



RBC Capital Markets®

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May 24, 2013

VIA ELECTRONIC MAIL

Mr. Gregg E. Berman, Associate Director
Office of Analytics and Research
Division of Trading and Markets
U.S. SECURITIES & EXCHANGE COMMISSION
100 F Street, N.E.
Washington, D.C. 20549

Re: Comments Regarding Permitting NYSE to Reinstitute the LRP (Liquidity Replenishment Point) Program to Dampen Short-Term Volatility When LULD is not in Effect

Dear Mr. Berman:

Part of the investment banking platform of Royal Bank of Canada, RBC Capital Markets LLC (“RBCCM”) is a U.S. registered broker-dealer engaged in, among other things, providing equities trading and execution services to retail and institutional investors. Included in the latter are large investment managers with trillions of dollars of assets under management—assets of employee pension funds and other vehicles representing individual investors across the nation.

RBCCM believes that Limit Up / Limit Down (LULD) is a positive development which will effectively help dampen short-term volatility and increase price discovery. We are, however, concerned that there is no volatility dampening mechanism in effect for Phase 1 of LULD at the most active and volatile times of the day (9:30 – 9:45 am and 3:30 – 4:00 pm). While these gaps in Phase 1 will be addressed beginning August 1st 2013 as Phase 2 is implemented, there is nothing to address short-term volatility around the first fifteen and last thirty minutes of daily trading until then.

Our concern is founded on recent events. We have seen large-cap, well known companies experience extreme moves in the price of their stocks in recent days. These include Anadarko Petroleum [APC], American Electric Power [AEP] and NextEra Energy [NEE]. On May 17, 2013, Anadarko shares traded down some 99%, from over \$90 to one penny, in less than one second. On May 23, 2013, American Electric Power shares fell from over \$48 to nearly \$22, a decline of over 54%. The same day, NextEra Energy shares traded from over \$78 to below \$31, a drop of over 60%.

As a result of the sharp decline in AEP and NEE, the Dow Jones Utility Index declined over 10%, impacting other participants and asset classes.

The effects of such volatile moves in these stocks were not short-term. While certain trades in American Electric Power and NextEra Energy were marked “aberrant” and therefore did not affect the official intra-day low price, all the trades stood and were not cancelled.

We are concerned about the negative effects these sudden price moves may have on investor confidence and market integrity. Investors, both retail and institutional, who sold at dramatically discounted price levels only to see these stocks rebound nearly immediately, may be discouraged.

According to the *Wall Street Journal*, in response to the dramatic short-term drop in value of NextEra, Moray Dewhurst, the firm’s Chief Financial Officer stated “We are continuing to try to understand exactly what happened in the first few minutes of trading in our stock this morning. This is naturally a concern for all our shareholders and potential shareholders. This type of market behavior is not what we would expect from a well-functioning and well-regulated exchange.” Further, a spokeswoman for American Electric Power said the incident “appears to demonstrate that circuit breakers not being in place for the full trading session is a concern. None of the trading was based on any news out of the company.”

Therefore, we respectfully ask the SEC to consider the reintroduction of NYSE’s LRP program during the times that LULD is not in effect, around the market open and close, until Phase 2 of LULD is fully implemented. We are also submitting this request on behalf of many RBCCM institutional clients who have expressed to us their shared concern over this matter. In addition, we feel this step could serve the dual purpose of adding a measure of market safety and soundness in advance of the upcoming annual Russell Index Reconstitution, scheduled to take place on June 28, 2013.¹

Thank you for your consideration of the comments enclosed. Should you have any questions, please contact me directly at (212)-618-3378 or rich.steiner@rbccm.com.

Sincerely,



Richard Steiner
Head of Market Structure Strategy, RBC Capital Markets

cc: Elizabeth M. Murphy, Secretary

¹ Russell Investments, the creator of the Russell 2000 Index, rebalances its “entire family of indexes” on an annual basis. Additional information about the event is available on Russell’s web site at <http://www.russell.com/indexes/tools-resources/reconstitution.asp>.