

# Wall Street Journal

## NYSE Exchange-Traded Fund Platform Hit by Technical Glitch

Trading on NYSE Arca was disrupted following a software update this weekend



The technical glitch on the ETF trading platform was related to an update rolled out over the weekend that suffered a problem and was being rolled back. Above, the front of the New York Stock Exchange. PHOTO: RICHARD B. LEVINE/ZUMA PRESS

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A software glitch forced the largest U.S. venue for exchange-traded funds to close for 15 minutes on Monday, the latest snafu to raise questions about the reliability of markets that rely increasingly on high-speed computers.

NYSE Arca suffered a problem with a software update that was rolled out during the weekend, said Kristen Kaus, an NYSE spokeswoman. The all-electronic exchange, part of the New York Stock Exchange, is home to \$2.2 trillion in exchange-traded products, or 92% of such U.S.-listed funds, according to its website.

**"When you shut down trading in the middle of the day for 15 minutes, that raises some eyebrows," said Joseph Saluzzi, a partner in Themis Trading LLC in Chatham, N.J. "I'm sure their competition will use this as a marketing tool."**

NYSE Arca, through the 2008 purchase of the American Stock Exchange, is considered the first and oldest listing exchange for ETFs in the U.S. For years, it was the default listing venue for ETF issuers. The competition has heated up since then, with [Nasdaq Inc.](#) and [Bats Global Markets Inc.](#) pushing hard to win new listings and trading volume. Earlier this month, 27 PowerShares ETFs moved from NYSE to Nasdaq.

"It could hurt NYSE's brand, but I wouldn't say it's a body blow," said Larry Tabb, founder and research chairman of TABB Group, a research and consulting firm.

Mr. Tabb said U.S. exchanges experience technical glitches two to three times a year. In July 2015, NYSE suffered a trading outage that lasted for more than three hours, leaving traders worried that the exchange wouldn't reopen in time for the close, when the settlement prices of stocks, ETFs and indexes are established.

NYSE Arca first identified a problem shortly before the market opened Monday, and sent a systems alert at 9:08 a.m. ET. At 9:23 a.m. a follow-up alert said the issue had been resolved. Ms. Kaus said that the exchange believed the problem had been resolved, and didn't become aware of additional problems until later.

More than an hour later, NYSE Arca notified the market that firms were receiving unsolicited cancellations. The notice went out at 10:27 a.m., and was followed 19 minutes later by an announcement that NYSE Arca would halt trading from 10:50 a.m. to 11:05 a.m.

"They identified the problem really quickly and took action really quickly to minimize disruption," Ms. Kaus said, noting that traders could still trade exchange-traded products on other markets, such as Bats and Nasdaq, while the halt was occurring. She said the exchange alerts the market "as soon as we know there's a problem."

Ms. Kaus said there were no broken trades and minimal market disruption, but the exchange's handling did raise questions in the ETF community.

"If they didn't tell people for an hour and they were seeing orders canceled, that puts brokers like me at risk," **Mr. Saluzzi** said. He added that his firm routed trading away from NYSE ARCA, and that the halt proved to be no more than a minor inconvenience.

NYSE Arca sent a notification at 6:13 p.m. Monday saying the halt resulted in the "erroneous unsolicited bulk cancellations of some orders." Clients were receiving real-time cancellations that accurately reflected their order status and current market exposure, according to the statement. After rolling back the weekend software update, trading resumed at 11:06 a.m., according to the statement.

Exchanges and ETF issuers have been working together to prevent a repeat of the rocky trading that snarled markets on Aug. 24, 2015, when a global selloff triggered ETF trading halts and fund prices diverged from the stocks they are supposed to track. Since then, fund firms and exchanges have sought market structure improvements to ensure smooth trading.

The Chicago Stock Exchange suffered two outages earlier this month on Dec. 5. A letter from Chief Information Officer Christopher Fairman attributed the back-to-back halts to hardware and software changes at the stock exchange as it tries to improve cybersecurity safeguards.

The stock exchange first halted trading at 9:51 a.m. on Dec. 5 and then resumed after a system restart around 2½ hours later. It then put a brake on trading again at 2:36 p.m. for the rest of the day before continuing normal operations the following day.