

Regulatory Circular RG01-31

To: Members

From: Equity Floor Procedure Committee

Date: March 8, 2001

Re: Routing of Orders of Accounts in which Market-Makers Have an Interest

A few members have asked the Equity Floor Procedure Committee to interpret its circular concerning the routing of broker-dealer and firm orders, *i.e.*, Regulatory Circular RG98-147. This circular provides for the routing of “broker-dealer” and “firm” orders to Public Automated Routing (“PAR”) terminals and Mobile PAR terminals but specifically provides that “market-maker orders” must be directly routed to crowd printers and not to PAR.¹

Just as the Exchange described “broker-dealer orders” in its SEC rule filing (see footnote 1) to mean an order for an account in which a broker-dealer has an interest, the Committee similarly means for “market-maker orders” to be orders for accounts in which a market-maker² has an interest. A “market-maker” may be an away-exchange market-maker³ or a CBOE market-maker. A market maker will be deemed to have an “interest” in an “account” if (i) the market-maker has any ownership in the account; (ii) the market-maker has management or control over the trading in the account; or (iii) the account is used to facilitate the market-maker’s business. A market-maker may be deemed to have an “interest” in the account even if the orders sent from the account are treated as firm proprietary orders, even if the orders are not recorded in a “market-maker” account, and/or even if the orders are not given market-maker margin treatment by the clearing firm.

Firms handling orders for accounts in which market-makers have an interest must employ reasonable procedures to ensure that such orders are properly marked to ensure proper routing.

Any questions concerning this circular may be directed to Timothy Thompson at (312) 786-7070 or to Patricia Cerny at (312) 786-7722.

¹ The Equity Floor Procedure Committee issued Regulatory Circular RG98-147 pursuant to its authority under Regulatory Circular RG98-146 which provides the appropriate Floor Procedure Committee with the discretion to determine whether to allow market-maker orders to be routed to PAR. SR-CBOE-98-51, noticed in Securities Exchange Act Release 40786 (December 14, 1998), 63 FR 70818 (December 22, 1998).

² An options market-maker includes: any individual registered with an exchange as an options market-maker, and any broker-dealer registered with an exchange to act in the capacity of an options market-maker.

³ Away-exchange market-makers include, but are not necessarily limited to, the following categories: Specialists or Registered Traders on the American Stock Exchange, Specialists or Registered Options Traders on the Philadelphia Stock Exchange, Lead Market-Makers or Market-Makers on the Pacific Exchange, and Primary Market-Makers or Competitive Market-Makers on the International Stock Exchange.