

VIA EMAIL AND FEDERAL EXPRESS

August 25, 2010

Ms. Elizabeth M. Murphy
Secretary
U. S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File Nos. SR-NYSE-2010-49; SR-NYSEArca-2010-61; and SR-NYSEAmex-2010-63
– Second Response to Comment Letters (“Second 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 additional 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 previously submitted a response to comment letters related to the Proposals (“First Response”).³ Since that time, additional comment letters have been filed with the

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 7, 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 7, 2010) (SR-ISE-2010-66).

³ See Letter from Janet Kissane, SVP and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, dated July 23, 2010.



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SEC, including a comment letter from the CME Group (“CME”) that raised additional concerns regarding the Proposals.⁴

I. Additional Functionality to Prevent Volatility Trading Pauses Based on an Erroneous Execution

As NYSE Euronext has noted in its prior responses to comment letters, during the pilot period, NYSE Euronext continues to review the efficacy of the Trading Pause Rules, and will make such adjustments and revisions as may be warranted. As noted in the First Response, many of the commenters noted concerns about erroneous executions triggering a volatility triggering pause.

In response to these comments, as well as based on experience with volatility trading pauses thus far, NYSE Euronext proposes to add functionality that could prevent a potential erroneous execution from triggering a volatility trading pause in the first instance. This functionality would operate such that in order to trigger a volatility trading pause, if an execution is at or higher than the Threshold Move, which is currently set at 10% either direction from the last consolidated sale, and is through the National Best Bid or Offer (“NBBO”), markets would not invoke a volatility trading pause based on that single transaction. Instead, the markets would wait until the third such execution that is at or above the Threshold Move and through the NBBO within the five-minute period before invoking a volatility trading pause. NYSE Euronext believes that if an execution is at or above the Threshold Move and is through the NBBO, i.e., is not correlated to the NBBO, it is likely an erroneous execution. However, if an execution is at or higher than the Threshold Move and is also at or within the NBBO within the five-minute period, markets would invoke a volatility trading pause based on that single transaction.

Because of the speed of executions in today’s markets, waiting to review each execution manually to assess whether it is an erroneous execution would be too late as a volatility trading pause would have already been triggered. NYSE Euronext believes that the proposed functionality strikes the appropriate balance between ensuring that erroneous executions do not trigger a volatility trading pause and properly invoking a trading pause when there is market volatility. In addition, if a trading pause is invoked and it is timely determined that the volatility trading pause is based on an erroneous transaction, NYSE Euronext will also endeavor to reopen trading in less than five minutes.

⁴ See Letter from Craig S. Donohue, Chief Executive Officer, CME Group, to Elizabeth M. Murphy, Secretary, U.S. Securities and Exchange Commission, dated July 30, 2010.



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Because of the technological changes associated with this measure, NYSE Euronext proposes implementing this measure on a pilot basis for NYSE Arca only at this time, following approval of the Proposals. As we gain experience with this measure, NYSE Euronext may expand this functionality to NYSE and NYSE Amex as well.

NYSE Euronext believes that this measure is consistent with the existing rule language in NYSE Arca Equities Rule 7.11(c) that NYSE Arca can exclude a transaction price from use as a reference price or Trigger Trade if it concludes that the transaction price resulted from an erroneous execution.

II. Conclusion

As noted in its First Response, 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 functionality as may be warranted. As part of that review, NYSE Euronext has identified a measure that will ameliorate the impact of erroneous transactions on whether and when a volatility trading pause is triggered. NYSE Euronext continues to believe that the benefits of the volatility trading pauses for the expanded list of securities, including ETPs, outweigh any issues identified by commenters, including those issues identified by CME. Accordingly, NYSE Euronext believes that the Proposals should be approved in their current form, subject to the functionality set forth above of how NYSE Arca will invoke trading pauses under the rule.

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,

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



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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