



LULD AMENDMENT 12

Trade Resumption After an LULD Trading Pause

Overview

On September 19, 2016, the exchanges filed an amendment to the Limit Up-Limit Down Plan (“LULD” or the “Plan”) with the Securities and Exchange Commission (“SEC”). Formally known as the Twelfth Amendment of the Plan to Address Extraordinary Market Volatility, Amendment 12 seeks to standardize processes in the reopening of trading following a Trading Pause across Primary Listings Exchanges while improving the accuracy of the reopening Price Bands for all trading centers.

Amendment 12 also provides greater clarity around the LULD Band Reference Price and calculation of the Price Bands following a Trading Pause in all circumstances, including if the Primary Listing Exchange is unable to conduct a reopening due to a systems or technology issue or if the reopening quote is a zero bid, a zero offer, or both.

In addition, Amendment 12 provides that a Trading Pause will continue until the Primary Listing Exchange has reopened trading using its established reopening procedures (even if such reopening is more than 10 minutes after the beginning of a Trading Pause) and requires that trading centers wait for Price Bands before they resume trading following a Trading Pause.

In preparation for IEX becoming a Primary Listings Exchange, below is a summary of LULD Amendment 12 and expected behavior on IEX (pending SEC approval).

Amendment 12 Highlights

- An LULD Trading Pause will continue until the Primary Listings Exchange has reopened trading – even if such reopening is more than 10 minutes after the beginning of the Trading Pause. This ensures that the Reopening Price of the Primary Listings Exchange is the Reference Price for Price Bands following the Trading Pause Resumption. In addition:
 - Trading centers may NOT resume trading in an NMS stock following a Trading Pause without Price Bands.
 - If the Primary Listings Exchange is experiencing a systems or technology issue or if they reopen trading on a zero bid, zero offer, or both:
 - the next Reference Price would be the last effective Price Band that was in a Limit State before the Trading Pause. For example, if the Limit State that triggered a Trading Pause was the Lower Price Band price and the Primary Listing Exchange is unable to reopen to a systems or technology issue or the reopening quotation has a zero bid or zero offer, or both, the first Reference Price that the Processor would use to calculate Price Bands would be the last Lower Price Band.
 - If there is a systems or technology issue that prevents the PLE from reopening a security:
 - The Primary Listings Exchange will contact the Securities Information Processor (SIP) who will then disseminate Price Bands based on a Reference Price provided by the Primary Listings Exchange. The SIP will calculate and disseminate Price Bands by applying triple the LULD



Percentage Parameters assigned to the subject security. Trading centers may resume trading after receiving these Price Bands, but no earlier than 10 minutes after the initial Trading Pause.

- If a Trading Pause occurs or is in effect in the last ten minutes of trading during the Regular Market Session, the Primary Listings Exchange will attempt to execute a closing transaction using its established closing procedures.

Automatic LULD Trading Pause Extensions

IEX will employ Price Collars, called Volatility Auction Collars, at the start of each LULD Trading Pause. Price Collars will be based off the upper or lower LULD Price Band that triggered the first LULD Trading Pause and only the side of the trigger price will be widened by 5% of the trigger price (or \$0.15 for stocks \$3.00 or less). If after the first 5-minute LULD Trading Pause the auction price falls at an Impermissible Price (outside the Volatility Auction Collar), then an automatic 5-minute extension of the LULD Trading Pause will take place.

New Volatility Auction Collars will be calculated and disseminated with only the imbalance-side of the collar being adjusted an additional 5% (or \$0.15 for stocks \$3.00 or less). IEX will attempt to conduct a Volatility Auction after the Initial Extension Period. If the price still falls at an Impermissible Price, then an Additional Extension Period will begin for 5-minutes. IEX will disseminate new expanded collars following the same logic noted above, but will attempt an auction every one-second.

IEX will disseminate Auction Information to market participants during the LULD Trading Pause via our [proprietary market data feeds](#): TOPS and DEEP, as well as our public website. Once launched, firms may also receive Volatility Auction Collars via the CTS binary feed. In the binary feed, the CTA is introducing a new Auction Status message which will contain auction collar and extension information.

Closing with a Volatility Auction

If an LULD trading pause exists at or after the Closing Auction Lock-in Time (i.e., 3:50 p.m.) and before the Closing Auction, IEX will not conduct a Closing Auction in the subject security and will instead utilize the Volatility Auction to determine the IEX Official Closing Price at the conclusion of Regular Market Hours.

- At the later of the Closing Auction Lock-In Time or the LULD Trading Pause dissemination time all On-Close orders will be transferred into the IEX Volatility Auction. Non-displayed DAY limit orders and pegged orders that were on the Continuous Book at the time of the pause will be canceled to allow Members to re-enter interest into the Volatility Auction if they choose.
- Users may continue to send Limit-On-Close orders as well as limit orders marked DAY, GTX, GTT, SYS, FOK, or IOC, however Market-On-Close and market orders will be rejected on entry.
- Orders will remain open and Users may cancel open orders up until the Volatility Auction Match.

If there is insufficient trading interest to conduct a Volatility Auction at 4:00 p.m. (i.e., no crossing interest), IEX will not conduct a Volatility Auction in that security and will instead use the Final Last Sale Eligible Trade as the IEX Official Closing Price.

If IEX continues to extend the Volatility Auction Order Acceptance Period until 5:00 p.m., IEX will not conduct a Volatility Auction in the subject security and will instead use the Final Last Sale Eligible Trade as the IEX Official Closing Price in the security for that trading day. In that event, all orders will be canceled back to the entering firms at 5:00 p.m.