

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76994; File No. SR-NYSEArca-2015-121)

January 28, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving Proposed Rule Change to Provide for Price Collar Thresholds for Trading Halt Auctions

I. Introduction

On December 7, 2015, NYSE Arca, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Exchange Rule 1.1(s) to provide for price collar thresholds for Trading Halt Auctions. The proposed rule change was published for comment in the Federal Register on December 24, 2015.<sup>3</sup> The Commission received three comment letters on the proposed rule change.<sup>4</sup> This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange currently conducts Trading Halt Auctions under Exchange Rule 7.35(f).<sup>5</sup> To respond to market events on August 24, 2015, the Exchange proposes to adopt specified price

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

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

<sup>3</sup> See Securities Exchange Act Release No. 76690 (December 18, 2015), 80 FR 80430 (“Notice”).

<sup>4</sup> See letters from David LaValle, US Head of SPDR ETF Capital Markets, State Street Global Advisors, dated January 14, 2016 (“SSGA Letter”); Joanne Medero, US Head of Government Relations & Public Policy, Samara Cohen, US Head of iShares Capital Markets, Hubert De Jesus, Co-Head of Market Structure and Electronic Trading, BlackRock, Inc., dated January 14, 2016 (“BlackRock Letter”); and Eric Swanson, General Counsel & Secretary, BATS Global Markets, Inc., dated January 22, 2016 (“BATS Letter”).

<sup>5</sup> See Exchange Rule 7.35(f); see also Notice, supra note 3, at 80431.

collar thresholds for Trading Halt Auctions.<sup>6</sup>

According to the Exchange, on August 24, 2015, it applied price collar thresholds to Trading Halt Auctions that were 5% for securities with a consolidated last sale price of \$25.00 or less, 2% for securities with a consolidated last sale price greater than \$25.00 but less than or equal to \$50.00, and 1% for securities with a consolidated last sale price greater than \$50.00.<sup>7</sup>

The Exchange states its belief that these thresholds were too narrow, but that it is appropriate to have protections in place for Trading Halt Auctions to ensure that a re-opening trade will not deviate significantly from prior prices, even taking into consideration natural price movements for a security.<sup>8</sup>

Proposed new Rule 1.1(s)(B) would provide that, when the Trading Halt Auction Price is established by Rule 7.35(f)(4)(A), the Limit Orders eligible for determining the Indicative Match Price would be limited by specified price collar thresholds away from the last consolidated sale price before the Trading Halt Auction.<sup>9</sup> As proposed, the specified percentage for the price collar thresholds for Trading Halt Auctions would be 10% for securities with a consolidated last sale price of \$25.00 or less, 5% for securities with a consolidated last sale price greater than \$25.00 but less than or equal to \$50.00, and 3% for securities with a consolidated last sale price greater than \$50.00.<sup>10</sup> These proposed price collar thresholds would be in effect until six months

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<sup>6</sup> See Notice, supra note 3, at 80431. Currently, the Exchange's rules do not provide for price collar thresholds for Trading Halt Auctions. See Exchange Rules 1.1(s) and 7.35(f); see also Notice, supra note 3, at 80430-31.

<sup>7</sup> See Notice, supra note 3, at 80431.

<sup>8</sup> See id.

<sup>9</sup> See proposed Rule 1.1(s)(B).

<sup>10</sup> See id. The Exchange states that these proposed percentages are based on the "numerical guideline" percentages set forth in the Exchange's Clearly Erroneous Executions rule for the Core Trading Session. See Notice, supra note 3, at 80431 and Exchange Rule 7.10(c)(1). The Exchange further states that its proposal is similar in certain respects to

after the operative date of the proposed rule change.<sup>11</sup>

In the proposal, the Exchange represents that it will be conducting an analysis to identify what changes, if any, would be appropriate to balance the need to allow for natural price movement in a Trading Halt Auction, while at the same time avoiding significant price deviations that would not be in line with the fair value of securities listed on the Exchange, which are all Exchange Traded Products.<sup>12</sup> The Exchange states that, following this analysis, it will propose to make the price collar thresholds in this proposal permanent or propose other or additional changes to its re-opening auction process.<sup>13</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>14</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>15</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove

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how BATS Exchange, Inc. prices its Halt Auctions for ETPs. See Notice, supra note 3, at 80431-32.

<sup>11</sup> See proposed Rule 1.1(s)(B).

<sup>12</sup> See Notice, supra note 3, at 80431.

<sup>13</sup> See id. For a more detailed description of the proposed rule change, see Notice, supra note 3.

<sup>14</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>15</sup> 15 U.S.C. 78f(b)(5).

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.

As noted above, the Commission received three comment letters on the proposed rule change.<sup>16</sup> One commenter supports the proposed rule change and states its belief that price collars are an important investor protection, which will help avoid potentially clearly erroneous trades and strengthen market participants' confidence.<sup>17</sup> This commenter also states its belief that the proposed rule change will help rebuild investor confidence in the efficient functioning of the marketplace in the wake of the volatility experienced in August 2015.<sup>18</sup> Another commenter also supports the proposed rule change and states its belief that the proposed change will mitigate the recurrence of some of the pricing disruption witnessed on August 24, 2015.<sup>19</sup> One commenter is broadly supportive of the proposed rule change and its proactive response toward improving market resiliency, and states that this proposed rule change is a step in the right direction.<sup>20</sup>

The Commission believes that the proposed rule change, which would widen the Exchange's price collar thresholds for Trading Halt Auctions, is appropriate as an interim

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<sup>16</sup> See supra note 4.

<sup>17</sup> See SSGA Letter.

<sup>18</sup> See id.

<sup>19</sup> See BATS Letter, at 1. At the same time, this commenter notes that there are additional related measures that the Commission and all of the exchanges should implement to prevent the recurrence of the disruptions of August 24, 2015. See id., at 1-2.

<sup>20</sup> See BlackRock Letter. This commenter also states that the events of August 24, 2015 have demonstrated that there is a need to enhance and revise the trading mechanisms that aim to protect the market from extraordinary volatility. See id. This commenter urges the Commission to accelerate the adoption of holistic measures to improve the resiliency of the U.S. equity market. See id.

measure to protect investors and the public interest.<sup>21</sup> As noted above, the Exchange will conduct an analysis to determine whether to make the proposed price collar thresholds permanent or to propose other or additional changes to its re-opening process.<sup>22</sup> In addition, the Commission believes that the proposed rule change will provide transparency with respect to the Exchange's Trading Halt Auction process and enhance investors' understanding of the operation of price collars during Trading Halt Auctions. For these reasons, the Commission believes that the proposed rule change is consistent with the Act.

#### IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>23</sup> that the proposed rule change (SR-NYSEArca-2015-121) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

Robert W. Errett  
Deputy Secretary

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<sup>21</sup> As noted above, the proposed price collar thresholds would sunset six months after the operative date of this proposed rule change. See proposed Rule 1.1(s)(B).

<sup>22</sup> See Notice, supra note 3, at 80431.

<sup>23</sup> 15 U.S.C. 78s(b)(2).

<sup>24</sup> 17 CFR 200.30-3(a)(12).