

Document 0088

[20088001]

The Chicago Mercantile Exchange said it plans to institute an additional "circuit breaker" aimed at stemming market slides.

[20088002]

Separately, John Phelan told a closed House subcommittee meeting in Washington that he would support Securities and Exchange Commission halts of program trading during market emergencies.

[20088003]

But the New York Stock Exchange chairman said he does n't support reinstating a "collar" on program trading, arguing that firms could get around such a limit.

[20088006]

With the limit in effect, members would be able to execute trades at the limit price or at higher prices, but not below it.

[20088007]

The exchange said it decided a new circuit breaker was needed following a review of the tumultuous trading in stocks and stock-index futures on Friday Oct. 13, when the Dow Jones industrials plunged 190 points and stock-index futures prices skidded as well.

[20088010]

Leo Melamed, Merc executive committee chairman, said that the 12-point limit appeared to lessen the selling panic Oct. 13.

[20088011]

But when the contract reopened, the subsequent flood of sell orders that quickly knocked the contract down to the 30-point limit indicated that the intermediate limit of 20 points was needed to help keep stock and stock-index futures prices synchronized.

[20088012]

Several traders maintained that the Merc's 12-point circuit-breaker aggravated the market slide Oct. 13 by directing additional selling pressure to the floor of the New York Stock Exchange.

[20088013]

All of the changes require regulatory approval, which is expected shortly.

[20088014]

The exchange also said that the 30-point circuit breaker, which currently provides only a one-hour respite during market sell-offs, will become the maximum one-day limit for the S&P 500 stock-index futures contract; the one-day limit now is 50 index points.

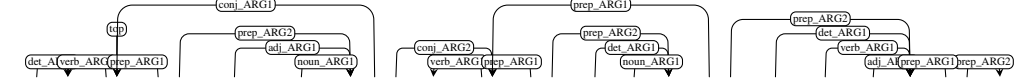
[20088015]

A final modification was made to the five-point opening limit for the contract.

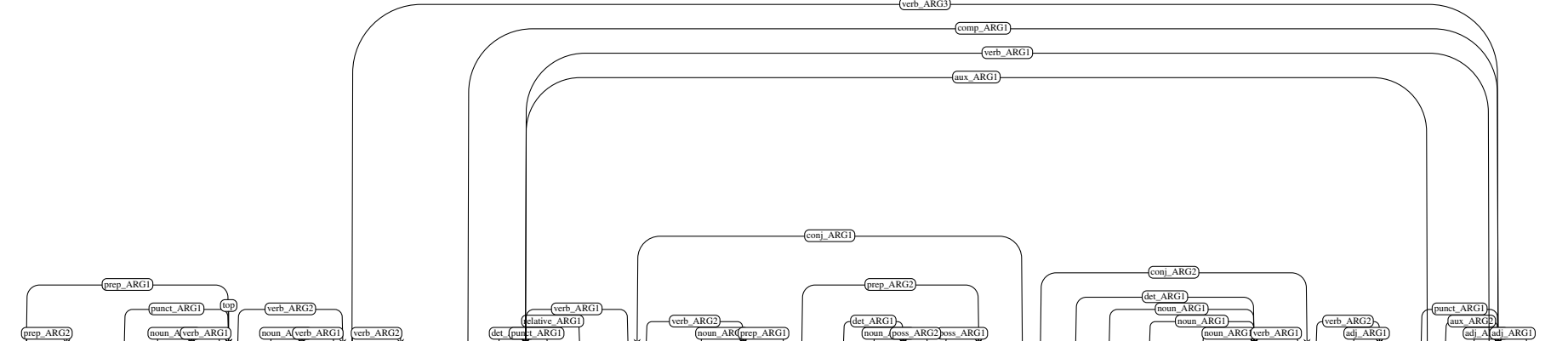
[20088016]

The Merc said that five-point limit will remain in effect for the first 10 minutes of trading.

