January 30, 2019

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Eighteenth Amendment to the National Market System Plan to Address Extraordinary Market Volatility (Limit Up-Limit Down)

Dear Mr. Fields:

We are writing in regards to the Commission's ongoing efforts to improve the resiliency of the equity market. We represent a diverse cross-section of market participants who are committed to ensuring that equity market structure fosters fair and efficient markets and adequately supports the needs of investors and issuers.[1]

Although each of the undersigned has different business models and frames of reference, we collectively support the proposals below, which were set forth by the Operating Committee of the National Market System Plan to Address Extraordinary Market Volatility ("LULD") in the proposed "Eighteenth Amendment" to LULD on November 2, 2018.[2] We urge the Commission to expedite the adoption of these market reforms.

(i) Transition LULD from operating as a pilot to operating on a permanent basis.
(ii) Adopt a mechanism for periodic review and assessment of LULD.
(iii) Eliminate the doubling of the Percentage Parameters between 9:30 a.m. and 9:45 a.m. (all times refer to Eastern Time).
(iv) Eliminate the doubling of the Percentage Parameters in the last 25 minutes of trading for Tier 2 NMS stocks with a Reference Price above $3.00.

Once these changes have been implemented, we support the consideration of potential subsequent reforms, including revisiting Clearly Erroneous Execution rules and reviewing the methodology for categorizing securities into LULD Tiers, including the Price Parameters that apply to ETFs.

Making LULD Permanent

We support making LULD permanent, subject to periodic review and assessment, because we believe LULD is beneficial to the national market system. LULD not only helps to ensure orderly markets in periods of extraordinary volatility, but also prevents potentially harmful price volatility during normal market conditions, when transitory gaps in liquidity may occur for non-fundamental reasons.

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[1] The group of signatories includes a wide range of constituents from different segments of the market, such as asset managers, broker-dealers, ETF issuers, industry analysts and professional market makers.

[2] LULD Plan "Eighteenth Amendment." Available at: https://www.sec.gov/rules/sro/nms/2018/34-84843.pdf.

Eliminating the Doubling of Percentage Parameters

We support the proposed changes to the Percentage Parameters. In particular, although eliminating the doubling of LULD Percentage Parameters during the first fifteen minutes of the day could increase the number of LULD trading pauses that occur between 9:30 a.m. and 9:45 a.m., it will help reduce the number of extraneous halts that occur at or shortly after 9:45 a.m., which will promote continuous trading while keeping transactions within the normal 5% and 10% trading bands.

Having asymmetric LULD parameters which tighten bands across different windows of time has proven to be disruptive. On August 24th, 2015, the tightening of LULD parameters at 9:45 a.m. impeded price discovery as markets recovered following rapid declines at the start of regular trading hours. According to the Commission's research, the majority (66%) of LULD halts on August 24th were limit-up, while 88% occurred as prices recovered and LULD bands tightened at 9:45 a.m.

Additionally, we support eliminating the doubling of LULD Percentage Parameters during the last 25 minutes of trading for Tier 2 NMS stocks with Reference Prices above $3.00. Based upon the collective group's experience, we believe that doubling the LULD Percentage Parameters for these securities is unwarranted and leaves investors at risk of extreme price movements – exactly the situation that LULD was designed to prevent.

Clearly Erroneous Execution Rules (CEE) and LULD Percentage Parameters

Once the above-mentioned changes are in place, we support revisiting Clearly Erroneous Execution (CEE) rules to reduce uncertainty about whether trades will stand. Certainty of execution is essential for maintaining the integrity of well-functioning markets during times of stress. If securities are able to trade at prices that are within LULD price bands but outside of CEE thresholds, this certainty of execution is absent, and market participants may be inclined to reduce liquidity or quote less favorable prices to account for this risk. This serves to undermine liquidity exactly when it is most needed – in times of stress.

In the absence of effective CEE rules, investors will rely heavily on the LULD mechanism to protect against erroneous transactions, as they will have limited recourse to challenge such executions. As such, the significance of ensuring that LULD price bands are properly calibrated to reflect the underlying security risk is paramount. We share the concerns of the LULD Operating Committee, that "without the backstop of clearly erroneous rules, it is vital that the price bands are appropriately tailored to prevent trades that are so far from the current market prices that they would be viewed as having been executed in error." Therefore, we would caution against making changes to CEE until *after* the proposed changes in the Eighteenth Amendment are implemented.

Additionally, following the Eighteenth Amendment, we encourage policymakers to revisit the methodology for categorizing securities into LULD tiers. Particular attention should be given to ETFs. Currently, ETFs that trade over $2,000,000 Consolidated Average Daily Volume (CADV) are eligible to be placed in Tier 1, which generally have 5% LULD Percentage Parameters. ETFs that do not reach the $2,000,000 CADV threshold are placed in Tier 2, which generally have wider 10% LULD Percentage Parameters. Placing lower-volume ETFs in Tier 2 could expose less-actively-traded ETFs to significant price deviations when displayed quotes in such securities widen momentarily. This can happen for reasons that may not reflect the ETF's fundamental value, such as outsized or aggressive orders, market data issues, connectivity issues, temporary uncertainty about any inputs into a market maker's calculation of the ETF's fair value, or other reasons. A tighter LULD band may help mitigate unwarranted price movements and help protect investors from adverse trade prices when these situations occur.

To properly calibrate LULD bands, we recommend looking beyond simply the number of CEE instances that have been filed, towards metrics which provide additional information around times when investors could be at risk of trades occurring at erroneous prices. For example, such metrics may include: the frequency with which bid-ask spreads widen to CEE levels; the frequency with which trades could have been deemed clearly erroneous despite the lack of a CEE filing; or the frequency of instances when issuers have reached out for adjustments or to deem transactions as aberrant.

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We thank and appreciate the Commission's continued focus on improving the operational integrity of the markets and enhancing the efficacy of volatility moderators, such as the Limit Up-Limit Down mechanism and look forward to continued engagement on this topic.

Sincerely,

Samara Cohen, Head of Global Markets, BlackRock
Timothy J. Coyne, Global Head of SPDR ETF Capital Markets, State Street Global Advisors
Stephen John Berger, Managing Director, Global Head of Government & Regulatory Policy, Citadel Securities
Tim Gately, Head of Americas Equities, Citigroup Global Markets Inc.
Chris Hempstead, Head ETF Sales, Deutsche Bank Securities Intl.
Luke Oliver, Head of US ETF Capital Markets, DWS Investment Management Americas Inc.
Bas Tammens, CFA, Head of Business Development, Flow Traders US LLC
Andrew Stevens, General Counsel, IMC
Eric M. Pollackov, Global Head of ETF Capital Markets, Invesco Ltd.
Michael Lewin, CEO, Istra LLC
Frank Liu, Chief Compliance Officer, Jane Street Capital, LLC
Michael Lieder, Head of US ETF Capital Markets, J.P. Morgan Asset Management
Christopher Berthe, Head of Global Cash Execution, Equities, J.P. Morgan Securities LLC
Sapna Patel, Head of Americas Market Structure and Liquidity Strategy, Morgan Stanley & Co. LLC
Sean Stanzak, RBC Capital Markets
Damon Walvoord, ETF Business Development, Susquehanna International Group
Jim Toes, President and CEO, Security Traders Association
Mehmet Kinak, Global Head of Systematic Trading and Market Structure, T. Rowe Price Associates, Inc.
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Ryan Ludt, Global Head of ETF Capital Markets, Vanguard
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