

54 and should be submitted by June 28, 1995.

It Therefore Is Ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-CBOE-94-54) is approved, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35789; File No. SR-CBOE-95-05]

Self-Regulatory Organizations; Order Approving Proposed Rule Changes and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 1, 2, and 3 to the Proposed Rule Changes by the Chicago Board Options Exchange, Incorporated, Relating to Trading Halts, Trading Suspensions, the Re-opening of Trading after a Trading Halt or Suspension, and the Suspension of the Retail Automatic Execution System

May 31, 1995.

I. Introduction

On January 18, 1995, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange"), filed proposed rule changes with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder, to: (1) Codify the Exchange's existing practice regarding the factors considered and circumstances under which the Exchange could decide to halt or suspend trading in its markets; (2) establish procedures for the resumption of trading after a halt or suspension is lifted; and (3) grant the senior person in charge of the CBOE Control Room the authority to turn off the Retail Automatic Execution System ("RAES") if the Control Room receives a credible indication that trading has stopped in the underlying stock. The Exchange filed Amendment No. 1 to the proposal on February 21, 1995,³ Amendment No.

2 to the proposal on May 10, 1995,⁴ and Amendment No. 3 to the proposal on May 31, 1995.⁵

Notice of the proposal was published for comment and appeared in the **Federal Register** on February 27, 1995.⁶ No comment letters were received on the proposed rule changes. This order approves the Exchange's proposal, as amended.

II. Description of the Proposal

The CBOE proposes to amend its rules and Regulatory Circulars RG94-17 ("Inter-Exchange Procedures in Volatile Markets") and RG93-58 (formerly RG92-40 ("Trading Halt Policy")) to codify existing practices regarding the factors the Exchange considers in deciding whether to halt or suspend trading and the circumstances under which trading is generally halted or suspended by the Exchange. The CBOE also proposes to establish procedures for the resumption of trading after a halt or suspension is lifted, and to grant the senior person in charge of the Control Room the authority to turn off RAES⁷ for a particular stock option if the Control Room receives a credible indication that trading in the underlying stock has been halted.

A. Status of Rotation as Factor Considered in Halt or Suspension

Specifically, the CBOE proposes to amend Rules 6.3(a), 6.4(a) and 24.7(a) to

Regulation"), Commission, dated February 17, 1995. ("Amendment No. 1.")

⁴ Amendment No. 2 proposes to amend Interpretation .05 to CBOE Rule 6.3 to indicate that the senior person in the Control Room may rely on a *verified report* from the CBOE trading crowd as a credible indication of a trading halt or suspension in the primary market of an underlying security.

CBOE also proposes to clarify that its proposed rescission of CBOE Rule 6.3A is intended to encompass the two Interpretations and Policies previously adopted for that rule. See Letter from Michael Meyer, Schiff, Hardin & Waite, to John Ayanian, Attorney, Market Regulation, OMS, Commission, dated May 10, 1995. ("Amendment No. 2".)

⁵ Amendment No. 3 proposes to amend Regulatory Circular RG93-58 to indicate that two Floor Officials may permit trading to continue for more than 15 minutes after a failure of last sale and/or quotation dissemination from either the Exchange or the Options Price Reporting Authority ("OPRA") only with the concurrence of a senior Exchange official. See Letter from Michael Meyer, Schiff, Hardin & Waite, to John Ayanian, Attorney, Market Regulation, OMS, Commission, dated May 31, 1995. ("Amendment No. 3".)

⁶ See Securities Exchange Act Release No. 35397 (February 21, 1995), 60 FR 10621 (February 27, 1995).

⁷ RAES automatically executes public customer market and marketable orders of a certain size against participating market makers in the CBOE trading crowd at the best bid or offer reflected in the CBOE quotation system. A more detailed description of RAES is provided in Securities Exchange Act Release No. 22015 (May 6, 1985), 50 FR 19832 (May 10, 1985).

include the status of the trading rotation⁸ as a factor that may be considered in a decision whether to halt or suspend trading. Although not presently explicit in the CBOE rules, the Exchange states that its current practice includes consideration of the rotation status in deciding whether to halt or suspend trading. An explicit statement would notify members and the public that, when deciding whether to halt trading, Floor Officials may consider the extent to which the rotation has been completed and other factors regarding the status of the rotation. When deciding whether to suspend trading, the Board of Directors similarly would be able to consider the extent to which the rotation is complete and other factors regarding the status of the rotation.

