

Regulatory Circular RG93-58

Date: November 10, 1993

To: Members

From: Equity Floor Procedures Committee

**Re: Trading Halt Policy
Options on Individual Equity Securities**

The following is a reprint of the Exchange's trading halt policy for individual equity options, which was approved by the Securities and Exchange Commission on July 13, 1988 (SR-CBOE-87-46).

Trading halts are, by definition, unusual market conditions. Accordingly, all of the precise circumstances of a trading halt cannot be anticipated. Judgment of all the circumstances at the time a trading halt is under consideration is critical. Except as provided below, to assure consistent application of the Exchange's trading halt policy, the concurrence of two floor officials and a senior Exchange staff official is required. Bearing in mind the need to exercise discretion in response to particular circumstances as they occur, the following are guidelines for trading halts at the Exchange under varying circumstances:

1. **No last sale and/or quotation dissemination either by the Exchange or by OPRA.** At the outset, a time-critical review by two floor officials and senior Exchange staff official will be made of the circumstances causing the failure of dissemination. If it is believed by this group that the dissemination will resume in less than 15 minutes, trading will continue and a message will be given to the news wire services announcing the dissemination difficulty. If it is believed by this group that the dissemination problem will extend beyond 15 minutes, ordinarily a halt will be imposed on all trading in affected securities; trading will resume 15 minutes after notification to the news wire services.
2. **Primary market halts trading in one or more stocks for regulatory reasons.** Trading in the individual stock option overlying a stock which has been halted for regulatory reasons will halt immediately upon the notification thereof by the primary market. Trading will resume upon notification that the underlying security trading has resumed in the primary market. These decisions may be made by two concurring floor officials.

- 3. Primary market non-regulatory trading halt in one or more individual equity securities.** Upon notification by the primary market of a non-regulatory trading halt of an individual equity security in the primary market, trading in the individual stock option overlying the security so halted will be halted as well. In the event that trading activity elsewhere is sufficient, as measured by transaction and share volume, to support trading in the overlying option, trading will be resumed prior to resumption of trading of the underlying security in the primary market 15 minutes after notification to the wire services. Trading will also be resumed immediately upon resumption of trading in the underlying security on the primary market. These decisions may be made with the concurrence of two floor officials.
- 4. The primary market halts trading floor-wide.** If the primary market halts trading floor-wide, the Exchange will halt trading in all individual equity options and will assess the viability of markets in the underlying securities elsewhere, as measured by transactions and by share volume. In the event that it is determined by two floor officials, with the concurrence of a senior staff official, that sufficient markets will support trading other than at the primary exchange, the Exchange will resume trading upon one hour notification to the news wire services.
- 5. Primary market is open but is unable to disseminate last sale or quotation information.** The Exchange's options trading will remain open for trading unless, in the opinion of two floor officials, the absence of disseminated information will impede the ability of market makers to maintain fair and orderly markets in the option. The concurrence of a senior Exchange staff official is required if more than one option class is affected.
- 6. Over-the-counter quote dissemination halt.** Trading in options of overlying over-the-counter securities affected by such a quote dissemination halt will be halted upon first notification of the dissemination halt. Resumption of trading will commence if, in the opinion of two floor officials there is sufficient trading activity, as measured by transactions and share volume, and information available to resume trading. Trading will

resume 15 minutes after notification to the news wire services. The concurrence of a senior Exchange staff official is required if more than one option class is affected.

7. **Expiration Friday trading in individual equity options.** In the event that any of the foregoing should occur on expiration Friday, it is the preference of the Exchange to allow trading to continue on that date. This will be a primary consideration in the assessments to be made by the floor officials and the senior Exchange staff official.
8. **Dissemination of news after the close of trading in the primary market.** In the event of disseminated news which causes the Exchange to believe that trading in options should be halted to allow market participants an opportunity to consider the effect of the news on pricing of trades, the Exchange will halt trading. Two floor officials and a senior Exchange official will then decide whether and, if so, when to recommence trading. This may occur after the primary market of the underlying security has closed for the day, in which event, the decision may be not to resume trading until the next trading day or to have a closing rotation after appropriate notification to the public.

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