

MEMO# 9650

February 6, 1998

SEC APPROVES INTERIM AMENDMENTS TO CIRCUIT BREAKERS; NYSE CONTEMPLATES ADDITIONAL CHANGES

1 Securities Exchange Act Release No. 34-39582 (January 26, 1998). [9650] February 6, 1998 TO: ACCOUNTING/TREASURERS COMMITTEE No. 5-98 OPERATIONS COMMITTEE No. 5-98 SEC RULES COMMITTEE No. 6-98 TRANSFER AGENT ADVISORY COMMITTEE No. 5-98 RE: SEC APPROVES INTERIM AMENDMENTS TO CIRCUIT BREAKERS; NYSE CONTEMPLATES ADDITIONAL CHANGES

The Securities and Exchange Commission recently approved a rule proposal by the New York Stock Exchange, Inc. ("NYSE") to amend its circuit breaker procedures. The recent amendments retain the current 350 and 550 Dow Jones Industrial Average ("DJIA") point drop triggers, and modify the timing and duration of trading halts. The recent amendments were approved on an interim basis through April 30, 1998 in order to provide the NYSE and the SEC with additional time to reach agreement on increasing the point drop triggers that would implement a trading halt. A copy of the release approving the interim changes is attached.¹ Under the interim amendments, if the first circuit breaker (down 350 DJIA points) is reached prior to 3:00 p.m., trading would be halted for one-half hour. If the first circuit breaker is reached at or after 3:00 p.m., trading would continue uninterrupted until the second circuit breaker (down 550 DJIA points) is reached. If the second circuit breaker is reached prior to 2:00 p.m., trading would halt for one hour. If the second circuit breaker is reached at or after 2:00 p.m. but before 3:00 p.m., trading would halt for 30 minutes instead of one hour. If the second circuit breaker is reached at or after 3:00 p.m., trading would halt for the remainder of the day. The adopting release notes that all U.S. stock and options exchanges, as well as the NASD, have either submitted revised circuit breaker programs or have agreed to comply with such programs. Also, the release notes that futures exchanges trading stock index futures have proposed analogous rule changes with the Commodity Futures Trading Commission. More recently, the NYSE Board approved increasing the magnitude of declines that would trigger trading halts. Specifically, under the NYSE proposal, a 10% drop in the DJIA would halt trading for one hour if it occurred before 2:00 p.m., and for 30 minutes if it occurred between 2:00 p.m. and 2:30 p.m., but would not halt trading at all after 2:30 p.m. A 20% drop in the DJIA would halt trading for two hours if it occurred before 1:00 p.m., and for one hour if it occurred between 1:00 p.m. and 2:00 p.m., and would halt trading for the day if it occurred after 2:00 p.m. A 30% drop in the DJIA would halt trading for the day no matter when it occurred. The NYSE proposal must be approved by the SEC. We will keep you informed of further developments.

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