[20088017]

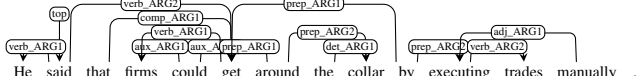
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[20088018]



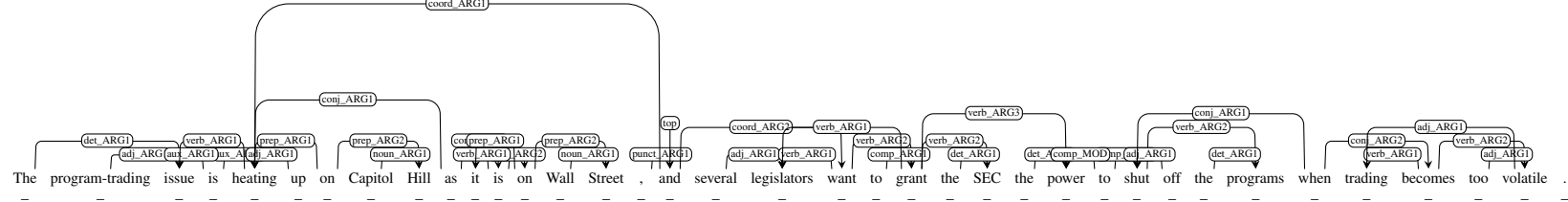
In Washington , House aides said Mr. Phelan told congressmen that the collar , which banned program trades through the Big Board 's computer when the Dow Jones Industrial Average moved 50 points , did n't work well .

[20088019]

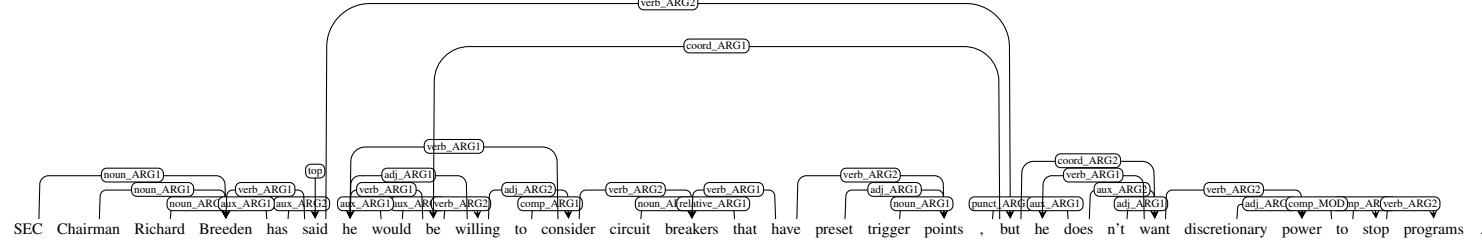


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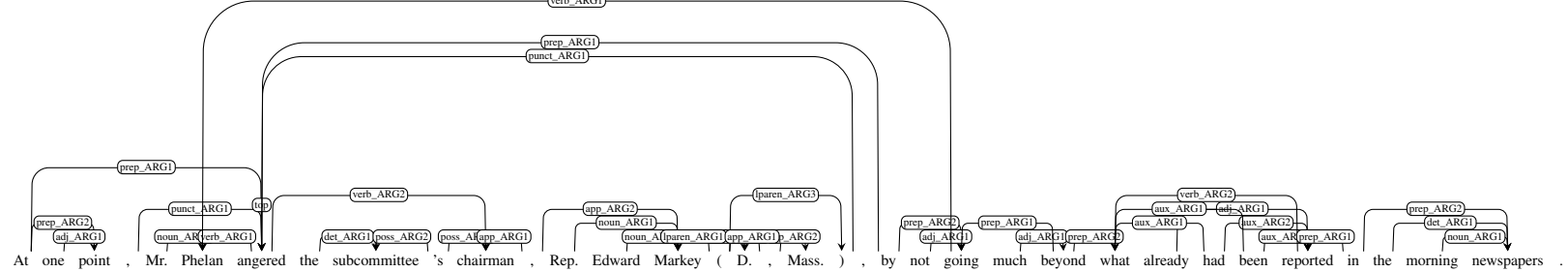
[20088021]



