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Via E-mail and Federal Express

July 23, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File Nos. SR-NYSE-2010-49; SR-NYSEArca-2010-61; and SR-NYSEAmex-2010-63 – Response to Comment Letters ("Response")

Dear Ms. Murphy:

NYSE Euronext, on behalf of the three U.S. exchanges that it operates, New York Stock Exchange LLC ("NYSE"), NYSE Amex LLC ("NYSE Amex"), and NYSE Arca, Inc. ("NYSE Arca") (collectively, the "Exchanges"), submits this letter in response to comment letters received by the Securities and Exchange Commission (the "SEC") in connection with the above-referenced filings (the "Proposals"), which propose to add the Russell 1000® Index securities and specified Exchange-Traded Products ("ETP") to the single-stock circuit breakers that were approved on a pilot basis on June 10, 2010 (the "Trading Pause Rules").[1] NYSE Euronext notes that the comment letters received by the SEC were also submitted in connection with rule filings by other markets that propose a similar expansion of the Trading Pause Rules.[2]

NYSE Euronext appreciates the thoughtful comments that were submitted in connection with the Proposals. This Response addresses the comments raised generally and not any specific comment letter.

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[1] See Securities Exchange Act Release No. 62252 (June 10, 2010).

[2] See Securities Exchange Act Release Notice Nos. 62407 (June 30, 2010), 75 FR 39060 (July 7, 2010) (SR-BATS-2010-018); 62408 (June 30, 2010), 75 FR 39065 (July 7, 2010) (SR-CHX-2010-14); 62409 (June 30, 2010), 75 FR 39078 (July 7, 2010) (SR-CBOE-2010-065); 62410 (June 30, 2010), 75 FR 39063 (July 7, 2010) (SR-NSX-2010-08); 62414 (June 30, 2010), 75 FR 39081 (July 7, 2010) (SR-NASDAQ-2010-079); 62415 (June 30, 2010), 75 FR 39086 (July 7, 2010) (SR-BX-2010-044); 62416 (June 30, 2010), 75 FR 39069 (July 30, 2010) (SR-FINRA-2010-033); 62417 (June 30, 2010), 75 FR 39074 (July 30, 2010) (SR-EDGA-2010-04); 62418 (June 30, 2010), 75 FR 39084 (July 7, 2010) (SR-EDGX-2010-06); and 62419 (June 30, 2010), 75 FR 39070 (July 30, 2010) (SR-ISE-2010-66).

I. <u>Background of the Trading Pause Rules</u>

On June 10, 2010, the SEC approved the Trading Pause Rules, which provide for a five-minute trading pause for individual securities if the price of the security moves 10% or more from a consolidated last sale price in a prior 5-minute period. The primary listing market is responsible for monitoring for such price changes. The Trading Pause Rules have been implemented on a pilot basis, scheduled to end on December 10, 2010, and are currently applicable only to securities included in the S&P 500® Index. The Exchanges adopted the Trading Pause Rules in part to address the type of sudden price declines that the market experienced on the afternoon of May 6, 2010.

To promote uniformity across markets concerning decisions to pause trading in a security when there are significant price movements, all equities exchanges, as well as the Financial Industry Regulatory Authority, Inc. ("FINRA"), adopted the Trading Pause Rules.

In the Proposals, the Exchanges propose to add to the pilot all securities included in the Russell 1000® Index, to the extent that they are not already included in the S&P 500® Index, and 344 specified ETPS.

II. <u>Comments and NYSE Euronext's Response</u>

The comments received on the Proposals fall into two main categories: (i) the interplay between erroneous executions and trading pauses; and (ii) expanding the pilot to include ETPs.

With respect to erroneous executions, several commenters have noted that thus far, the trading pauses that have been triggered under the Trading Pause Rules raise questions about whether the current pilot rule should be further refined before any additional securities are added. In particular, commenters have noted that the three pauses since approval of the rule have been based on erroneous transactions, and they believe that a single erroneous transaction should not trigger a trading pause.

NYSE Euronext agrees generally that erroneous executions should not be the basis of a trigger for a trading pause. NYSE Euronext notes, however, that this rule has been adopted on a pilot basis in part to provide the markets time to review the operation of the rule and determine whether it should be adopted on a permanent basis or refined in any manner. More specifically, during the operation of the pilot rule, NYSE Euronext and the other markets are reviewing how to prevent erroneous executions in the first instance.

For example, the NYSE already has in place liquidity replenishment points ("LRPs"), which operate to temporarily suspend fast, electronic trading to allow human judgment to review the trading situation for a particular security. LRPs worked as designed on May 6, 2010, as the NYSE did not experience the type of price swings experienced by fully electronic markets and did not have to bust any trades during the relevant period that afternoon.

In addition, NYSE Arca recently filed with the SEC to adopt trading collars for market orders, which will operate to prevent market orders from trading outside of a specified percentage away from the last consolidated sale price.[3] NYSE Arca implemented its market order trading collars on July 15, 2010. NYSE Arca has also implemented programming changes to prevent the type of execution that occurred with Anadarko Petroleum on July 6, 2010.

