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June 3, 2010

U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Attention: Ms. Elizabeth M. Murphy, Secretary

Re: *Single-Stock Circuit Breakers* (File Nos. SR-BATS-2010-014, SR-BX-2010-037, SR-NASDAQ-2010-061, SR-NSX-2010-05, SR-NYSE-2010-39, SR-NYSEArca-2010-41, SR-NYSEAmex-2010-46, SR-ISE-2010-48, SR-EDGA-2010-01, SR-EDGX-2010-01, SR-CBOE-2010-047, SR-FINRA-2010-025)

Ladies and Gentlemen:

This letter is submitted on behalf of the Committee on Federal Regulation of Securities (the "Committee") of the Section of Business Law of the American Bar Association (the "ABA") in response to the request for comments by the Securities and Exchange Commission (the "Commission") on the proposals by the equities market self-regulatory organizations to impose cross-market circuit-breakers on individual equity securities (the "Circuit Breaker Proposals").¹ This letter was prepared by members of the Committee's Subcommittee on Trading and Markets, with input from other members of the Committee.

The comments expressed in this letter represent the views of the Committee only and have not been approved by the ABA's House of Delegates or Board of Governors and therefore do not represent the official position of the ABA. In addition, these comments do not represent the official position of the ABA Section of the Business Law.

¹ The Circuit Breaker Proposals are available at:
NASDAQ Stock Market <http://sec.gov/rules/sro/nasdaq/2010/34-62129.pdf>;
New York Stock Exchange <http://sec.gov/rules/sro/nyse/2010/34-62126.pdf>;
National Stock Exchange <http://sec.gov/rules/sro/nsx/2010/34-62131.pdf>;
NYSE Amex <http://sec.gov/rules/sro/nyseamex/2010/34-62127.pdf>;
NYSE Arca <http://sec.gov/rules/sro/nysearca/2010/34-62128.pdf>;
BATS Exchange: <http://sec.gov/rules/sro/bats/2010/34-62121.pdf>;
CBOE Stock Exchange <http://sec.gov/rules/sro/cboe/2010/34-62132.pdf>;
EDGA Exchange <http://sec.gov/rules/sro/edga/2010/34-62122.pdf>;
EDGX Exchange <http://sec.gov/rules/sro/edgx/2010/34-62123.pdf>;
FINRA <http://sec.gov/rules/sro/finra/2010/34-62133.pdf>;
International Securities Exchange <http://sec.gov/rules/sro/ise/2010/34-62125.pdf>; and
NASDAQ OMX BX: <http://sec.gov/rules/sro/bx/2010/34-62124.pdf>.

The Committee thanks the Commission for this opportunity to comment on the Circuit Breaker Proposals. We recognize that the market disruptions of May 6, 2010 revealed shortcomings in the regulation of the U.S. equity markets structure and, in particular, the coordination of different markets trading the same security during significant market declines. We understand that the Circuit Breaker Proposals have been designed to provide a temporary response to the issues presented by the market disruptions of May 6, 2010. As such, we encourage the Commission to continue to analyze the underlying causes of the market disruption of May 6 and to address those causes in a thoughtful and thorough manner.

We have several specific comments on the proposals. We applaud the decision by the SROs and the Commission to introduce the Circuit Breaker Proposals as a six-month pilot program, rather than as permanent rules.² It is important that the SROs and the Commission learn from experience in an area as important as this one. We believe, however, that the design of the pilot program could be enhanced. The proposed circuit breaker rules will include only the individual securities contained in the S&P 500 ® Index. These securities tend to have the largest capitalization, greatest liquidity and highest trading volume of any U.S. equity securities. We encourage the Commission to consider, both in connection with the pilot program and any subsequent rulemaking, whether other, less liquid securities also may benefit from circuit breaker protection. Were the six-month pilot program limited to the S&P 500 ® Index securities, we question whether the information the Commission develops will provide meaningful guidance as to whether circuit breakers should be extended to smaller capitalization stocks. The Commission and the SROs should, in our view, therefore consider whether to apply circuit breakers to a broader range of securities in the pilot program, so they can better evaluate of the efficacy of circuit breakers for smaller capitalization securities as well. In particular, we suggest that the Commission and the SROs consider including in the pilot program the some of the securities that experienced the largest price changes on May 6, 2010.

Also, we note that the Circuit Breaker Proposals only apply to individual equity securities and not to index-based products such as exchange-traded funds (ETFs), index options and index futures. We recognize that index-based products have different liquidity characteristics from ordinary equity securities -- for example, ETFs have the "Authorized Persons" arbitrage process designed to minimize variations between the net asset value of an ETF and its trading price. Moreover, we recognize that a circuit breaker for an index-based product has the potential to affect the trading of all of the individual securities underlying the index-based product, including securities for which there has not been a significant market decline; conversely, imposing a circuit breaker on an individual stock necessarily would affect every index-based product that includes that security.

² While we understand the perceived urgency of addressing the regulatory weaknesses revealed by the May 6, 2010 trading incident, we note that the ten-day comment period provided for by the Commission is an extremely short period of time for investors, market participants or the public to conduct any meaningful analysis of proposals of this importance. We urge that, before any extension of the pilot program, the SROs and the Commission provide a full comment period and make publicly available complete data concerning the operation of the pilot program.

We note that on May 6, 2010, there appears to have been an interaction between various index-based products and individual securities, and urge the Commission and the SROs to consider and discuss the interaction between individual securities and index-based products in the application of the Circuit Breaker Proposals.

The pilot program only applies to exchanges and markets trading an individual equity security, and not to markets that trade options or futures on that equity security. Our understanding is that on May 6, 2010, there was some interaction between the options and futures markets (on the one hand), and the individual equity markets (on the other hand). We recognize that the linkages between the equity markets and the futures and options markets are complex, and of course rulemaking involving the futures markets would have to involve the CFTC in addition to the Commission. However, we do believe that the Commission should consider whether circuit breakers should apply to the options markets and discuss with the CFTC whether they should be coordinated with limits in the futures markets.

Finally, we have questions about how the provisions allowing an end to the circuit breakers are meant to interact. As proposed, the listing market for a security will initiate a circuit breaker for a minimum of a five minute period. At the end of that period, the primary listing market may, but is not required to, resume trading in that security. However, after ten minutes, any SRO “may” permit trading in that security, even if the trading in that security remains paused on the primary listing market. These provisions raise several issues. First, by what standards will an SRO that is not the primary listing market determine whether to allow trading to resume, and what will be the effect of inconsistency in these standards between different markets? Second, how will the different SROs communicate these decisions to market participants? Third, we request the Commission to confirm our understanding that if FINRA has halted trading of a security under its Rule 6121, this halt does not prevent a FINRA member firm from trading that security in any market that has resumed trading in that security. Finally, we are not sure how the Commission believes market centers and broker-dealers should meet their best execution and trade-through protection obligations in circumstances where some, but not all, markets have resumed trading a specific security. We urge the SROs and the Commission to clarify the intended effect of the Circuit Breaker Proposals in these situations.

Once again, the Committee appreciates the opportunity to submit these comments. Members of the Committee are available to meet and discuss these matters with the Commission and its staff and to respond to any questions.

Very truly yours,

/s/ Jeffrey W. Rubin

Chair, Committee on Federal Regulation of
Securities

U.S. Securities and Exchange Commission
June 3, 2010
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