

Title: Notice of Proposed Rule Change to Amend Rules Relating to the Closing Auction

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Someone on Superstonk posted something earlier about a rule that went into effect. I noticed the text of that rule said they received no public comments. That got me thinking.

If you don't know already, all of these self-governing agencies have to follow [The Rulemaking Process in order to change or promulgate new rules.]([https://www.federalregister.gov/uploads/2011/01/the\\_rulemaking\\_process.pdf](https://www.federalregister.gov/uploads/2011/01/the_rulemaking_process.pdf)) A big part of that process is posting all rule changes to [The Federal Register](<https://www.federalregister.gov/>) for public comment. This is done in the public interest to facilitate transparency, but obviously, not many people actually read through everything here. That said, you can search and browse by the agency. T[he Securities and Exchange Commission has its](<https://www.federalregister.gov/agencies/securities-and-exchange-commission>)[ own section.](<https://www.federalregister.gov/agencies/securities-and-exchange-commission>)

I started looking through those documents, and that's where I start to feel a little out of my depth.

Namely, one of the documents is this [Notice of Proposed Rule Change to Amend Rules Related to the Closing Auction.](<https://www.federalregister.gov/documents/2021/09/22/2021-20448/self-regulatory-organizations-new-york-stock-exchange-llc-notice-of-filing-of-proposed-rule-change>)

[<https://www.federalregister.gov/documents/2021/09/22/2021-20448/self-regulatory-organizations-new-york-stock-exchange-llc-notice-of-filing-of-proposed-rule-change>](<https://preview.redd.it/aho7he8nnop71.png?width=1898&format=png&auto=webp&s=35a2ec3caf1f71bf98d5c251399a58f2490ebc0>)

The closing auction takes place every day. It's how the NYSE takes care of all the open orders at the end of each day. (And is probably responsible for those big ticks we sometimes see 5 minutes before close). Sauce: [[https://www.nyse.com/network/article/nyse-closing-auction?utm\\_source=homepage&utm\\_medium=banner](https://www.nyse.com/network/article/nyse-closing-auction?utm_source=homepage&utm_medium=banner)]([https://www.nyse.com/network/article/nyse-closing-auction?utm\\_source=homepage&utm\\_medium=banner](https://www.nyse.com/network/article/nyse-closing-auction?utm_source=homepage&utm_medium=banner))

My brain doesn't have enough wrinkles to figure out the impact of this rule change because I'm not 100% how this process works. One of the summary paragraphs caught my attention though:

[No need for DMMs to be prohibited from certain transactions anymore.](<https://preview.redd.it/7768nfippo71.png?width=1240&format=png&auto=webp&s=7ecc608147fe5759c3c5f98c9592330aff6f1b46>)

This paragraph literally says "Prohibited Transactions provide a bright for a bright-line rule designed to prevent a DMM \[Market Maker\] from aggressively taking liquidity and moving prices on the Exchange immediately before the Closing Auction..." Paraphrasing the rest, it sounds like "Since we've made some more burdens about them having to supply liquidity and not being able to self-trade, we don't think that's fair anymore and they should be allowed to trade at closing just like everyone else."

I'm worried this means that a DMM could effectively "ladder attack" the stock price (or use other methods) every day within the last 5 minutes of closing. Doing this, they could tank the price at closing, which would let them avoid a margin call - even if the price goes back up the next day. Alternately, they could use the same idea to pump the shit out of those zombie stocks - letting them used increased book assets to show

lower leverage and not trigger liquidity concerns.

Could someone with some wrinkles look at this rule change and see what it means? If it is something bad - then public comments are still open.

Edit: Spelling