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CORPORATE & FINANCIAL
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SEC Announces Filing of Proposed Limit Up-Limit Down Requirements

On April 5, the Securities and Exchange Commission announced that the national securities exchanges and the Financial Industry Regulatory Authority filed proposals to establish "limit up-limit down" requirements (Limit Rules) to address extraordinary market volatility in the U.S. equity markets. The Limit Rules would replace the existing single stock circuit breaker pilot program established in response to the market events of May 6, 2010.

The proposed Limit Rules would prevent trades in listed equity securities from occurring outside set price ranges (i.e., a certain percentage above and below the average price of a security over the preceding five minutes). The following percentage limits would apply:

1. 5% for stocks subject to the current circuit breaker pilot (i.e., stocks in the S&P 500 Index, the Russell 1000 Index and certain exchange-traded funds);
2. 10% for stocks not currently subject to the circuit breaker pilot; and
3. double the applicable percentage during opening and closing periods.

Moreover, the proposed Limit Rules would pause trading in a particular stock for five minutes if trading is unable to occur within the acceptable price range for more than 15 seconds.

The national exchanges and FINRA have requested that the SEC approve the proposed Limit Rules as a one-year pilot program.

To read the SEC release, click here.

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