



INVESTORS

SELF-REGULATORY ORGANIZATIONS RESPONSE TO SEC FOR STRENGTHENING CRITICAL MARKET INFRASTRUCTURE

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--Collaborative effort to protect the integrity of US trading markets and enhance investor confidence--

--Focus on the safeguards critical to strong markets--

New York, Nov. 12, 2013 -- Self-regulatory organizations (SROs) for the equities and options markets have been working with Securities and Exchange Commission (SEC) staff on their collective plans to strengthen the resilience, performance, disaster recovery capability and governance of the critical infrastructure of the US capital markets, including the Securities Information Processors (UTP, CTA and OPRA).

The SROs have come to general agreement on certain recommendations and preliminary implementation timetables in response to the September 12, 2013 meeting between leaders of the equities and options exchanges, FINRA, DTCC and Options Clearing Corporation and SEC Chair Mary Jo White.

Specific details of the SROs' proposals will be presented in subsequent SRO rule filings and NMS Plan Amendments and will be subject to public comment and SEC approval. The multi-pronged proposals address each of the following areas identified in the SEC's September 12, 2013, press release:

- Securities Information Processor (SIP): The SROs and SIP Committees have compiled a series of proposals designed to improve operational resiliency, strengthen interoperability standards and disaster recovery capabilities, enhance governance, accountability and transparency and establish a clear testing framework for the industry. These proposals set out a process for sharing best practices, reviewing policies and procedures of all Operating Committees, and updating technology change procedures, as well as improving audit and assessment processes.
- Critical Infrastructure: The SROs have established a pathway to identify contingencies related to critical infrastructure items such as essential regulatory messaging (LULD, SSR, Halts), the open/close of the markets, initial public offerings, DTCC/OCC outages, singly-listed options and industry testing and connectivity to exchange disaster recovery facilities.
- Halts/Resumptions: The SROs have agreed to three core principles for halting the equities and options market (transparency, limited discretion, and the coordination of halts/resumptions by the primary markets) and proposed rules and metrics incorporating these key principles are under consideration among the SROs.
- Trade Breaks: The SROs are reconciling trade-break rules among the exchanges for both equities and options markets. Subsequent changes will be submitted in a series of rule proposals for public comment and SEC approval.
- Kill Switch: Work continues in the equities markets on a year-long industry effort to reach a consensus on a proposed common "kill switch" functionality to prevent risk and disruption to the markets. Likewise, the options exchanges have agreed to each refine and enhance their existing kill switch functionality. In addition to kill switches, the options exchanges also agreed to enhance or develop functionality for price filters, drill-through protections, and activity-based kick outs.

The self-regulatory organizations have been working collaboratively in developing these recommendations. We look forward to continuing dialogue and engagement with the Commission and the industry as we work collectively to finalize and execute on these recommendations.

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