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December 23, 2016

*Submitted electronically*

Mr. Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: **Notice of Filing of the Twelfth Amendment to the National Market System Plan to Address Extraordinary Market Volatility (File Number 4-631)**

Dear Mr. Fields:

Vanguard<sup>1</sup> appreciates the opportunity to provide our comments to the Securities and Exchange Commission (the “SEC”) on the Notice of Filing of the Twelfth Amendment to the National Market System Plan to Address Extraordinary Market Volatility (“the Plan”).<sup>2</sup> In short, we commend the efforts of the exchanges to coordinate improvements to the Limit Up-Limit Down (“LULD”) structure in response to the market disruption of August 24, 2015. The proposed improvements are consistent with recommendations provided to the SEC by a broad spectrum of market participants, including Vanguard, on March 10, 2016.<sup>3</sup>

As noted in more detail in the March 10, 2016, industry letter, we share the belief that the events of August 24, 2015, highlighted a need for certain improvements to the existing LULD mechanism. Specifically, we believe the reopening process across exchanges should be harmonized to prevent trading in halted securities until the primary exchange has reopened a specific security and appropriate LULD price bands have been disseminated. Similarly, the exchange processes should be improved to ensure that price collars do not impede price discovery and can appropriately minimize or offset order imbalances. Finally, we believe the clearly erroneous rules should be consistent with LULD price bands.

We believe the Twelfth Amendment addresses these concerns. First, the Twelfth Amendment requires, with limited exceptions, that trading resume on the primary listing exchange following a LULD

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<sup>1</sup> Vanguard is an SEC-registered investment adviser that offers more than 190 funds with aggregate assets of approximately \$3.8 trillion.

<sup>2</sup> Joint Industry Plan; Notice of Filing of the Twelfth Amendment to the National Market System Plan to Address Extraordinary Market Volatility, 81 FR 87114 (December 2, 2016), *available at* <https://www.gpo.gov/fdsys/pkg/FR-2016-12-02/pdf/2016-28937.pdf> (the “Twelfth Amendment”).

<sup>3</sup> Letter from Mortimer J. Buckley, Vanguard Chief Investment Officer, et al. to Mary Jo White, SEC Chair (Mar. 10, 2016), *available at* <https://www.sec.gov/comments/265-29/26529-60.pdf>.

pause. Second, the Twelfth Amendment ensures that trading does not resume until price bands are in place. Third, in connection with the Twelfth Amendment, the exchanges have harmonized their reopening procedures to allow an extension of trading pauses if the auction price is outside price collars or there is an imbalance of market orders. Finally, while not included in the Twelfth Amendment, we understand that the exchanges will conduct a comprehensive review of clearly erroneous rules and we look forward to future progress on improving those rules.

We understand that there are other open proposals regarding the LULD mechanism, but believe that the SEC should approve the Twelfth Amendment without delay and before considering alternative proposals. Specifically, we note the November 16, 2016, recommendation of the Securities and Exchange Commission Equity Market Structure Advisory Committee (“EMSAC”). At a high level, the EMSAC recommendation proposes a fundamental change to the LULD mechanism in which securities in a limit state would not be halted pursuant to existing rules, but would be permitted to trade within established price bands. We believe this recommendation would constitute a significant shift in the LULD structure and requires additional data, analysis, and public comment to ensure such a structure would not have the unintended consequence of reversing the benefits achieved by the LULD mechanism in recent years. We believe implementing the Twelfth Amendment should take priority over alternative proposals regarding the LULD structure. Subsequently, market participants can consider such alternatives, but we believe the Twelfth Amendment is an important step towards improving the equity markets and minimizing the likelihood of an event like August 24, 2015.

We appreciate the opportunity to comment on the Twelfth Amendment. If you have any questions about Vanguard’s comments or would like any additional information, please contact Joshua Dutil at (610) 669-2229.

Sincerely,

/s/ Mortimer J. Buckley

Mortimer J. Buckley  
Chief Investment Officer  
Vanguard

cc: The Honorable Mary Jo White, Chair, SEC  
The Honorable Michael S. Piwowar, Commissioner, SEC  
The Honorable Kara M. Stein, Commissioner, SEC