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June 22, 2011

By Electronic Mail (rule-comments@sec-gov)
Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: File No. 4-631, Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to comment on the Plan to Address Extraordinary Market Volatility (the "Proposed Plan") Submitted to the Securities and Exchange Commission ("Commission" or "SEC") Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934 ("Exchange Act") by various self-regulatory organizations ("SROs").[2] As noted in our comment letter to the Joint CFTC-SEC Advisory Committee,[3] SIFMA agrees that there is a need to consider measures to limit destabilizing price moves in the financial markets. Similar to our proposal to the Advisory Committee, the Proposed Plan would implement limit up-limit down mechanisms to prevent trades in NMS Stocks from occurring outside of specified trading price bands, as well as trading pauses to address more fundamental liquidity events in NMS Stocks.[4] Specifically, the Proposed Plan would require all trading centers, including those operated by participants of the Proposed Plan and their members, to establish, maintain and enforce written policies and procedures reasonably designed to comply with the limit up-limit down and trading

1 SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association ("GFMA"). For more information, visit www.sifma.org.

2 Exchange Act Release No. 64547, 76 FR 31647 (June 1, 2011)("Proposing Release").

3 Letter to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, from Ann Vlcek, Managing Director and Associate General Counsel, SIFMA, dated October 12, 2010.

4 The Proposed Plan would be implemented as a one-year pilot program.

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pause requirements of the Proposed Plan.[5] We believe that the proposed limit up-limit down and trading pause pilot measures should help prevent extreme price swings and stock price dislocations that are caused by oversized marketable orders sweeping displayed liquidity to price levels not reasonably related to the value of the security. The Proposed Plan also should significantly reduce clearly erroneous, "busted" and adjusted trades. Therefore, we commend the SROs for their efforts in collaborating on the Proposed Plan.

While SIFMA supports the Proposed Plan as a general matter, we believe that certain changes should be made to enhance its effectiveness. There also are a number of areas in which regulatory clarification and guidance will be critical to the proper implementation of written policies and procedures by trading centers pursuant to the requirements of the Proposed Plan. For example, SIFMA believes that exclusions from the restrictions of the Proposed Plan are appropriate to permit trading that is not likely to exacerbate volatile market conditions. Similarly, given the liquidity normally attendant to the close of regular trading, and the importance of determining an orderly closing price for a security, the SROs should modify the Proposed Plan to permit trading without price bands or trading pauses near the close of regular trading. Regulatory guidance on the obligations of trading centers handling customer orders that may not be executed or displayed as a result of trading bands or trading pauses also will be necessary for the proper implementation of the Proposed Plan. More generally, the Commission and the SROs will need to coordinate to ensure that existing market safeguards, such as market-wide circuit breakers[6] and SRO clearly erroneous rules, will function as intended in their current state after implementation of the Proposed Plan or are appropriately modified to work in conjunction with the Proposed Plan, or, if no longer necessary in light of the Proposed Plan, are eliminated. SIFMA believes that it is important that guidance on these and other interpretive issues related to the Proposed Plan is provided to firms by the SROs and the Commission prior to implementation of the Proposed Plan. The Proposed Plan is complex, and interpretive guidance is necessary to ensure that the proposals will not inadvertently reduce market liquidity or otherwise introduce unintended and adverse consequences into the market. Ensuring that the functioning of the Proposed Plan is well understood by firms also will be critical to their ability to explain to investors – and retail investors in particular – how any new rules will impact their trading.

These and related issues are discussed below.

I. Modifications Necessary with Respect to the Proposed Plan

Transactions that Should be Excluded from the Proposed Plan. While SIFMA agrees that the Proposed Plan should be helpful in addressing extraordinary market volatility events, we also believe that trading that clearly cannot or is not designed to affect the volatility of the markets

[5] Under Regulation NMS, "trading centers" generally include exchanges, alternative trading systems ("ATSs"), and broker-dealers executing orders internally. 17 C.F.R. § 240.600(b)(78).

