Client**Alert**

Capital Markets

June 2010

SEC Approves Stock-by-Stock "Circuit Breakers"

The Securities and Exchange Commission ("SEC") approved on June 10, 2010 rule changes filed by the national securities exchanges[1] and the Financial Industry Regulatory Authority, Inc. ("FINRA") that would require the exchanges and FINRA members trading listed securities in the over-the-counter market to pause trading in an individual stock when its price moves ten percent or more in a five-minute period.

The rules were submitted to the SEC at its behest as a response to the severe disruption of the US equity markets on May 6, 2010, in which prices of a number of individual stocks suddenly plummeted dramatically, only to reverse to pre-decline levels minutes later. "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," said SEC Chairman Mary Schapiro.

The SEC approved the rules on an accelerated basis, allowing FINRA and the exchanges to implement them immediately. The New York Stock Exchange, BATS Global Markets and Direct Edge have all said they expect to begin implementation on June 11, 2010, while Nasdaq and NYSE Euronext indicated they will start rolling out the new rules on June 14, 2010.

The rules will require each of NYSE, NYSEAmex and Nasdaq (each a "listing market") to issue a five-minute trading pause for any security for which it is the primary listing market if the transaction price of the security moves ten percent or more from a price in the preceding five-minute period. That listing market would then notify the other exchanges and market participants of the imposition of the trading pause. If such a notification has been issued, the other exchanges will be required to pause trading in that security as well, and FINRA members, including alternative trading systems and market makers, will be required to pause trading in the over-the-counter market. This would require such FINRA members to implement their own policies and procedures to ensure compliance with notification of any such trading halt. The trading pause requirements will only apply from 9:45 a.m. until 3:35 p.m.

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1 Including BATS Exchange, Inc. ("BATS"), Chicago Board Options Exchange ("CBOE"), Chicago Stock Exchange ("CHX"), EDGA Exchange, Inc. ("EDGA"), EDGX Exchange, Inc. ("EDGX"), Nasdaq OMX BX, Inc. ("BX"), International Securities Exchange, LLC ("ISE"), New York Stock Exchange LLC ("NYSE"), NYSE Amex LLC ("NYSEAmex"), Nyse Arca, Inc. ("NYSEArca"), the Nasdaq Stock Market LLC ("Nasdaq") and National Stock Exchange, Inc. ("NSX").

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At the end of the five-minute pause, the primary listing market could reopen trading in the security. Generally, the other exchanges and over-the-counter market will only be allowed to resume trading once trading has resumed on the primary listing market. However, if the primary listing market has not reopened within ten minutes of the initiation of the trading pause (for example, due to a significant imbalance on that market at the end of the trading pause), the other exchanges will be allowed to resume trading.[2] Over-the-counter market participants will be allowed to resume trading as well, but only if trading has resumed on at least one exchange.

The rules are being implemented on a pilot basis until December 10, 2010, and would only affect those securities included in the S&P 500 Index. However, FINRA has indicated that it expects to soon file an additional rule proposal to expand the pilot to include other securities, such as exchange-traded funds ("ETFs") and other companies that were most severely affected by the events of May 6, 2010. The SEC indicated that existing market-wide circuit breakers should also be re-examined in light of "current market conditions."

We will keep you informed of any additional developments in this area. Please contact your White & Case lawyer with any questions regarding these rules.

2 Some markets, such as the ISE, may not begin trading under their proposed rules until the primary listing market begins trading.

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