J.P. Morgan Corporate & Investment Bank

Robert Deutsch, Global Head of ETFs, J.P. Morgan Asset Management

Ian Schaad, Managing Director, Jane Street

Greg Tusar, Co-Head of Client Market Making and Trading Services, KCG

James Ross, Global Head of SPDR ETFs, State Street Global Advisors

Damon Walvoord, Co-Head, ETF Group, Susquehanna International Group, LLP

Mortimer J. Buckley, Chief Investment Officer, The Vanguard Group, Inc.

Adam Phillips, Chief Operating Officer ETFs, VanEck

Douglas Cifu, Chief Executive Officer, Virtu Financial Inc.

Andrew Upward, Head of Market Structure, Weeden & Co.

David C. Cushing, Senior Vice President, Director of Trading and Market Strategies, Wellington Management Company, LLP

cc: The Honorable Kara M. Stein, Commissioner, SEC
The Honorable Michael S. Piwowar, Commissioner, SEC
Stephen Luparello, Director, Division of Trading and Markets, SEC