[6] As previously noted to the Commission, SIFMA supports efforts to consider whether the current market-wide circuit breakers should be recalibrated to be more effective in today's fast paced electronic trading environment. Letter from Ann L. Vlcek, Managing Director and Associated General Counsel, SIFMA, to Elizabeth M. Murphy, Secretary, SEC (June 25, 2010)("Market Structure Roundtable Letter").

should be permitted whenever possible. For example, transactions that do not impact consolidated last sale prices should be excluded from the price band and trading pause provisions of the Proposed Plan. The Proposed Plan provides that the Reference Price[7] used to calculate the limit up-limit down price bands will be based on the average price of Eligible Reported Transactions for an NMS Stock over the preceding five minute window.[8] "Eligible Reported Transactions" include transactions that are eligible to update the last sale price of an NMS Stock.[9] SIFMA agrees that only transactions that may update the last sale price should be relevant for purposes of determining the Reference Price for an NMS Stock; however, we also believe the corollary principle: transactions that do not update the last sale price of an NMS Stock should be excluded from the prohibitions of the Proposed Plan. For example, under existing guidance, average price trades do not update the last sale price.[10] Whether excluded from last sale updates by virtue of provisions of the Consolidated Tape Association Plan or Nasdaq UTP Plan[11] or by SRO rules that assign certain trades "non-media" status,[12] by definition, such transactions will have no impact on the volatility of the market. As such, the Proposed Plan should not affect them and trading centers should be permitted to effect such trades as part of ordinary trading activity.

Transactions clearly entered without the capability to initiate or exacerbate market volatility similarly should be excluded from both the price bands and trading pause provisions of the Proposed Plan. Specifically, "benchmark trades" – trades that are executed at a price not based, directly or indirectly, on the quoted price for an NMS Stock at the time of execution and for which the material terms were not reasonably determinable at the time that the commitment to execute the order was made – pose little threat to the underlying goals and purposes of the Proposed Plan and should be excluded from its provisions, as they are from the restrictions of Rule 611 (the "Order Protection Rule" or "OPR").[13] Qualified contingent trades in which at least one component order is an NMS Stock, error correction transactions and so-called "underwater

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7 Capitalized terms used herein, unless defined otherwise, have the meaning ascribed to them in the Proposed Plan.

8 *See* Section V of Proposed Plan; Proposing Release at 31647.

9 Section I(A) of Proposed Plan.

10 Consolidated Tape System Output Multicast Input Specification at 102 (March 24, 2010).

11 The CTA and Nasdaq UTP Plans exclude a number of transactions from reporting to the tape, including: primary and secondary distribution; private placements under Section 4(2) of the Securities Act of 1933; trades at prices unrelated to the current market price (e.g., gift trades); odd-lot transactions; acquisitions in anticipation of exchange offers; off-exchange purchases pursuant to a tender offer; and purchases and sales of securities upon exercises of options at prices unrelated to the market. See Sections VI(b) and VIII(b) of the CTA and Nasdaq UTP Plans, respectively.

12 Whether submitted to FINRA for clearing and regulatory purposes, or solely for regulatory purposes, transactions that are not publicly reported should be excepted from the restrictions of the Proposed Plan.

13 *See* 17 C.F.R. § 240.611(b)(7).

stop" trades also are narrowly defined under the Commission's guidance,[14] and are effected for reasons unrelated to the current market price for a security.[15] These trades are excepted from the OPR and similarly should be excluded under the Proposed Plan as a means to permit continued trading activity that is not inconsistent with the Proposed Plan.

Trading at the Close. Notwithstanding the doubling of the price bands prior to the close each day under the Proposed Plan, SIFMA is concerned that the Proposed Plan will impede what otherwise would be a fair and accurate mechanism for determining an orderly closing price for a security. Given that liquidity often is highest at or around the close of trading, we believe that continuous trading – without the application of price bands or trading pauses – should be permitted for some period of time prior to the close of trading in NMS Stocks. Indeed, we note that, during Phase I of the Proposed Plan implementation, no price bands will be calculated and disseminated less than 30 minutes before the end of regular trading hours and trading shall not enter a Limit State less than 25 minutes before the end of regular trading hours. We believe that this approach should be taken with respect to the Proposed Plan generally.[16] It also is worth noting that the rules for both the NYSE and NASDAQ closing auctions rely on a valid bid/offer at 4:00 p.m. to "reprice" certain orders for inclusion in their closing process. At a minimum, the Commission should consider whether price bands and trading pauses are necessary at the close of trading based on its experience at the conclusion of Phase I of the pilot implementation of the Proposed Plan.