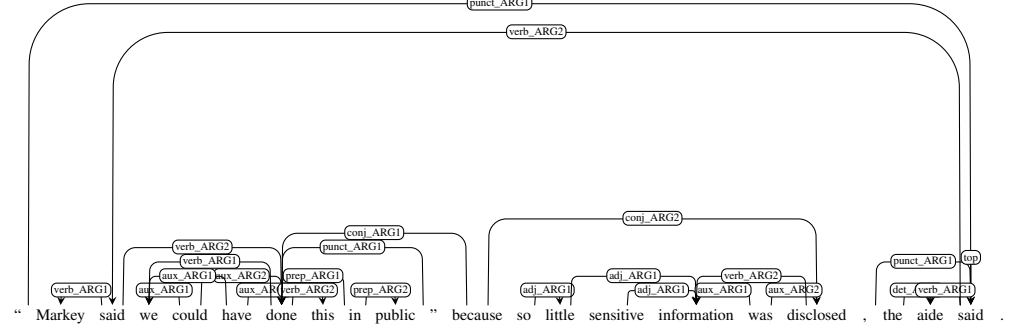
[2008022]



[20088024]

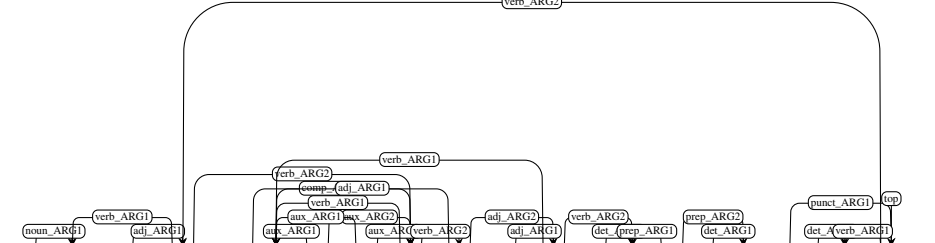


[2008025]



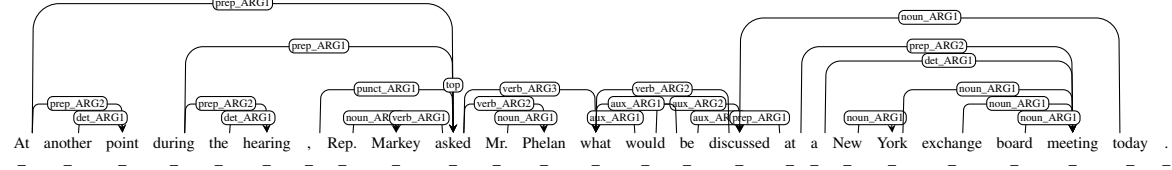
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[2008026]



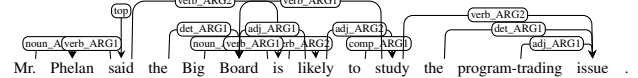
Mr. Phelan then responded that he would have been happy just writing a report to the panel, the aide added.

[2008027]



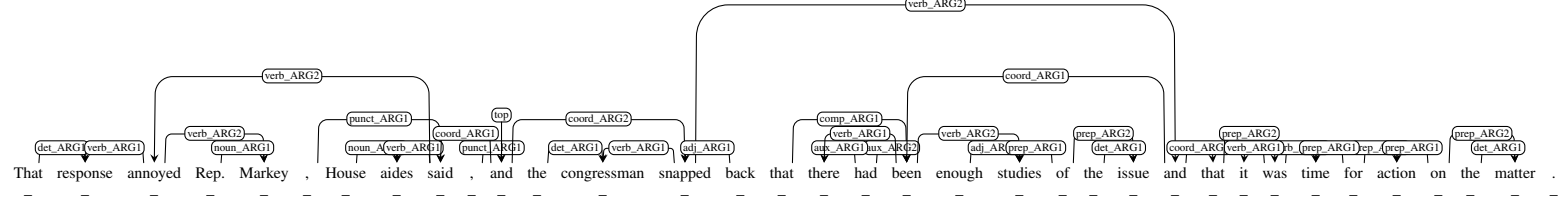
[20088028]

[20088028]



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[20088029]



[20088031]

Mr. Dingell expressed concern , sources said , about jurisdictional problems in regulating program trading , which uses futures to offset stock trades .

[20088032]

The futures industry is regulated by the Commodity Futures Trading Commission , which reports to the Agriculture committees in both houses .