

MEMO# 7885

May 23, 1996

INSTITUTE COMMENT LETTER ON NYSE ""CIRCUIT BREAKER"" PROCEDURES

1 See Memorandum to Accounting/Treasurers Committee No. 14-96, SEC Rules Committee No. 29-96, Equity Markets Task Force, dated May 1, 1996. May 23, 1996 TO: ACCOUNTING/TREASURERS COMMITTEE No. 22-96 SEC RULES COMMITTEE No. 46-96 EQUITY MARKETS TASK FORCE RE: INSTITUTE COMMENT LETTER ON NYSE ""CIRCUIT BREAKER"" PROCEDURES

_____ The Securities and Exchange Commission recently published a rule proposal by the New York Stock Exchange, Inc. (NYSE) to amend its "circuit breaker" procedures.¹ The Institute submitted to the SEC today the attached comment letter on the proposal. While the Institutes comment letter generally supports the NYSEs reconsideration of the "circuit breaker" procedures in light of market changes since they were first established in 1988, it argues that the proposed amendments do not go far enough. Specifically, the letter argues that the current trading halt triggers of 250 and 400 points of the Dow Jones Industrial Average should be increased, because they no longer appear to be reflective of "extraordinary market volatility." The letter recommends that no action be taken on the proposal until there has been an opportunity for public comment on increasing the trading halt triggers to more appropriate levels. The letter also seeks reconsideration of the proposal to reopen trading after 4:00 p.m. The proposal does not specify, for example, how long the NYSE would remain open after 4:00 p.m., which may, among other things, adversely affect mutual funds ability to meet the deadline for publishing their per share price in the next days newspapers. Alexander C. Gavis Assistant Counsel Attachment

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