Should the Commission nonetheless determine that there is a need for an additional safeguard against volatility at the close, we suggest that this concern may be addressed through the application of the double-wide limit up-limit down price bands, without the need for any trading pauses during the last 10 minutes of trading. In all instances, the Commission should avoid any situation in which a pause may occur near the close of regular trading in a manner that does not permit an exchange to conduct an orderly reopening to establish a closing price for a stock (e.g., a trading pause that occurs at 3:57 p.m. ET).[17]

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[14] *See* Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS ("Rule 611 FAQs"), FAQ No. 3.12 (April 4, 2008)(qualified contingent trades); Rule 611 FAQs, FAQ No. 3.11 (error correction transactions); and Rule 611(b)(9) and Rule 611 FAQs, FAQ No. 3.10 (underwater stop transactions).

[15] In approving the exception from the OPR for qualified contingent trades, the Commission noted, among other factors, that such trades generally act as a stabilizing factor in the markets and contribute to market efficiency and price discovery. Exchange Act Release No. 54389 (August 31, 2006).

[16] The Commission has recognized the importance of permitting an orderly closing process in connection with other market volatility guards. Specifically, to avoid interfering with existing opening and closing procedures, the Commission determined to limit the application of the stock-by-stock circuit breaker pilot to the hours of 9:45 a.m. to 3:45 p.m. *See e.g.*, Exchange Act Release No. 12251 (June 10, 2010); as noted by the Commission, these circuit breakers currently are scheduled to expire on the earlier of August 11, 2011 or the date on which a limit up-limit down mechanism is adopted. Proposing Release at 31649-49.

[17] In this regard, the Commission should consider implications for closing options orders under circumstances in which an equities exchange conducts a closing rotation after 4:00 p.m. when the options exchanges have already closed.

Limit State Time Period. SIFMA also believes that the SROs should reconsider and amend the proposal so that the time period allotted under the Proposed Plan for an NMS Stock to exit a Limit State is reduced from 15 seconds to five seconds.[18] Under the Proposed Plan, when the National Best Offer is equal to the Lower Limit Band or a National Best Bid is equal to the Upper Limit Band for an NMS Stock, the Processor will distribute such National Best Bid or National Best Offer with a flag identifying it as a Limit State Quotation.[19] Once a stock has entered a Limit State, the Processor will cease calculating and disseminating price bands for the stock until trading exits the Limit State or there is an opening or reopening in the stock. Trading in an NMS Stock exits a Limit State if, within 15 seconds of entering the Limit State, the entire size of all Limit State Quotations are executed or cancelled. Once a stock has exited a Limit State, the Processor will resume calculating and disseminating limit up-limit down price bands. The purpose of the Limit State is to allow liquidity providers to refresh their quotations. In today's electronic markets, it takes significantly less than 15 seconds for liquidity providers to update their quotations. As a result, we believe that in the vast majority of instances Limit States will be exited within very short periods of time – likely within one second. As evidence of this, observe how quickly quotes recover in the vast majority of cases that have occurred under the current circuit breaker regime. In fact, if quotes do not refresh in a very short time period (i.e., under five seconds), it usually is indicative that there is something else preventing trading systems from automatically refreshing and likely involves conditions that should cause a pause.

Moreover, the longer the period allotted for exiting a Limit State, the greater the potential for uncertainty among market participants. For example, a long Limit State exit period may cause unnecessary uncertainty in the options markets, which are closely tied to the equity markets. It is not clear what options market makers will do when there is a Limit State in an NMS Stock underlying an option, but one response in the face of the uncertainty associated with a potential trading pause in the underlying stock may well be the widening of quotations on the associated option. Various options exchanges also could determine to halt trading in an option when there is a Limit State in the underlying NMS Stock. Similarly, the longer a potential Limit State, the more confusion likely to attend retail investors seeking execution of their orders.[20] We note that the similar mechanism in the futures markets – namely, the CME stop loss logic – provides for a five second liquidity replenishment period, and was found by both the Commission and CFTC staffs to have worked well during the May 6, 2010 flash crash. Therefore, we urge the Commission and the SROs to adopt a shorter period for the exit of Limit

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[18] Some SIFMA firms believe that a five second Limit State may be too long for some stocks, and suggest that the SROs and Commission consider a shorter Limit State based on the results from the pilot period for the Proposed Plan.

[19] Proposed Plan § VI.A.2.

[20] Reducing the time period between a Limit State and start of a trading pause not only would avoid investor confusion, but it also would help protect retail investors from ill-advised transactions during Limit States. We are concerned, for example, that retail investors, in particular, may unwittingly purchase or sell when a Limit State Quotation is in effect under circumstances in which there is a meaningful reason for an increase or decline in the market price for a security.