B. Regulatory Halt or Suspension

CBOE further proposes to add Interpretation .04 to Rule 6.3 and Interpretation .01 to Rule 6.4 to reflect the current CBOE practice that, in general, trading in a stock option will be halted when a regulatory halt in the underlying stock has occurred in the primary market for that stock. Pursuant to Rule 6.3, any two Floor Officials may halt trading in any security in the interests of a fair and orderly market for a period not in excess of two consecutive business days. Similarly, the proposal reflects the current CBOE practice that, in general, trading in a stock option will be suspended when a regulatory suspension in the underlying stock has occurred in the primary market for that stock. In the case of a regulatory suspension, the Board of Directors is authorized under Rule 6.4 to suspend trading in any security in the interests of a fair and orderly market for an indefinite period.

Rules 6.3 and 6.4 list factors considered in deciding whether to halt or suspend trading. While the factors listed are considered in deciding whether to halt trading, when a regulatory halt in the underlying stock has been declared in the primary market, generally the Exchange will halt or suspend trading in the overlying stock option. The Exchange believes that the close relationship between the underlying stock and the pricing of stock options overlying that security typically justify such a result. When a regulatory halt is declared in the underlying stock, it often is because some news is pending regarding the

⁸ A "trading rotation" is a series of very brief time periods during which bids, offers, and transactions in only a single, specific option contract can be made. See CBOE Rule 6.2.

⁸ 15 U.S.C. § 78s(b)(2) (1988)

⁹ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 proposes to delete the reference to Rule 6.3A in paragraph (c) of Rule 24.7, because the rule change proposes the deletion of Rule 6.3A in its entirety. See Letter from Michael Meyer, Schiff, Hardin & Waite, to John Ayanian, Attorney, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market

underlying stock and the primary market wants to allow time for the dissemination of such news. For the same reason, the CBOE believes it generally is appropriate in that circumstance to halt trading in the overlying stock option.

CBOE also proposes to amend Rules 6.3(a)(iii) and 6.4(a)(ii) to clarify that these rules are only applicable to non-option securities. Securities other than options include, for example, securities traded at CBOE that are subject to Chapter 30 of the CBOE Rules. Securities presently subject to Chapter 30 include stock, warrants (which term includes currency and index warrants except as otherwise expressly provided or as the context otherwise requires), UIT interests, and such other securities instruments and contracts as the Board of Directors may from time to time declare subject to Chapter 30. The Exchange believes the changes are necessary to clarify that Rules 6.3(a)(iii) and 6.4(a)(ii) do not apply to stock options or any other options traded at CBOE, but only to securities traded at CBOE other than options.

C. Circuit Breaker Halts and Subsequent Reopening Rotations

The proposal also would rescind Rule 6.3A, which provides for a trading halt in all equity and index options when there has been a floor-wide New York Stock Exchange ("NYSE") halt or suspension as a result of activation of circuit breakers on the NYSE. The CBOE believes that this rule is unnecessary because the only circumstances under which Rule 6.3A could apply are situations that Rule 6.3B already expressly governs. Presently, there are only two circuit breakers that lead to a New York Stock Exchange floor-wide halt; when there has been a decline in the Dow Jones Industrial Average of 250 or more points below the previous day's closing value, and when on the same day there is a cumulative decline of 400 or more points from the previous day's closing value. Rule 6.3B already governs trading halts under both of these circumstances. Under Rule 6.3B, the mandatory circuit breaker halt would terminate automatically after the expiration of the applicable one hour or two hour time period.

The proposal would eliminate the requirements contained in Rule 6.3A that, prior to a reopening rotation, (i) an additional determination must be made that a halt or suspension is not in effect in the primary market where the underlying security for each class of options is traded; (ii) a determination must be made, in the case of index options, that a halt or suspension is not

in effect in the primary market of the securities constituting 50% or more of the index value; and (iii) two Floor Officials, in consultation with a designated senior executive officer, must conclude in their judgment that the interests of a fair and orderly market are served by a resumption of trading. The effect of this proposal is that after a circuit breaker halt, trading would resume automatically unless the Exchange affirmatively acted to declare a further halt or suspension pursuant to other rules, such as Rules 6.3, 6.4 or 24.7.

CBOE believes that trading should generally resume after a circuit breaker halt, subject only to the rules regarding trading halts and suspensions. Pursuant to Rules 6.3, 6.4 and 24.7, a halt or suspension in the underlying security (to which Rule 6.3A refers) are among the factors considered in the decision to suspend or halt trading, but these factors do not necessarily *require* a halt or suspension nor limit the Exchange's ability to exercise judgment in these circumstances. CBOE believes that the interests of a fair and orderly market are better served when the rules allow Exchange officials the discretion to evaluate market conditions and circumstances and to exercise their judgment as to when to halt or suspend trading, without the restrictions on the exercise of that judgment that are contained in Rule 6.3A.

