

**Regulatory Circular RG98-39**

**TO: Members and Member Firms**

**FROM: Market Operations Department**

**DATE: April 14, 1998**

**RE: Circuit Breaker Trading Halt Procedures**

The Securities and Exchange Commission (SEC) has approved amendments to the circuit breaker trading halt rule of the New York Stock Exchange (NYSE). Because CBOE Rule 6.3B provides that CBOE will halt trading in all securities whenever the NYSE initiates a circuit breaker trading halt, CBOE's circuit breaker trading halt procedures will also change in a corresponding manner. These amendments will become effective on **April 15, 1998**.

As amended, the NYSE's circuit breaker trading halt rule now provides for circuit breaker trigger levels that are equivalent to 10%, 20%, and 30% one-day declines in the Dow Jones Industrial Average (DJIA). The new trigger levels will be converted into point values at the beginning of each calendar quarter using the average closing value of the DJIA for the month prior to the beginning of the quarter. Each trigger level will then be rounded to the nearest 50 points. The trigger levels will remain in effect until the next quarterly calculation.

The following circuit breaker trading halt procedures will now be applicable under the NYSE's circuit breaker trading halt rule:

- **10% DJIA Decline:** For the second quarter of 1998, the 10% trigger level has been set at an **850 point decline** in the DJIA. The halt for a 10% DJIA decline will be 1 hour if triggered before 1:00 p.m. (CT). At or after 1:00 p.m. (CT) but before 1:30 p.m. (CT), the halt will be for 30 minutes. At or after 1:30 p.m. (CT), there is no mandated trading halt at the 10% level.
- **20% DJIA Decline:** For the second quarter of 1998, the 20% trigger level has been set at a **1750 point decline** in the DJIA. The halt for a 20% DJIA decline will be 2 hours if triggered before 12:00 p.m. (CT). At or after 12:00 p.m. (CT) but before 1:00 p.m. (CT), the halt will be for 1 hour. If the 20% trigger value is reached at or after 1:00 p.m. (CT), trading will halt for the remainder of the day.
- **30% DJIA Decline:** For the second quarter of 1998, the 30% trigger level has been set at a **2600 point decline** in the DJIA. If the DJIA declines by 30% at any time, trading will halt for the remainder of the day.

The SEC also approved corresponding changes to the circuit breaker trading halt procedures of the other securities exchanges. In addition, the futures exchanges that trade stock

(over)

index futures, including the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT), have made similar changes to their circuit breaker trading halt procedures. However, it should be noted that the CME's circuit breaker trading halt procedures provide for a maximum daily downward price limit of 20% in Standard & Poor's (S&P) 500 futures. Also, the CME has replaced its 15 point and 30 point intermediate price decline limits in S&P 500 futures with 2.5% and 5% price decline limits.

In connection with the circuit breaker amendments that will become effective on April 15, 1998, CBOE will also be issuing an updated regulatory circular and pocket guide summarizing current inter-exchange procedures in volatile markets (including the changes to the procedures of the CME and the CBOT). In this regard, please note that CBOE's existing regulatory circular (RG98-23) and pocket guide concerning inter-exchange procedures in volatile markets are no longer current. CBOE will publish the updated regulatory circular in the CBOE Regulatory Bulletin and will make copies of the updated pocket guide available to members once they have been printed.

Any questions regarding this circular may be directed to Kerry Winters at (312) 786-7100.

6-3BCIR2.DOC