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, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. All submissions should refer to File No. SR–NSCC–97–17 and should be submitted by March 16, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39666; File No. SR–NYSE–98–06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. To Amend Exchange Rule 80B (''Trading Halts Due to Extraordinary Market Volatility'')

February 13, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Exchange Act'' or ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on February 10, 1998, the New York Stock Exchange, Inc. (''NYSE'' 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

The proposed rule change consists of amendments to Exchange Rule 80B (''Trading Halts Due to Extraordinary Market Volatility'').

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 test 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 most significant aspects of such statements.

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

1. Purpose.

Rule 80B provides, in part, that if the Dow Jones Industrial Average sm (''DJIA'')[3] falls 350 or more points below its previous trading day's closing value, trading in all stocks on the Exchange will halt for one half-hour, except that if the 350 or more point decline is reached at or after 3:00 p.m., there will be no halt in trading. It further provides that if on the same day the DJIA drops 550 or more points from its previous trading day's close, trading on the Exchange will halt for one hour, except that if the 550 point decline occurs after 2:00 p.m., but before 3:00 p.m., the halt will be one half-hour instead of one hour. But if the 550 point drop occurs in the last hour of trading (at or after 3:00 p.m.), the Exchange will close for the rest of the day. These provisions are in effect on a pilot basis through April 30, 1998.

Some believe that the current trigger levels are too low given the current DJIA level of approximately 8000. Others believe that static point values are unresponsive to dynamic market conditions, and prefer triggers based on a percentage of the DJIA, so that the triggers will move with the market. The Exchange is now proposing revisions to the trigger levels that address these concerns.

a. The Proposal. The Exchange proposes to set the triggers at 10%, 20% and 30% of the DJIA, calculated at the beginning of each calendar quarter, using the average closing value of the DJIA for the prior month, thereby establishing specific point values for the quarter. Each trigger will be rounded to the nearest 50 points.

Generally, the halt for a 10% decline will be one hour. If the 10% trigger value is reached at or after 2:00 p.m., but before 2:30 p.m., the halt would be one half hour; at or after 2:30 p.m. the market would continue trading, unless a 20% decline occurred, in which case the market would close for the remainder of the day. Generally, the halt for a 20% decline will be two hours. If the 20% trigger value is reached at or after 1:00 p.m. but before 2:00 p.m. the halt would be one hour; at or after 2:00 p.m., trading would halt for the rest of the day. If the market declines by 30%, at any time, trading will be halted for the remainder of the day.

The Exchange has expanded the duration of the halts early in the day to address concerns that shorter periods were too compressed to respond adequately to extreme declines in the market. The Exchange believes that by varying the duration of the halt periods depending on the severity of the decline and the time of day it occurs, Rule 80B strikes a balance between the desire to reopen after a market-wide trading halt due to extraordinary volatility, and the need for there to be sufficient time before the scheduled close to allow for an orderly reopening.

The Exchange has filed a petition[4] with the Commission to amend Rule 10b–18[5] under the Exchange Act to extend the ''safe harbor'' provisions of the Rule. The Exchange wishes to reiterate its position, expressed in the petition, particularly in view of the amendments to Rule 80B proposed herein, that an expansion of the safe harbor provisions of Rule 10b–18 following a market-wide trading halt would benefit the market by providing additional liquidity during times of market stress. The Exchange requests that the Commission address the Exchange's concerns and amend Rule 10b–18 as proposed in the petition.

b. Price indications. The Exchange also proposes to amend Rule 80B to require that price indications be made during an intra-day Rule 80B trading halt for the stocks comprising the DJIA. This is designed to supply information to market participants on expected pricing levels for these highly capitalized stocks, and, thereby, the Index. Specialists in these stocks will have the responsibility to disseminate these price indications. Indications may

[7] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. § 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] ''Dow Jones Industrial Average'' is a service mark of Dow Jones & Company, Inc.

[4] *See* letter to Jonathan Katz, Secretary, Commission, from James E. Buck, Senior Vice President and Secretary, NYSE, dated January 8, 1998.

[5] 17 CFR 240.10b–18.

also be disseminated in other stocks with Floor Official approval.

Floor Official supervision and approval is mandatory for any indication, including stocks in the DJIA, that represents a change from the last sale of one point or more for stocks priced under $10, the lesser of 10% or three points from a last sale for stocks priced between $10 and $99 15⁄16, and five points from the last sale for stocks priced at $100 or more. Indications in stocks in the DJIA which do not represent such a change do not require Floor Official approval.

c. Background. Rule 80B was enacted in response to studies of the October 1987 Market Break. One such study was the Interim Report of the Working Group on Financial Markets issued by the Under Secretary for Finance of the Department of the Treasury and the Chairmen of the Securities and Exchange Commission, the Commodity Futures Trading Commission and the Board of Governors of the Federal Reserve System in May, 1988. This ''Working Group'' recommended ''coordinated trading halts and reopenings for large, rapid market declines that threaten to create panic conditions.'' The ''Working Group'' specifically recommended, and the Exchange endorsed, temporary halts in the trading of all stocks, stock options, and stock index options as well as the trading of stock index futures and options on stock index futures when the DJIA reaches certain trigger values. The Presidential Task Force on Market Mechanisms (''Brady Commission'') also endorsed the concept of coordinated market trading halts.

Rule 80B was approved by the Commission on a pilot basis on October 19, 1988, and was extended annually, most recently until April 30, 1998.[6] Originally, the halt periods and trigger values were one hour for a decline of 250 points in the DJIA (11.7% of the DJIA at that time), and two hours for a 400 point decline (18.7% of the DJIA at that time). In July 1996, the SEC approved the Exchange's proposal to reduce the duration of the halts to 30 minutes and one hour, respectively.[7] In January 1997, the trigger values were increased to the current levels of 350 (5.1% of the DJIA at that time) and 550 points (8.1% of the DJIA at that time).[8]

The circuit breakers have been triggered just once since their adoption. On October 27, 1997, the market closed for 30 minutes at 2:35 p.m., and after reopening at 3:05 p.m., the Exchange halted trading for the remainder of the trading day when the decline reached 550 points. Several views on the appropriateness of the levels and the duration and timing of the halts were expressed. The Exchange initiated immediate discussions with the SEC, other markets and Exchange advisory committees on possible refinements to the process.

d. Constituent input. Exchange committees comprised of trading professionals, specialists, brokerage houses and representatives of the individual investor community were asked for their views. Other marketplaces, including equities, options and financial futures markets, were likewise consulted for their views. Indeed, the Exchange originally adopted Rule 80B with the understanding that all United States stock and option exchanges and the National Association of Securities Dealers would adopt rules or procedures substantively identical to Rule 80B, and that the futures exchanges would adopt rules halting the trading of stock index futures and options on such futures contracts under circumstances substantively identical to those contained in Rule 80B. The above-described rule change is proposed contingent on that same understanding.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b)(5) of the Act[9] in that it is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. The proposed rule change accomplishes these ends by balancing the need to halt trading temporarily during periods of extraordinary market volatility with the need to provide an open marketplace for trading securities.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copes thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–NYSE–98–06 and should be submitted by March 16, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,

Deputy Secretary.

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[6] *See* Exchange Act Release No. 39582 (January 26, 1998) 63 FR 5408 (February 2, 1998).

[7] *See* Exchange Act Release No. 37457 (July 19, 1996) 61 FR 39176 (July 26, 1996).

[8] *See* Exchange Act Release No. 38221 (January 31, 1997) 62 FR 5871 (February 7, 1997).

[9] 15 U.S.C. 78f(b).

[10] 17 CFR 200.30–3(a)(12).