

SEC Approves Stock-By-Stock Circuit Breaker Rules

June 10, 2010

The SEC announced today that it has approved rules requiring the exchanges and FINRA to simultaneously "pause trading in certain individual stocks if the price moves 10 percent or more in a five-minute period." (*SEC Release 2010-98*) Implementation of the new stock-by-stock circuit breaker rules by the exchanges and FINRA may begin as early as June 11, 2010.

The SEC approved the new stock-by-stock circuit breaker rules in response to the May 6, 2010 market plunge that saw the Dow Jones Industrial Average drop nearly 1,000 points during mid-day trading before recovering to close the session down 348 points. As stated by SEC Chairman Mary Schapiro announcing the approval of the new rules:

The May 6 market disruption illustrated a sudden, but temporary, breakdown in the market's price setting function when a number of stocks and ETFs were executed at clearly irrational prices. By establishing a set of circuit breakers that uniformly pauses trading in a given security across all venues, these new rules will ensure that all markets pause simultaneously and provide time for buyers and sellers to trade at rational prices. (*SEC Release 2010-98*)

The stock-by-stock circuit breaker rules approved by the SEC initially apply only to stocks included within the S&P 500® Index. The new rules will be implemented by the exchanges and FINRA on a pilot basis. The pilot basis, which remains in effect through December 10, 2010, is intended to provide the exchanges and FINRA an opportunity to adjust the rules and bring additional stocks within the scope of the rules, as necessary. A copy of the SEC Release announcing approval of the new stock-by-stock circuit breaker rules, along with links to the SEC's Orders approving the rules proposed by the exchanges and FINRA, are available by clicking [here](#).

Kelley Drye & Warren LLP

Kelley Drye helps clients achieve their business objectives in the securities industry by guiding them through the ever-shifting regulatory landscape and handling their most complex corporate, regulatory enforcement and litigation matters. Kelley Drye operates a standalone broker-dealer practice that adapts to clients' needs and requirements. The broker-dealer practice team operates from offices in New York, Connecticut, Washington, D.C., New Jersey and Illinois, which allows it to track trends in regulatory agencies' regional offices and in district courts and to transform this knowledge into actionable legal strategies. With its broad, first-hand experience, the Kelley Drye team provides clients with ready corporate and business counselors, courtroom advocates and backroom guides, with the range to play the discreet specialist for complex matters as well as the seasoned generalist for those needing General Counsel-like support.