The rescission of Rule 6.3A also removes the current requirement that, if trading is halted due to activation of circuit breakers, reopening rotations *shall* be held. Rule 6.3A makes a reopening rotation mandatory and prevents Exchange officials from reopening without a rotation. CBOE believes the interests of a fair and orderly market are better served when the rules allow Exchange officials the discretion to evaluate market conditions and circumstances and to exercise their judgment as to whether to reopen with or without a rotation.

Procedures regarding reopening rotations after a halt triggered by circuit breakers will be added by amending Rule 6.3B, Interpretation .02. The amended Interpretation .02 would require a reopening rotation unless two Floor Officials, or an Order Book Official acting on authorization from a senior Exchange official, conclude it is appropriate under the circumstances to employ a different method of reopening, including but not limited to, no rotation, an abbreviated rotation, or a variation in the manner of the rotation. The senior Exchange official could authorize the order Book Officials to deviate from normal reopening rotation procedures

by making a general announcement to all Order Book Officials. The CBOE believes it is reasonable to presume that a reopening rotation will be held after a circuit breaker halt because, after a floorwide halt, it is physically difficult to have two Floor Officials available at each trading post to make a decision regarding the resumption of trading. The Exchange believes that the presumption allows for a universal treatment of the reopening after a circuit breaker halt, yet still permits appropriate Exchange officials to exercise judgment to deviate from this presumed course of action when a different method of reopening is appropriate.

D. Corresponding Amendments to Regulatory Circulars

1. Regulatory Circular RG94-17

The Exchange also proposes to amend Regulatory Circular RG94-17, which addresses inter-exchange procedures in volatile markets, to make the content of the circular consistent with the proposed amended Interpretation .02 to Rule 6.3B. Regulatory Circular RG94-17 discusses the CBOE's procedures during a halt in options trading due to a DJIA drop of 250 or more points below the previous day's closing trading value, or a cumulative drop of 400 points in the DJIA on the same day. Pursuant to the proposed change to Interpretation .02 to Rule 6.3B, after the expiration of the one 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, Regulatory Circular RG95-17 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.

2. Regulatory Circular RG93-58

The CBOE further proposes to amend Regulatory Circular RG93-58, which addresses trading halt policy for options on individual equity securities, to make the circular consistent with the proposed amendment to Rule 6.3.⁹ Regulatory Circular RG93-58 would be further amended to state that it does not address the Exchange's trading halt

⁹Regulatory Circular RG93-58 is a reprint of Regulatory Circular RG92-40, dated July 8, 1992.

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 in the DJIA.

Consistent with Rule 6.3, Regulatory Circular RG93-58 would be amended to provide that two Floor Officials may exercise judgment regarding trading halts without the concurrence of a senior Exchange staff official. Presently, Rule 6.3 provides that a decision regarding whether to halt trading may be made by any "two Floor Officials." This amendment would make the guidelines in Regulatory Circular RG93-58 consistent with the Rule 6.3. The Exchange believes that 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 circumstances where a trading halt may be simultaneously necessary in multiple options classes.

Regulatory Circular RG93-58 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." Rule 6.3 permits Floor Officials 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. The proposed amendments to Regulatory Circular RG93-58 delete language that would limit Floor Official's discretion by imposing mandatory criteria.

The proposal would further amend Regulatory Circular RG93-58 to reflect the 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.

Regulatory Circular 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 the Options Price Reporting Authority ("OPRA"),¹⁰ trading may only resume

¹⁰ OPRA is a National Market System Plan approved by the Commission pursuant to Section 11A of the Act and Rule 11Aa3-2. Securities Exchange Act Release No. 17638 (March 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

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 Regulatory Circular 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. Additionally, the language would be amended to limit the discretion of the Floor Officials by requiring the concurrence of a senior Exchange official if two Floor Officials want to permit trading to continue for more than 15 minutes after a failure of last sale and/or quotation dissemination. 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, the Exchange believes 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 CBOE proposes to delete the requirement in paragraph four of Regulatory Circular RG93-58 that, in

American Stock Exchange, the Pacific Stock Exchange, and the New York Stock Exchange.

