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NYSE Arca Suffers Glitch During Closing Auction

By Asjylyn Loder
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A glitch snarled closing trading in dozens of exchange-traded funds late Monday at the New York Stock Exchange's Arca platform, in one of the largest trading snafus of 2017.

ETFs with market values exceeding \$150 billion were affected, including [SPDR Gold Trust](#), the largest gold ETF, according to a person familiar with the trading.

NYSE Arca, the largest listing exchange for ETFs, suffered a trading problem in the final minutes of trading Monday. The NYSE offered few specifics on the nature of the problems.

While securities can trade on any exchange throughout the trading day, trading typically reverts to the listing exchange in the last minutes of the day, in a process known as the closing auction, which determines the settlement price.

A failure to determine a settlement price could affect investors and traders across Wall Street, traders said. ETFs have been one of the fastest-growing products in the securities industry, and the trading difficulties could hit Arca's reputation.

"A lot of people rely on that closing price, especially with ETFs," said **Joe Saluzzi**, a partner at **Themis Trading LLC** in Chatham, N.J.

Canceled orders could leave market makers and other traders without proper hedges, **Mr. Saluzzi** said.

Other affected funds include SPDR Dow Jones Industrial Average ETF Trust, SPDR S&P Midcap 400 ETF, Energy Select Sector SPDR Fund, Financial Select Sector SPDR and iShares Russell 2000 ETF, according to the person familiar with the matter.

NYSE Arca sent a series of alerts starting at 4:07 p.m., seven minutes after the stock market closed. The exchange said "all live orders will be canceled" and that a backup method would be used to determine settlement prices.

The exchange didn't say how many ETFs were affected, or how many orders were canceled.

Kristen Kaus, a spokeswoman for NYSE, declined to comment beyond the exchange's published notices.

Arca is the listing venue for 1,511 ETFs that were valued at about \$2.5 trillion at the end of February, out of about 2,000 U.S. listed ETFs.

The exchange issued its first alert saying a technical issue was under investigation. Four minutes later, an alert said trading was unavailable in many tickers. At 4:37 p.m., the exchange announced that any symbols that didn't get a proper closing price would be settled using the volume-weighted average price in the last five minutes of regular trading hours, including closing auction prints of all markets.

There is no way to determine whether the alternative pricing mechanism resulted in a better or worse price for the fund, **Mr. Saluzzi** said.

"It definitely does cause a lot of issues for many people," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital. He said the lack of settlement pricing could hamper traders' efforts to fulfill end-of-day orders or close out their books at the end of the trading day.

NYSE Arca said at 8:59 p.m. that a subset of securities listed on Arca failed to conduct a closing auction or transition from the regular trading session to the late trading session at 4 p.m. on Monday afternoon. NYSE Arca suspended trading at 4:13 p.m. and canceled all open orders.

"The underlying cause of the disruption has been identified and remediated," the exchange said in the Monday night alert, without specifying what the problem had been.

Any exchange-traded fund investors who wish to file a claim for compensation must do so by 9:30 a.m. Tuesday morning, the exchange said.

—*Gunjan Banerji*

contributed to this article.