States in NMS Stocks.[21] At a minimum, we urge the SROs to ensure that the technology implementing this aspect of the Plan is highly configurable and to closely evaluate Limit State conditions early during the pilot of the Proposed Plan with a view toward reducing the 15 second Limit State period to five seconds.

Criteria for Exiting a Limit State. We also note that the Proposed Plan could result in the exit of a Limit State under circumstances in which there is not a new limit bid or offer. For example, if all of the quotations comprising a Limit State Quotation were cancelled without a new bid or offer that is executable (i.e., a bid or offer within the pricing band) being established, it appears that the Limit State period would nonetheless cease. In order to reestablish an orderly market, SIFMA recommends that the Proposed Plan require a new bid and a new offer that are executable before the expiration of a Limit State period. In the absence of a bid and offer, a trading pause may be a more appropriate manner in which to reestablish the market for an NMS Stock.

Order Handling Obligations. The Commission and the SROs must specify the obligations of broker-dealers and member firms handling "held" customer orders once the Proposed Plan has been approved. Specifically, under the Proposed Plan, trading centers must have reasonable policies and procedures to prevent the display of offers below the Lower Price Band and of bids above the Upper Price Band.[22] Also, when the National Best Bid is below the Lower Limit Band or a National Best Offer is above the Upper Limit Band, such bids and offers are not eligible for execution. The ability of broker-dealers to delay, reprice or reject held orders consistent with the Commission's limit order display rule,[23] as well as the best execution obligations of broker-dealers more generally in such circumstances, should be clearly set forth by regulators. Other rules similarly based on the existence of an executable NBBO – such as the OPR and the market center execution quality statistics of Rule 605 – also will need to be considered and addressed by regulators given that certain bids and offers will be non-executable under the pricing band provisions of the Proposed Plan.[24] The Proposed Plan will preclude the calculation and dissemination of an NBBO when a Limit State is in effect for an NMS Stock, also impacting compliance with Rules 605 and 611. SIFMA looks forward to working with the SROs on these and other implementation issues pertaining to the Proposed Plan.

Clearly Erroneous Rules. The adoption of the Proposed Plan also should cause the reevaluation of SRO clearly erroneous trade rules. SIFMA has recognized the need for uniform

[21] SIFMA recognizes that less liquid securities may require a longer period of time to exit a Limit State. Thus, the Commission could impose a five second Limit State period for more liquid NMS Stocks and a 15 second Limit State period for less liquid NMS Stocks. As noted, the SROs and the Commission should evaluate the appropriate time period for a Limit State based on the results of the pilot.

[22] Under the Proposed Plan, exchanges that are Plan Participants must adopt rules requiring their members operating trading centers to comply with the provisions of the Proposed Plan.

[23] *See* 17 C.F.R. § 240.604.

[24] SIFMA believes that periods in which there is a non-executable bid or offer in an NMS Stock should be excluded from Rule 605 data.

rules that provide consistency with respect to when it is appropriate for markets to break trades.[25] However, we anticipate that the use of these rules will significantly decline once the limit up-limit down price bands are in effect. SIFMA appreciates, however, that extraordinary circumstances may arise that warrant the exercise of discretion by SROs to break trades based, for example, on incorrect market data – even if such trades fall within a particular price band that, itself, is based on bad market data. Similarly, clearly erroneous rules may still be necessary with respect to transactions effected outside of normal trading hours. At a minimum, however, SROs should amend their rules so that the strong presumption is that trades executed within the price band are not subject to "busting" or other adjustments. We also note that, unlike the equity exchanges, the options exchanges do not have consistent clearly erroneous rules. In light of this, consideration should be given to how disputes regarding options transactions that may occur during a trading pause will be resolved.

Plan Governance. The Proposed Plan's governance structure should be broadened and made more transparent. As part of Regulation NMS, the Commission mandated the establishment of non-voting advisory committees as part of the CTA Plan, Nasdaq UTP Plan and CQ Plans.[26] Those governance changes give interested parties the ability to submit their views to plan operating committees on a variety of issues related to the plans, including any new or modified fee, product or operating program.[27] Current NMS plan advisory committees are comprised of various segments of the broker-dealer industry (e.g., retail broker-dealers, institutional broker-dealers and alternative trading systems), data vendors and investors.[28] SIFMA recommends the creation of such an advisory committee to supplement the operating committee set forth in Section V of the Proposed Plan. To encourage transparency, minutes of Plan committee meetings should be required and made available to interested parties.

