The Security Traders Association of New York, Inc.

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Chief Executive Officer and Executive Director

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Submitted electronically
Elizabeth M. Murphy
Secretary
US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Release No. 34-64547, Release No. 34-69287; Release No. 34-69287, Release No. 34-68953; File No. 4-631 Joint Industry Plan: Notice of Filing of a National Market System Plan to Address Extraordinary Market Volatility

Dear Ms. Murphy:

The Security Traders Association of New York, Inc.[1] ("STANY") respectfully submits this letter in connection with the Joint Industry Plan to Address Extraordinary Market Volatility (the "Plan"), and Amendments there to, submitted to the Commission pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934 (the "Exchange Act") by various exchanges and self-regulatory organizations (the "Participants").

STANY has been supportive of the Plan and filed a comment letter to that effect on June 23, 2011. Despite the complexity of the Plan, implementation of Phase I appears to have been relatively smooth and effective in achieving the Plan's goals. There have been only 30 instances of individual stock trading halts since the implementation of Phase I of the Plan in April 2013. Evidence to date, although limited, suggests that LULD has been successful in moderating volatility, however, Phase I did not test key elements of the LULD pilot, including the efficacy of the Plan at the open and close of the markets, which have been deferred until Phase II.

[1] STANY is the voice of the trader in the New York metropolitan area and represents approximately 1,000 individuals who are engaged in the trading of securities. As such, we are uniquely qualified to discuss proposed rules and regulations affecting trading. STANY is the largest affiliate of the Security Traders Association ("STA"), a multinational professional association that is committed to being a leading advocate of policies and programs that foster investor trust, professional ethics and marketplace integrity and that support education of market participants, capital formation and marketplace innovation.

Neither STANY nor STA, represent a single business or business model, but rather provide a forum for traders representing institutions, broker-dealers, ATSs, and trading centers to share their unique perspectives on issues facing the securities markets. Our members work together to promote their shared interest in efficient, liquid markets, and their concern for investor protection. We believe that strong and efficient markets require an appropriate balance between effective regulation and innovation and competition.

<u>Concerns with August 5th Rollout of Phase II</u>

Despite the relatively smooth rollout of Phase I, we have concerns with the fast approaching implementation date for Phase II, which is scheduled to rollout on August 5, 2013. Phase II features both the expansion of Limit Up/Limit Down (LULD) to include Tier 2 stocks with a variety of price bands, as well as the extension of LULD, with double-wide price bands, to the first 15 minutes and last 30 minutes of daily trading.

We do not believe that the industry is adequately prepared for a rollout of the magnitude contemplated by Phase II and respectfully request that the Commission seek alternatives to the planned rollout time frame. In the main, our concerns center around application of LULD to the market close- the time between 3:30 p.m. and 4:00 p.m. not included in Phase I. Exchanges have not yet filed rules with the Commission on how they intend to handle closing auctions when limit states and pauses occur within the last 10 minutes of the trading day. Currently exchanges have different closing processes and rules for the submission of Market on Close and Limit on Close Orders, leaving numerous outstanding questions about the application of LULD across markets. We understand that the exchanges plan to maintain different closing procedures and rules relating to LULD during the close. We believe it would be in the best interests of the markets to defer application of LULD to the market close until rules governing primary listing exchanges' closing procedures under the Plan have been filed and have become effective and exchanges and broker-dealers have had time to implement and test changes made necessary by the exchanges' rules.

STANY respectfully suggests that the rollout of Phase II be split into two phases- the first of which would introduce LULD to Tier 2 stocks. The first phase could also rollout the application of LULD to the market opening – covering the time between 9:30 a.m. and 9:45 a.m. and to the period from 3:30 p.m. to 3:45 p.m. - times which were excluded in Phase I. The second phase, of this now split Phase II, would be implemented at some future date and would extend LULD to the last 15 minutes of trading from 3:45 p.m. to 4:00 p.m.

With only 3 weekends in which testing can be done before the August 5th rollout day, there is not enough time for the industry to test for the potential impact of LULD during the open and close of trading. This time limitation is exacerbated since all exchanges have not yet submitted details regarding how they intend to handle LULD at the open and close. It is our understanding that Saturday July 13th and Saturday July 27th have been set aside as dates for industry testing. We further understand that the testing scheduled for July 13th will not test closing procedures, but will only test the double-wide opening bands. Likewise, the time remaining before the rollout of Phase II begins is insufficient for firms to conduct adequate internal tests and, where applicable, make adjustments to their systems. The importance of such internal testing should not be minimized. As acknowledged by Bryan Harkins, Chief Operating Officer at Direct Edge, "Limit up-limit down is different (than circuit breakers) and poses greater potential implementation challenges to internalizers and ATSs, in many respects more so than for exchanges."[2]

Not only will it be extremely difficult to meet the time tables set forth in the Plan, but we've seen in the past what can happen when changes of this magnitude are implemented within a window that stretches resources to their limits. The open and close of the markets are the times of greatest volume, and highest volatility. They are also the most important period in the trading day for price discovery and the times with the most disparate rules among the exchanges. It is critical that additional rules applicable to the market close be implemented seamlessly. [3]

[2] Traders Magazine On-line (October 22, 2010) http://www.tradersmagazine.com/news/trading-collars-limit-up-limit-down-106482-1.html?zkPrintable=true

[3] In this regard we support the temporary reinstatement of the NYSE Liquidity Replenishment Points (LRPs) to stem volatility during those trading periods not covered by Phase I of LULD until such time as Phase II of LULD is fully implemented. *See* Securities Exchange Act Release No. 34-69695; File No. SR-NYSE-2013-36 (June 4, 2013)

Other Considerations

STANY also would ask that the Commission review the data obtained from the implementation of Phase I to determine if changes to the Plan parameters are warranted- either prior to implementation of Phase II of the Plan or thereafter. We would reiterate the request made in our letter of June 23, 2011:

> Because limit up-limit down is a new concept in the equities markets, no one can say with certainty whether the parameters and time frames selected by the Plan Participants are optimal…the specifics and effectiveness of the Plan should be closely monitored between Phase I and Phase II of implementation. As the rule provides for study, and anticipates almost certain amendment, the length of the Limit State, the Percentage Parameters and other details should be revised if experience, empirical data, and analysis dictate.

For example: in Phase I the majority of instances in which LULD bands have triggered limit states has been in securities of low volume ETFs. These low volume securities often open with wide spreads (for example, a dollar spread where the reference price is the midpoint). Wide spreads and low volumes characteristic of these ETFs can lead to instances in which LULD bands are triggered even though the security is not experiencing extreme volatility or severe market dislocation. We would request that the Commission review Tier I stocks with low liquidity and reclassify those securities as Tier 2 for LULD purposes.

Conclusion

We thank the Commission for the opportunity to provide comments on the Plan. STANY would be happy to assist the Participants and the Commission during the continuing implementation process. Please do not hesitate to contact STANY at 212.344.0410 or kimu@stany.org if you have any questions about STANY's comments.

Respectfully submitted,

Kimberly Unger
Chief Executive Officer and Executive Director

cc: Hon. Mary Jo White, Chairman
Hon. Luis A. Aquilar, Commissioner
Hon. Troy A. Paredes, Commissioner
Hon. Elisse B. Walter, Commissioner
Hon. Daniel J. Gallagher, Commissioner