It is also worth noting that the existence of erroneous trades in the marketplace is not new and they have become a very frequent occurrence in the marketplace. The trading pauses that were triggered have put a spotlight on that fact and, while there is and should continue to be efforts by brokers and marketplaces to eliminate erroneous executions, we do not believe that their existence should negate the benefits of the trading pauses. In fact, to the contrary, a trading pause could help reduce confusion by ensuring that additional trades at erroneous prices do not continue when there has been an erroneous trade in the market.

With respect to adding ETPs to the Trading Pause Rule pilot, one commenter raised concerns about the exclusion of a large number of ETPs that invest principally in U.S. stocks that are components of the Russell 1000 because they have lower trading volumes. NYSE Euronext agrees that these ETPs should be included in the pilot program at the earliest opportunity, as well as the leveraged and other lower trading volume securities. NYSE Euronext, other market centers and regulators are working, with the input of ETP issuers, traders and industry associations, to establish whether different parameters are appropriate for these securities. NYSE Euronext anticipates submitting subsequent proposals to revise the Trading Pause Rules to include these additional securities as soon as possible. In the interim, the operational experience gained from the implementation of the currently proposed ETP list will increase the opportunity to propose parameters based on actual results.

In addition, at least one commenter raised concerns about including broad-based ETPs in the Trading Pause Rule pilot. The commenter noted that the indexes underlying the ETPs proposed for inclusion in the Proposals are the same indexes underlying index options, index futures, and options on ETFs, and inconsistencies among the equity, options, and futures markets of when to pause trading in an index-based security may lead to further stress in the

3 See Securities Exchange Act Release No. 62485 (July 13, 2010) (SR-NYSEArca-2010-67).

market. Another commenter noted that halting ETPs may further destabilize the market because many trading strategies use broad-based ETPs as a hedging vehicle.

In contrast to these comments, the ETP issuer community has expressed strong support for including all ETPs in the Trading Pause Rules pilot as soon as possible. Other commenters have noted the high correlation between ETPs and the pricing of the underlying equity components of such ETPs and that if a component security is paused without a corresponding pause in the related ETP trading, price dislocations may result. These commenters therefore support pausing ETPs based on the same rules that apply to the underlying securities.

NYSE Euronext agrees that it is appropriate to include all ETPs in the pilot as soon as possible. We understand the concern regarding inconsistent circuit breakers across multiple product lines and multiple markets relative to the numerous products that have the same index underlying as active ETPs, such as active index futures, cash index options and options on the ETPs. NYSE Euronext is committed to working with regulators and other market centers to coordinate alerts to trading interruptions so consistent application of pauses will be effected. Swift cooperation among the market centers to enact a consistent methodology and alert system is imperative to the success of market-wide trading pauses. In addition, the prompt review and implementation of revised and coordinated market wide circuit breakers is also a high priority.

While these are initiatives that NYSE Euronext continues to make a top priority, we note that unlike the futures markets, the equities market for ETPs is often used for trading by retail investors. During this pilot period, we believe that the benefits to retail investors for including the ETPs in the Trading Pause Rules should be the primary concern. More specifically, as the markets experienced on May 6, ETFs traded at prices that required executions to be busted, demonstrating both that ETPs are not immune to the type of price volatility that the Trading Pause Rules seek to prevent and that the pricing of ETPs corresponds to pricing changes in the underlying securities. Therefore, for the protection of all investors, NYSE Euronext believes that it is appropriate to include the specified ETPs in the Trading Pause Rule pilot.

NYSE Euronext will continue to review the operation of the rule with respect to ETPs, including how related index-based products trade on multiple markets, and will propose such changes as may be warranted for those securities. However, during the operation of the pilot, NYSE Euronext believes application of the Trading Pause Rules in its current form to the specified ETPs will be more beneficial to the markets than the harms that have been identified by commenters. NYSE Euronext continues its discussions with other markets on whether and how to further refine the Trading Pause Rules, including the parameters applicable to calculating a threshold move before invoking a trading pause and whether such parameters should be adjusted for securities with different trading characteristics.

III. Conclusion

As noted above, the Exchanges have adopted the Trading Pause Rules on a pilot basis. The purpose of starting as a pilot is to enable the markets and the SEC to review the operation and impact of the rule during its initial implementation and enhance the rule as may be warranted. As part of that review, NYSE Euronext will continue to monitor the issues noted above. NYSE Euronext believes, however, that the benefits of including additional securities in the pilot rule outweigh any issues identified by commenters. Accordingly, NYSE Euronext believes that the Proposals should be approved in their current form.

If you have any questions regarding the foregoing, please feel free to contact Theodore R. Lazo, Vice President, at (202) 661-8949, or Clare Saperstein, Vice President, at (212) 656-2355.

Sincerely yours,

Janet M Kissane

cc: The Hon. Mary Schapiro, Chairman
The Hon. Luis Aguilar, Commissioner
The Hon. Kathleen Casey, Commissioner
The Hon. Troy Paredes, Commissioner
The Hon. Elisse Walters, Commissioner
Mr. Robert W. Cook, Director of Trading and Markets
Mr. Jamie Brigagliano, Deputy Director of Trading and Markets
Mr. David S. Shillman, Associate Director of Trading and Markets