

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-62133; File No. SR-FINRA-2010-025)

May 19, 2010

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Amend FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 18, 2010, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility) to permit FINRA to halt trading by FINRA members otherwise than on an exchange where a primary listing market has issued a trading pause due to extraordinary market conditions.

The text of the proposed rule change is available on FINRA’s Web site at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

In October 2008, FINRA adopted FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility) to permit FINRA to halt over-the-counter (“OTC”) trading of NMS stocks<sup>3</sup> if other major U.S. securities markets initiate market-wide trading halts in response to their rules or extraordinary market conditions or if otherwise directed by the SEC.<sup>4</sup> This proposed rule change was designed to further the goal of coordinated self-regulatory organization (“SRO”) action to address potentially destabilizing market volatility, consistent with the circuit breaker trading halt authority of the exchanges.

On May 18, 2010, several national securities exchanges filed new rules with the Commission to provide the exchanges with authority to issue trading pauses for individual securities if the price of such security moves 10% or more from a sale in a

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<sup>3</sup> NMS stock means any NMS security other than an option. See SEC Rule 600 of Regulation NMS.

<sup>4</sup> See Securities Exchange Act Release No. 58753 (October 8, 2008), 73 FR 61177 (October 15, 2008) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2008-048).

preceding five-minute period. These changes would provide uniform market-wide trading pause standards for individual securities in the S&P 500® Index that experience a rapid price movement. Consistent with the exchanges' proposals and in consultation with the staff of the Commission, FINRA is proposing to amend FINRA Rule 6121 to add new Supplementary Material .01 to provide that if a primary listing market has issued an individual stock trading pause under its rules, FINRA will halt trading otherwise than on an exchange in that security until trading has resumed on the primary listing market. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor or the primary listing market has issued notice that it cannot resume trading for a reason other than a significant imbalance, FINRA may permit the resumption of trading otherwise than on an exchange if trading has commenced on at least one other national securities exchange. Consistent with the exchanges, FINRA is proposing that this rule be implemented as a pilot set to end on December 10, 2010, so that the markets may assess the effect of the new rules on the markets. During this pilot period, the rule would be in effect only with respect to securities included in the S&P 500® Index.

FINRA has requested that the Commission approve the proposed rule change on an accelerated basis, so that it may become operative on June 7, 2010, and fully rolled out across all eligible securities by June 14, 2010.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>5</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change is consistent with the trading pause rules of other SROs and will promote the goal of investor protection by further providing for a coordinated means to address potentially destabilizing market volatility.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

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<sup>5</sup> 15 U.S.C. 78q-3(b)(6).

(B) institute proceedings to determine whether the proposed rule change should be disapproved.<sup>6</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2010-025 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2010-025. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

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<sup>6</sup> The Commission notes that the exchange has requested accelerated approval of the filing.

with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File Number SR-FINRA-2010-025 and should be submitted on or before [insert date 10 days from publication in the Federal Register].<sup>7</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>7</sup> The Commission believes that a 10-day comment period is reasonable, given the urgency of the matter. It will provide adequate time for comment.

<sup>8</sup> 17 CFR 200.30-3(a)(12).