Need for an SEC Rule? Some SIFMA members believe that the limit price bands and trading pause provisions would be better implemented pursuant to an SEC rule. The Proposed Plan will have a market-wide impact on trading. As such, the ongoing and direct involvement of the Commission will be important to the efficient and effective resolution of interpretive questions relating to the Proposed Plan and the reasonableness of policies and procedures adopted by trading centers. In this regard, we note that the Proposed Plan is analogous to Regulation NMS, which is a Commission rule. Similarly, some members are concerned about the circumstances under which one or more exchange participants might later seek and obtain permission from the Commission to withdraw from the Plan, as contemplated by Section IX of the Proposed Plan.

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25 Market Structure Roundtable Letter.

26 *See* Exchange Act Release No. 51808 (June 29, 2005)(adopting Regulation NMS, including changes to NMS Plan governance structures).

27 *Id.*

28 *See* CTA Plan, Section III(e).

II. Other Considerations Relating to the Proposed Plan

Trading at the Open. Greater clarity is needed with respect to how the Proposed Plan may impact the opening of daily trading.[29] Based on the Proposed Plan, it appears that there may be no limit up-limit down price bands in effect for an NMS Stock during the first five minutes of trading if the Opening Price for the stock does not occur on the Primary Market within that period because there will be no Reference Price under such circumstances. It would be helpful for the Commission and the SROs to clarify whether this is, in fact, the case and to specify whether there are any other considerations with respect to how trading centers may trade before a price band is established. Indeed, some SIFMA members favor amending the Proposed Plan so that it does not apply from 9:30-9:35 a.m. so that uninhibited price discovery may take place at the open.

Price Band Thresholds. Although SIFMA is in general agreement with the proposed five and ten percent price bands for Tier 1 and Tier 2 NMS Stocks,[30] respectively, under the Proposed Plan we note that, in some instances, actual pricing bands may be below these levels. For example, the pricing band for a Tier 1 NMS Stock could be as low as four percent above and below the prevailing market price. Specifically, under the Proposed Plan, a new Reference Price will only be disseminated if there is a change of one percent or more in the Pro-Forma Reference Price[31] over the then prevailing Reference Price. As a result, if the market price for an NMS Stock moves by less than one percent, the pricing bands will not change and, as a result, the limit up and limit down prices will be closer to four percent than five percent over the prevailing market price.[32] We appreciate that this result may be unavoidable absent a determination to continually update the Reference Price anytime there is a move in the price of the associated NMS Stock, and SIFMA does not advocate such an approach. However, the relationship of the

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29 Some member firms have noted issues with the open and close of trading in light of the current stock-by-stock circuit breaker pilot programs, and thus urge the Commission to carefully consider how to minimize disruptions to the open and close of trading once the Proposed Plan has been adopted.

30 The SROs and the Commission also should consider whether the trading characteristics of certain NMS Stocks present unique issues in terms of the pricing bands. In some instances involving particularly illiquid stocks, the price bands disseminated under the Proposed Plan, which will be calculated based on the average of Eligible Reported Transactions over the preceding five minute period, may be within the bid-offer spread for the stock. Thus, normal trading in such stocks would be precluded under the Proposed Plan. For example, as one SIFMA member firm noted, on June 10, 2011, the NBBO in TBOW, which has an average daily volume of approximately 28,000 shares, was 2.45 - 2.80 from 9:52:14 to 10:00:15, with a last sale price during this period of 2.45. Using a 10 percent price band, the 2.80 best offer would have been outside the 10 percent upper band (2.69). This firm has indicated that, based on its preliminary research, this may happen quite frequently (e.g., hundreds of times) throughout the day in low priced stocks. SIFMA suggests that such illiquid securities might be identified by comparing the average daily trading volume of such securities to their public float. Securities meeting an appropriately established threshold indicating that they are illiquid should either be excluded from the Proposed Plan or subject to a pricing band calculation based on the spread of such stocks.

