

Regulatory Circular RG00-189

To: Members

From: Legal Division

Date: December 21, 2000

Re: JBO Participants Prohibited from Entering Orders Into RAES

It should be noted that each participant in a Joint Back Office (“JBO”) arrangement<sup>1</sup> is required to be registered as a broker-dealer.<sup>2</sup> Additionally, Exchange Rule 6.8(a) states that orders for an account in which a member or any non-member broker-dealer has an interest are not eligible for routing to RAES. Consequently, an order for an account in which either a JBO or a JBO participant has an interest is not eligible to be routed to RAES. Any order for an account for a JBO or a JBO participant must be properly marked so that the order is not routed to RAES.

Any questions concerning this circular may be directed to Timothy Thompson at (312) 786-7070.

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<sup>1</sup> A Joint Back Office (“JBO”) arrangement is generally one in which a clearing broker-dealer (“JBO clearing firm”) sells a nominal ownership interest in non-voting stock to a participant (“JBO participant”). This ownership position allows the JBO clearing firm to finance securities transactions of the JBO participant on a good faith margin basis and to not apply full customer margin requirements of Regulation T and the self-regulatory organizations.

<sup>2</sup> Exchange Rule 13.4 (which became effective on August 28, 2000), and similar rules of the other options exchanges, require, among other things, that each participant in a JBO must be registered as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934 and subject to the capital requirements prescribed by Rule 15c3-1 therein.