



January 22, 2016

Brent Fields  
Secretary  
Securities and Exchange Commission  
100 F. Street N.E.  
Washington, D.C. 20549-1090

RE: NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to Amend Rule 1.1(s) to Provide for Price Collar Thresholds for Trading Halt Auctions; Exchange Act Release No. 76690; File No. SR-NYSEARCA-2015-121

Dear Mr. Fields:

BATS Global Markets, Inc. (“BATS”) appreciates the opportunity to comment in favor of the above-referenced proposal from NYSE Arca to widen its current Trading Halt Auction collars to align them with the current thresholds for determining whether a trade is clearly erroneous. Currently, NYSE Arca’s Trading Halt Auction collars are triggered when the auction execution prices were 5% away from the consolidated last sale for securities priced at \$25.00 or less, 2% away from the consolidated last sale for securities priced greater than \$25.00 but less than or equal to \$50.00, and 1% away from the consolidated last sale for securities priced greater than \$50.00. As NYSE Arca represents in its proposal, these collars, while certainly well-intended, are too narrow. During the market-wide volatility experienced on August 24, 2015, the evidence suggests that collars can contribute to problems pricing many securities, particularly exchange-traded products (“ETPs”) as witnessed by the number of limit-up limit-down (LULD) trading halts triggered for ETPs..

Accordingly, BATS fully supports NYSE Arca’s proposal to align its Trading Halt Auction collars with the price collars in place on other markets, including BATS’ BZX exchange, which are set at the thresholds for determining whether a trade is clearly erroneous. As proposed then, NYSE Arca’s Trading Halt Auction collars would widen to 10% away from the consolidated last sale for securities priced \$25.00 or less, 5% away from the consolidated last sale for securities priced greater than \$25.00 but less than or equal to \$50.00, and 3% away from the consolidated last sale for securities priced greater than \$50.00. BATS believes the Commission should approve this proposal and that it will have the effect of mitigating the recurrence of some of the pricing disruption witnessed on August 24, 2015.

However, BATS believes there are additional related measures the SEC and all of the exchanges should implement to prevent the recurrence of the disruptions of August 24, 2015. In particular, BATS advocates for the following remedial measures and believes the SEC should take a leadership position on driving these changes throughout the exchange industry:

- The exchanges should harmonize their trading halt reopening auctions so that it is easier for market participants to interact with each of the listings market auction processes. The structure of reopening auctions should not be a competitive issue between the exchanges, but nonetheless, out of an abundance of caution the SEC should order the exchanges to do work together to harmonize their reopening auctions as quickly as possible.<sup>1</sup>
- After a LULD trading halt, a security should not be allowed to reopen if there remains a market order imbalance.
- To avoid erroneous prints that can occur during the slight delay between reopening a security and the SIPs' dissemination of LULD bands, listing markets should independently calculate the LULD bands until receiving the bands from the SIPs.
- Similarly, exchanges should not trade another exchange's listed security when it is coming out of a trading halt auction unless each such exchange independently calculates the appropriate LULD or each such exchange has received the SIPs' LULD calculation.
- Each exchange with listed securities should take action to ensure it is capable of opening the market as close to 9:30 am ET as possible. Delays in opening securities can be particularly disruptive to the accurate pricing of ETPs that include such securities as underlying components, particularly in a market-wide volatility event.

---

<sup>1</sup> We believe there is widespread industry support for such harmonization, including from buy-side investors and ETP issuers. See e.g., publication from the Investment Company Institute, November 30, 2015, available at [https://www.ici.org/viewpoints/view\\_15\\_trading\\_luld](https://www.ici.org/viewpoints/view_15_trading_luld), (“[s]ecurities exchanges must get together to work out a uniform process to reopen trading in a security after a limit up-limit-down trading halt.”); and Blackrock’s comment letter on Exchange Act Release No. 76690; SR-NYSEARCA-2015-121, January 14, 2016 (“[g]reater harmonization is necessary across the entire equity market ecosystem in exchange rules, trading halt processes, and erroneous trade guidelines.”).

\* \* \* \* \*

BATS appreciates the opportunity to comment in favor of NYSE Arca's proposal to widen its Trading Halt Auction collars. As discussed above, however, BATS believes there are additional remedial measures that should be taken by all exchanges to address the issues exposed on August 24, 2015. BATS believes the disruptive pricing experienced on that day resulted from a confluence of factors and represented a market structure failure by the exchanges and the SEC and one that disproportionately failed ETP securities. BATS respectfully asks the SEC and other exchanges to work together to address those failure in full by implementing the above-referenced plan of remediation. Please feel free to contact me at ( [REDACTED] ) if you have any questions related to this matter.

Sincerely,



Eric Swanson  
General Counsel & Secretary

Cc: Mary Jo While, Chair  
Michael Piwowar, Commissioner  
Kara Stein, Commissioner  
Stephen Luparello, Director, Division of Trading & Markets  
Gary Goldscholle, Deputy Director, Division of Trading & Markets  
David Shillman, Associate Director, Division of Trading & Markets