



January 16, 2019

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: *Eighteenth Amendment to the National Market System Plan to Address Extraordinary Market Volatility (File No. 4-631)*

Dear Mr. Fields:

The Investment Company Institute (ICI), Investors Exchange LLC (IEX), and SIFMA<sup>1</sup> respectfully urge the Securities and Exchange Commission (SEC or Commission) to improve the governance of the national market system (NMS) plan to address extraordinary market volatility (“Limit Up-Limit Down Plan”) as part of the proposal to transition the plan from operating on a pilot basis to a permanent one.<sup>2</sup> We support this proposal and commend the Commission for its efforts to improve the Limit Up-Limit Down Plan over the past several years. These efforts have created a mechanism that has helped reduce extreme price fluctuations in individual securities. While we urge the Commission to approve the proposal, we also request that the Commission take steps to improve NMS plan governance by adding representatives of non-SRO experts, including representatives of registered funds and broker-dealers, to the operating committee of this and other NMS Plans.

Like other NMS plans, the Limit Up-Limit Down plan has a significant effect on all market participants. Regrettably, the governance structure of this plan deprives a broad range of market participants, including investors and broker-dealers, of any meaningful voice in plan operations by limiting the membership of the plan’s operating committee to self-regulatory organizations (SROs). We object to this governance framework because it fails to take account of the interests of non-SROs and the potential contributions non-SROs could make to NMS plan governance. Put simply, NMS plan operating committees would be far better informed—and less influenced by conflicts of interest—if they included non-SRO representatives. NMS plan operating committees will make far better decisions when they are not limited to a narrow constituency of institutions that have interests in

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<sup>1</sup> See the end of this letter for a description of ICI, IEX and SIFMA.

<sup>2</sup> See Joint Industry Plan, Notice of Filing of the Eighteenth Amendment to the National Market System Plan to Address Extraordinary Market Volatility, 83 Fed. Reg. 66464 (December 26, 2018), *available at* <https://www.govinfo.gov/content/pkg/FR-2018-12-26/pdf/2018-27819.pdf>.

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conflict with those of other stakeholders. And even though many of the views of the Advisory Committee for the Limit Up-Limit Down Plan have been integrated into the plan, the advisory committee construct is not an adequate substitute for formal voting participation on NMS Plan operating committees.

We urge the Commission to add representatives of non-SRO experts, including advisers to registered funds and broker-dealers, to the operating committee of the Limit Up-Limit Down Plan and other NMS plans. No legal authority requires SROs alone to compose the operating committees of the NMS plans. We see no valid reason for the Commission to perpetuate a governance model that permits SROs to administer salient aspects of equity market structure without consulting—and often to the detriment of—other market participants. It is time for the Commission to end this practice and ensure that buy- and sell-side market participants can participate meaningfully in NMS plan governance alongside SROs.

If you have any questions on our comment letter, please feel free to contact ICI (Susan Olson at (202) 326-5813 or [susan.olson@ici.org](mailto:susan.olson@ici.org), or George Gilbert at (202) 326-5810 or [george.gilbert@ici.org](mailto:george.gilbert@ici.org)); IEX (John Ramsay at (646) 343-2132 or [john.ramsay@iextrading.com](mailto:john.ramsay@iextrading.com)); or SIFMA (T.R. Lazo at (202) 962-7383 or [tlazo@sifma.org](mailto:tlazo@sifma.org)).

Sincerely,

/s/ Susan M. Olson

/s/ John Ramsay

/s/ T.R. Lazo

Susan M. Olson  
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Managing Director and  
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cc: The Honorable Jay Clayton  
The Honorable Robert J. Jackson, Jr.  
The Honorable Hester M. Peirce  
The Honorable Elad L. Roisman

Brett Redfearn, Director, Division of Trading and Markets  
David Shillman, Associate Director, Division of Trading and Markets

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ICI is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's members manage total assets of US\$21.5 trillion in the United States, serving more than 100 million US shareholders, and US\$7.0 trillion in assets in other jurisdictions. ICI carries out its international work through [ICI Global](#), with offices in London, Hong Kong, and Washington, DC.

IEX is a national securities exchange dedicated to helping investors and brokers achieve better execution quality. IEX has consistently supported expanding governing committees of the national market system plans to include voting representation by investor and industry constituencies.

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. 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 <http://www.sifma.org>.