need to immediately seek confirmation of this decision from two Floor Officials. The purpose of this interpretation is to prevent orders from being placed on RAES during the interval after the trading in the underlying stock has been halted or suspended but before two Floor Officials have declared a trading halt pursuant to Rule 6.3(a) or before a Post Director or Order Book Official has suspended trading pursuant to Interpretation .01 to Rule 6.3. The CBOE believes this provision is necessary because, if trading in a stock is halted due to pending news, the effect of the news may be anticipated and, while Floor Officials are being called to a post to decide whether to halt trading, orders could still be placed on RAES. Under the current Interpretations to Rule 6.3, the Post Director or Order Book Official must turn off RAES concurrently with any suspension of trading. If an "ST" symbol (for an exchange listed security) or an "H" symbol (for a security traded primarily in the over-the-counter market) is displayed on the Class Display Screen that displays current market information for the underlying security, the Order Book Official or Post Director may suspend trading in the related equity option for a period not to exceed five minutes and concurrently shall turn off RAES for the affected options class or classes. 12 The Control Room, however, may receive information that trading has stopped in the underlying stock before the Post Director or Order Book Official sees the "ST" symbol or "H" symbol on the Class Display Screen for the underlying stock. Consequently, the CBOE believes it is important for the Control Room to have authority to turn off RAES without being required to wait for the Post Director or Order Book Official to act, or in a circumstance where the senior person in charge of the Control Room confirms that the Control Room has received a credible indication that trading in the underlying stock has been halted or suspended.

The proposal provides that the Post Director, Order Book Official, or their representative will re-start RAES after the trading halt or suspension has ceased. This would be consistent with Rules 6.8(f) and 24.15(f), which provide that each day RAES is available, a Post Director or his representative will start RAES.

III. Commission Finding and Conclusions

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act 13 which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, while protecting investors and the public interest.

Specifically, the Commission believes it is appropriate to amend Rules 6.3(a), 6.4(a) and 24.7(a) to include the status of the trading rotation as a factor that may be considered in a decision whether to halt or suspend trading. The Commission notes that there may be circumstances in which it could be in the interest of a fair and orderly market to complete a rotation before calling a halt or suspension in trading. For example, CBOE officials may want to consider the status of a trading rotation in the event of extreme market volatility or a pending news announcement. Allowing Floor Officials, in the case of a trading halt, and the Board of Directors, in the case of a suspension of trading, to evaluate the status of the rotation in determining whether to halt or suspend trading may contribute to their evaluation of how best to maintain a fair and orderly market.

The Commission further believes that it is appropriate to add Interpretation .04 to Rule 6.3 and Interpretation .01 to Rule 6.4 to state that, in general, trading in a stock option will be halted or suspended when a regulatory halt or suspension in the underlying stock has occurred in the primary market for that stock. The Commission believes that a general practice whereby trading is halted on the CBOE when investors lack access to current pricing information in the primary market for the underlying stock, should contribute to the maintenance of fair and orderly markets. Moreover, the Commission believes that the CBOE's proposal to amend its Regulatory Circular RG93-58 to parallel the provisions of Interpretation .04 to Rule 6.3 and Interpretation .01 to Rule 6.4 will help make such procedures readily known and available to floor members.

The Commission further believes that it is appropriate to amend Rules 6.3(a)(iii) and 6.4(a)(ii) to clarify that these rules are only applicable to nonoption securities. Currently, Rule 6.3(a)(iii) and Rule 6.4(a)(ii) state that the rules apply to any security other than a stock option. The Commission believes that the amendments clarify the proper application of the rule to nonoption securities such as stock, UIT interests, and warrants.

Further, the Commission believes that it is appropriate to rescind Rule 6.3A, which provides for a halt in trading of all equity and index options when there has been a floor-wide New York Stock Exchange halt or suspension as a result of activation of circuit breakers on the New York Stock Exchange. The Commission understands that the only circumstances under which Rule 6.3A could apply are situations that Rule 6.3B already expressly governs and, as a result, the rule is redundant. The rescission of Rule 6.3A will have the effect of removing the mandatory reopening rotation (and related procedures) following a floor-wide NYSE trading halt. However, the Commission believes that the proposed amendment to Interpretation .02 to Rule 6.3B appropriately addresses this circumstance. Interpretation .02 to Rule 6.3B requires a reopening rotation in each class of options following a circuit breaker halt unless two Floor Officials (or an Order Book Official acting upon authorization from a senior Exchange official) conclude that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation, or any other variation in the manner of the rotation. Moreover, the Commission believes that the CBOE's proposal to amend and redistribute Regulatory Circular RG94-17 to parallel the provisions of Interpretation .02 to Rule 6.3B, and notice the rescission of Rule 6.3A, are necessary in order to notify to CBOE members of these reopening procedures.

The Commission also believes it is appropriate to amend CBOE Regulatory Circular RG93-58 to reflect the discretion granted to Floor Officials in Rule 6.3, as amended. Currently, CBOE Regulatory Circular RG93-58 contains limiting language regarding the Floor Officials' discretion when addressing trading halt and resumption of trading procedures. The CBOE's proposed amendments to the Regulatory Circular address the need to provide parallel guidelines between the rules and regulatory circulars regarding trading halt and resumption of trading

procedures.

¹² See Securities Exchange Act Release No. 34126 (May 27, 1994), 59 FR 29309 (June 6, 1994) (Approval Order giving the Order Book Officials or the Post Director the authority to suspend trading, and to turn off RAES for the affected options class or class whenever trading in the underlying security

¹³¹⁵ U.S.C. 78f(b)(15).