31 Under the Proposed Plan, Pro-Forma Reference Prices will be calculated by the Processor on a continuous basis.

32 For example: At T1: Reference Price = $100/Price Band = 95/105. At T2, the price of the NMS Stock moves to $100.99. The Price Band remains at 95/105 notwithstanding that this is less than five percent over/below the current market price.

price bands to prevailing market prices should be taken into account in evaluating the appropriate price band threshold percentages at the beginning and conclusion of the pilot period.

We also note that it is unclear how intra-day changes in the price of an NMS Stock will affect the applicable price bands under the Proposed Plan. Specifically, price bands applicable to Tier 1 and Tier 2 NMS Stocks will vary based on whether a stock is priced at or above one dollar per share. The SROs should clarify how price bands will apply to stocks with prices that cross the one dollar threshold during intra-day trading. For surveillance and operational purposes, SIFMA member firms believe that the price band for an NMS Stock on any given day should not vary during that day and, instead, should be determined by the prior day's closing price for the stock, or through some similar objective methodology.

Need for SRO Rule Changes or Guidance. In addition to our comments above with respect to the likely impact of the Proposed Plan on Commission and SRO rules tied to the NBBO, guidance also is needed with respect to the impact of the Proposed Plan on other SRO rules and practices. For example, SIFMA believes, consistent with earlier suggestions by the Commission, that with the adoption of the market-wide price bands and trading pause provisions of the Proposed Plan, the market volatility guards of individual SROs are no longer necessary and should be repealed.[33] Permitting exchanges to invoke different approaches to markets experiencing excess volatility, in our view, will not be as effective as a market-wide approach.

SROs will need to adopt rules specifying how they plan to handle orders that have been routed to them when such orders present display or execution issues under the Proposed Plan. Will such orders be rejected back to member firms? Will they be adjusted such that they may be displayed or executed consistent with the pricing bands? To the extent that new order types may be considered to address these issues, SIFMA believes that such rulemaking should be completed before implementation of the Proposed Plan.

Importance of Valid Market Data. Accurate and timely market data will be critical to achieving the primary goal of the Proposed Plan of reducing excess market volatility. The primary securities information processors ("SIPs"), obviously, will play the key role in establishing pricing bands and providing information used by the SROs in establishing trading pauses. As such, the SIPs should have mechanisms to determine immediately when they have invalid or delayed market data and the ability to temporarily halt the dissemination of price bands and trading halts until they are able to resume the dissemination of accurate and timely market data.

Compliance Date and Evaluation of Pilot. Finally, SIFMA recommends that the Compliance Date for the Proposed Plan be no sooner than the second quarter of 2012. Given other programming demands on trading centers, any date sooner will be impracticable. In addition, although the Proposed Plan is well conceived and well intentioned, it is very complex – involving changing price bands, intermittent trading pauses and quotes that are visible but not

[33] Exchange Act Release No. 64071 (March 11, 2011)(approving Nasdaq volatility guard and noting that later adoption of a market wide mechanism to moderate volatility might obviate the need for exchange specific measures).

always executable. The complexity of the proposal will be particularly acute from the perspective of retail investors. Thus, we believe that proper implementation of the Proposed Plan will require a significant amount of customer education and broker training.

Finally, we encourage the SROs and the Commission to seek comment when evaluating the effectiveness of the Proposed Plan at the end of the pilot period. In addition to the considerations noted above (*e.g.*, determination of the appropriate pricing bands and Limit State time frames), the SROs and the Commission should evaluate the effectiveness of the Proposed Plan in limiting market volatility associated with short term dislocation events, as well as its impact on market liquidity, clearly erroneous trades, costs and competition among market participants. Industry input in connection with the evaluation of these and numerous other factors will be important to assessing the overall utility of the Proposed Plan and to determining what, if any, modifications might be necessary to enhance its usefulness to the markets and investors.

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SIFMA appreciates the opportunity to comment on the Proposed Plan. We support the efforts of the Commission and the SROs to enhance safeguards against extraordinary market volatility caused by short term market dislocation events and believe that the Proposed Plan should help in this regard. As noted above, there are a variety of changes and guidance that will be necessary to effectively implement the Proposed Plan, and we look forward to working with the Commission and SROs in this regard. Similarly, given the interrelatedness of markets today, the Commission and SROs will need to work with the options markets and the CFTC to ensure that a consistent approach is used across markets if the Proposed Plan is to have its most beneficial effect.

Sincerely,

/s/ Ann L. Vlcek

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Managing Director and
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SIFMA

cc: Mary L. Schapiro, Chairman
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