The OPRA plan was implemented 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.

connection with a primary market floor-wide trading halt not subject to Rule 6.3B, 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 Regulatory Circular 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.

E. RAES

Finally, the proposal would add Interpretation .05 to Rule 6.3 to grant authority to the senior person then in charge of the Exchange's Control Room to turn off RAES with respect to a stock option if that senior person confirms that the Control Room has received a credible indication (including, but not limited to, a verified report from the trading crowd)¹¹ that trading in the underlying stock has been halted or suspended. After exercising such authority, that senior person would

¹¹ CBOE represents that if information of a trading halt or suspension comes from the trading crowd or from a source other than authoritative information in the Control Room, the senior person in charge of the Control Room would first attempt to independently verify the information before turning off RAES. To verify the existence of a trading halt or suspension, the senior person in charge of the Control Room would seek to identify and obtain authoritative information in the Control Room, including (1) the quote of the underlying security being pulled from the Class Display Screen, (2) an ST or H appearing on the Class Display Screen via the Consolidated Tape, (3) a print-out in the Control Room confirming the halt or suspension of trading in the underlying security, and (4) notification of the trading halt or suspension via the "Hoot and Holler" system. The Hoot and Holler system is a voice linkage between all of the exchanges and the Commission. Telephone conversation between Edward Joyce, Executive Vice President, CBOE, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on February 16, 1995.

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.

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 is halted).

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 Act¹³ 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.

¹³ 15 U.S.C. 78f(b)(15).

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 non-option 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 non-option 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.

The Commission also believes that it is appropriate for the CBOE to add Interpretation .05 to Rule 6.3 to grant the authority to the senior person then in charge of the Exchange's Control Room to turn off RAES for a particular stock option if that senior person confirms that the Control Room has received a credible indication that trading in the underlying stock has been halted or suspended. The proposed rule change should protect investors and the public interest by enabling the senior person in charge of the Control Room to take prompt action in response to trading halts in underlying securities verified in the Control Room, before the "ST" or "H" symbol appears on the Class Display Screen, or the Post Director or Order Book Official has acted. The Commission notes that if information of an impending halt or suspension comes from the trading crowd or from a source other than authoritative information in the Control Room, the senior person in charge of the Control Room must first verify the information before turning off RAES.¹⁴

The Commission also finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 1 merely corrects a technical error in the proposed amendment to Rule 24.7. As filed, the proposed amendment showed "no change" to paragraph (c) of that rule. In fact, CBOE proposes to amend paragraph (c) to delete the reference to Rule 6.3A, because the rule change proposes the deletion of the latter rule in its entirety. Accordingly, the Commission believes it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 1 to the CBOE's proposal on an accelerated basis.

Additionally, the Commission finds good cause for approving Amendment No. 2 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. This amendment clarifies that when the senior person in charge of the Control Room receives a report from the trading crowd that trading in the underlying stock has been halted or suspended in the primary market, the report from the trading crowd must first be verified before turning off the RAES system with respect to the stock option. The Commission believes that this amendment clarifies the responsibilities of the senior person in charge of the Control Room when invoking this

interpretation and is substantially similar to the original proposal. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 2 to CBOE's proposed rule changes on an accelerated basis.

The Commission also finds good cause for approving Amendment No. 3 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 3 clarifies that, pursuant to Regulatory Circular RG93-58, two Floor Officials may permit trading to continue for more than 15 minutes after a failure of dissemination only with the concurrence of a senior Exchange official. The Commission believes that this amendment clarifies the scope of authority granted to the Floor Officials when invoking this provision and raises no new regulatory issues. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 3 to CBOE's proposed rule changes on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 1, 2 and 3. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street NW., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-95-05 and should be submitted by June 28, 1995.

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule changes (File No. SR-CBOE-95-05), as amended, are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35781; File No. SR-PHLX-95-29]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to an Increase in the Maximum AUTO-X Order Size for U.S. Top 100 Index Options

May 30, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on May 22, 1995, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Currently, public customer market and marketable limit orders for up to 25 option contracts, as determined by the specialist, are eligible for execution through AUTO-X, the automatic execution feature of the PHLX's Automated Options Market ("AUTOM") system. The PHLX proposes to increase the maximum AUTO-X order size eligibility for public customer market and marketable limit orders in U.S. Top 100 Index ("TPX") options from 25 to 50 contracts.

The text of the proposed rule change is available at the Office of the Secretary, PHLX, and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections (A), (B), and (C) below, of the

¹⁴ See *supra* note 11.

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(12).