

SECURITIES AND EXCHANGE COMMISSION
(Release No.34-62131; File No. SR-NSX-2010-05)

May 19, 2010

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Establish a Trading Halt for Individual Stocks Contained In The Standard & Poor's 500 Index That Experience a 10 Percent Price Change of 10% or More During a Five-Minute Period Pursuant to Exchange Rule 11.20

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 18, 2010, National Stock Exchange, Inc. filed with the Securities and Exchange Commission ("Commission") the proposed rule change, as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comment on the proposed rule change from interested persons.

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

National Stock Exchange, Inc. ("NSX[®]" or the "Exchange") is proposing to establish a trading halt for individual stocks contained in the Standard & Poor's 500 Index ("S&P 500") that experience a price change of 10% or more during a five-minute period.

The text of the proposed rule change is available on the Exchange's website at <http://www.nsx.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

Purpose

The Exchange proposes to add NSX Rule 11.20B to provide for a trading pause for individual securities for which the Exchange is the primary listing market if the price of such security moves 10% or more from a sale in a preceding five-minute period. The Exchange is proposing this rule addition in consultation with other listing markets and staff of the Securities and Exchange Commission to provide for uniform market-wide trading pause standards for individual securities in the S&P 500[®] Index (for which the Exchange is the primary listing market) that experience rapid price movement, as set forth below ("Circuit Breaker Securities"). Consistent with the other markets, the Exchange is proposing that this rule be implemented as a six-month pilot so that all of the markets may assess the effect of this rule proposal on the national market system.

As proposed, Rule 11.20B would enable the Exchange to pause trading in an individual security that is primary listed [sic] on the Exchange (a "Listed Circuit Breaker Security") if the price moves by 10% as compared to prices of that security in the preceding five-minute period during a trading day, which period is defined as a "Trading Pause." To enable the market to absorb the opening price of a security and to participate in the close, as proposed, the proposed rule would be in effect from 9:45 a.m. to 3:35 p.m., Eastern time (all times referenced in the Rule have now been converted to reflect Eastern time).

Proposed Rule 11.20B(b) sets forth the re-opening procedures of a Listed Circuit Breaker Security following a Trading Pause. As proposed, the Exchange will re-open trading in the Listed Circuit Breaker Security at the end of the Trading Pause subject to Exchange procedures. As proposed, in the event of a significant imbalance, the Exchange may delay the re-opening of the security past the five-minute Trading Pause period. The Exchange will notify other markets if it cannot reopen because of system changes, thereby enabling other market to resume trading even if the primary listing market has not re-opened.

The 10% or more move in price will be calculated by comparing the last consolidated sale price of a Listed Circuit Breaker Security (“Trigger Trade”) to a reference price every second. For purposes of this calculation, the reference price shall be any transaction in that security printed to the Consolidated Tape during a five-minute period before the Trigger Trade. Because the calculation period begins at 9:45 a.m., trades occurring after 9:45 a.m. may be a Trigger Trade, however, the reference price(s) for such Trigger Trades will begin at 9:45 a.m. In such case, in the first five minutes of the calculation period, the reference prices for a Trigger Trade will not be based on five minutes of trading in that security. For example, a trade at 9:45:05 will be compared only to trades between 9:45:00 and 9:45:05. The last potential Trigger Trade will be at 3:35 p.m., so that such Trading Pause will end at 3:40 p.m.

As proposed, only regular way, in-sequence transactions qualify as either a Trigger Trade or a reference price. To ensure that erroneous executions do not trigger a Trading Pause, the Exchange also proposes that it 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 trade.

The proposed rule further provides that if a Trading Pause is triggered for a Listed Circuit Breaker Security, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security.

In addition, proposed Rule 11.20B(f) would allow the Exchange to pause trading in an individual security when the primary listing market for such security issues a trading pause in any Circuit Breaker Security. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual security trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in such security.

The proposed rule would apply to trading pauses issued by primary listing markets in “Circuit Breaker Securities”, as defined in proposed Commentary .05. Specifically, on a pilot basis, set to end on December 10, 2010, Circuit Breaker Securities would mean the securities included in the S&P 500[®] Index. Thus, proposed Rule 11.20B would be in effect only with respect to securities in the S&P 500[®] Index.

In addition to proposing the addition of new Rule 11.20B, the text of the prior Rule 11.20 would be reformatted to make clear that newly formatted Rule 11.20A applies to market-wide halts whereas proposed new Rule 11.20B applies to individual security pauses. The time periods specified in Rule 11.20A are also revised to make Eastern time the uniform time zone referenced in the rule. Further, the text of Rule 11.20A(d) is proposed to be moved to a new Rule 11.20C to make clear that the NSX book is cleared of all outstanding orders in the context of both individual security pauses and market-wide halts. Similarly, the commentary to Rule 11.20 is proposed to be edited in conformity with the edits proposed elsewhere in the rule. As proposed, nothing in the rule would be construed to affect or limit in any way the ability of the Exchange to

halt or suspend trading n [sic] one or more securities pursuant to any other Exchange rule or policy.

Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,³ which requires the rules of an exchange to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)⁴ of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning decisions to pause trading in a security when there are significant price movements.

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

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

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

³ 15 U.S.C. 78f(b)(5).

⁴ 15 U.S.C. 78k-1(a)(1).

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
- B. institute proceedings to determine whether the proposed rule change should be disapproved.⁵

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. Please include File Number SR-NSX-2010-05 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, D.C. 20549-9303.

All submissions should refer to File No. SR-NSX-2010-05. This file number should be included in the subject line if e-mail is used. To help the Commission process and review 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

⁵ The Commission notes that the exchange has requested accelerated approval of the filing.

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed 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 Section, 100 F Street, NE, Washington, DC 20549. Copies of such filings will also be available for inspection and copying at the principal office of the Exchange. 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-NSX-2010-05 and should be submitted on or before [insert date 10 days after publication in the Federal Register].⁶

For the Commission by the Division of Trading and Markets, pursuant to the delegated authority.⁷

Florence E. Harmon
Deputy Secretary

⁶ The Commission believes that a 10-day comment period is reasonable, given the urgency of the matter. It will provide adequate time for comment.

⁷ 17 CFR 200.30-3(a)(12).