with the proposed amended Interpretation .02 to Rule 6.3B. Regulatory Circular RG94–17 discusses CBOE's procedures during a halt in options trading due to a Dow Jones Industrial Average drop of 250 or more points below its closing value on the previous trading day or a cumulative drop of 400 points in the Dow Jones Industrial Average on the same day. Pursuant to the proposed change to Interpretation .02 to Rule 6.3B, after the expiration of the one hour or two hour period set forth in Rule 6.3B, a reopening rotation would be held in each class of options unless two Floor Officials (or an Order Book Official acting upon authorization from a senior Exchange official) conclude a different method of reopening is appropriate. Additionally, RG94-17 would be amended to delete the requirements contained in Rule 6.3A that, before reopening after a circuit breaker halt, the Exchange must verify that (1) there is no halt or suspension in effect in the primary market where the underlying

stock is traded and (2) with respect to an index option, there is no halt or suspension in the primary market of the securities constituting 50% of the index.

Regulatory Circular RG93-58

The proposal would amend Regulatory Circular RG93-58 (RG93-58 is a reprint of Regulatory Circular RG92-40 dated, July 8, 1992), which addresses trading halt policy regarding options on individual equity securities, to make the circular consistent with the proposed amendment to Rule 6.3. Regulatory Circular RG93–58 would be further amended to state that it does not address the Exchange's trading halt policy when a halt has been declared as a result of the operation of a circuit breaker pursuant to Rule 6.3B, due to a 250 or 400 point intra-day drop of the Dow Jones Industrial Average

Consistent with Rule 6.3. RG93-58 would be amended so that two Floor Officials may exercise judgment regarding trading halts and so that the concurrence of a senior Exchange staff official would not be required. Presently, Rule 6.3 provides that a decision as to whether to halt trading may be made by any "two Floor Officials," so this amendment to RG93-58 would make the guidelines in RG93-58 consistent with Rule 6.3. Furthermore, Floor Officials need to be able to exercise their judgment without obtaining the concurrence of a senior Exchange staff official, because it may be physically difficult for a senior Exchange staff official to be present at all trading posts during circumstance where a trading halt may be

simultaneously necessary in multiple options classes.

Regulatory Circular RE93–58 provides Floor Officials with non-mandatory guidelines to assist them in their decision regarding a trading halt. Pursuant to Rule 6.3, "[a]ny two Floor Officials may halt trading in any security in the interests of a fair and orderly market." Floor Officials are free to exercise judgment and discretion in deciding whether to halt trading. The language of Rule 6.3 is discretionary and does not require that Floor Officials declare a trading halt, so proposed amendments to various paragraphs of RG93-58 delete language which would limit Floor Officials' discretion by imposing mandatory criteria.

The proposal would further amend RG93–58 to reflect CBOE's general practice, as set forth in the proposed interpretation to Rule 6.3, to halt trading in an overlying stock option when a regulatory halt in the underlying stock has been declared in the primary market for that stock.

RG93–58 would be further amended to delete the requirement that, in connection with a halt due to no last sale and/or quotation dissemination either by the Exchange or to the Options Price Reporting Authority ("OPRA"),2 trading may only resume 15 minutes after notification to the news wire services. The guidelines provide that the news wire services will be notified of the dissemination difficulty. However, under such circumstances, since trading presumably would have been proceeding in other markets, it is important for the options market to resume trading as soon as practical after the dissemination difficulty which led to the halt is no longer present. CBOE believes that waiting 15 minutes to resume trading would be inordinately long and may be contrary to the interests of a fair and orderly market. Nonetheless, the proposed amendments would specifically state CBOE's general practice to notify member firms and news wire services before the resumption of trading.

The language in paragraph one of RG93-58 would be further amended to clarify that there is a preference, but not a requirement, to halt trading if two Floor Officials believe that the dissemination problem will last more than 15 minutes. The language would be further amended to clarify that, if the two Floor Officials believe that the dissemination problem will be resolved within the next 15 minutes, then there is no preference for a halt—even if that expectation proves to be incorrect. The present language would be further amended to clarify that trading ordinarily will continue if two Floor Officials believe it is likely the dissemination problem will be resolved in less than 15 minutes. THe present language appears to require trading to continue under such circumstances. Again, these guidelines should not limit Floor Officials' discretion, since Rule 6.3 provides for discretion in such circumstances. If a systems problem prevented CBOE or OPRA from disseminating CBOE's last sale or quote data, this would be an unusual market condition and, pursuant to Rule 6.3, two Floor Officials may halt trading.

The proposed amendments would delete the requirement in paragraph four of RG93-58 that, in connection with a primary market floor-wide trading halt and despite the determination by two Floor Officials that sufficient markets will support trading other than at the primary market, trading may resume only upon a one hour notification to the news wire services. Again, since trading of the underlying stock is continuing at an exchange other than the primary exchange, the CBOE believes that waiting one hour to resume options trading at the CBOE could be inordinately long and might be contrary to the interests of a fair and orderly market. Instead, paragraphs one and six of RG93-58 would be amended so that the guidelines for the resumption of trading would be consistent with Rule 6.3(b), which provides that trading in a security that has been the subject of a halt may resume upon a determination by two Floor Officials that the conditions which led to the halt are no longer present, or that the interests of a fair and orderly market are best served by a resumption of trading. However, the proposed amendments would specifically state CBOE's general practice to notify member firms and news wire services before the resumption of trading.

RAES

Finally, the proposal would add Interpretation. 05 to Rule 6.3 to grant authority to the senior person then in

² OPRA is a National Market System Plan approved by the Commission pursuant to Section 11A of the Act and Rule 11A3–2. Securities Exchange Act Release No. 17638 (Mar. 18, 1981).

OPRA provides for the collection and dissemination of last sale and quotation information on options that are traded on the five exchanges participating in the plan. The exchanges include the CBOE, the Philadelphia Stock Exchange, the American Stock Exchange, the Pacific Stock Exchange, and the New York Stock Exchange.

The OPRA plan was implanted in response to directives of the SEC that provisions be made for the Consolidated reporting of transactions in eligible options contracts listed and traded on national securities exchanges.