



To: Members  
From: Legal Division  
Date: February 28, 2007  
Subject: Rule Change Related to Multiple Representation Exception Procedures

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A rule change that amended Rule 6.55, *Multiple Representation Prohibited*, was approved (see Release 34-55263, SR-CBOE-2005-111). Under Rule 6.55, unless an exception procedure applies, Market-Makers are not permitted to enter or be present in a trading crowd while a Floor Broker present in the trading crowd is holding an order on behalf of the Market-Maker's individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest.

The rule change amended the rule in the following respects:

- **New Exception Procedure for Solicited Orders of In-Crowd Market-Makers:** Under this new exception procedure, a Market-Maker may permissibly enter or be present in a trading crowd in which a Floor Broker is present who holds a solicited order on behalf of the Market-Maker's individual or joint account or a solicited order initiated by the Market-Maker for an account in which the Market-Maker has an interest, provided that: (i) the Market-Maker makes the Floor Broker aware of the Market-Maker's intention to enter or to be present in the trading crowd and (ii) the Market-Maker refrains from trading in-person on the same trade as the original order being represented by the Floor Broker.<sup>1</sup> It is the responsibility of the Market-Maker utilizing this procedure to ascertain whether solicited orders for the Market-Maker's joint account have been entered in a trading crowd prior to the Market-Maker trading the joint account in-person.
- **New Exception Procedure for Orders of In-Crowd Market-Makers:** Under this new exception procedure, a Market-Maker may permissibly enter or be present in a trading crowd in which a Floor Broker is present who holds an order on behalf of the Market-Maker's individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest, provided that (i) the Market-Maker makes the Floor Broker aware of the Market-Maker's intention to enter or to be present in the trading crowd and (ii) the Market-Maker refrains from trading in-person on the same trade as the order being represented by the Floor Broker.
- **Updated Exception Procedures for Entering/Existing the Crowd:** Under this existing exception procedure, numbered Interpretation and Policy .01, a Market-Makers may

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In conjunction with this new procedure, Rule 6.74, *Crossing Orders*, has been amended to reflect that a Floor Broker may cross an order he is holding with a solicited order from a Market-Maker that is then in the trading crowd, provided the requirements of Rule 6.55 are satisfied.

permissibly enter a trading crowd in which a Floor Broker is present who holds an order on behalf of the Market-Maker's individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest if the Market-Maker (i) makes the Floor Broker aware of his intention to enter the trading crowd and (ii) the Market-Maker cancels the order. Thereafter, the Market-Maker can re-enter the order upon his exit from the trading crowd. This procedure continues to exist, but has been updated to delete outdated references to manual processes (e.g., writing notations on order tickets) that are no longer applicable.

The text of the revised rule is attached. In addition, Regulatory Circulars RG01-060 and 01-128, which pertain to the simultaneous presence in a trading crowd of participants in and orders for the same joint account pursuant to Interpretation and Policy .02 to Rule 6.55, are available on CBOE's website at [www.cboe.org/Legal](http://www.cboe.org/Legal). Members seeking further information as to the revised rule should refer to the rule change, which is also available on CBOE's website. For any other questions, please contact Jennifer Lamie, Legal Division, at (312) 786-7576.

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#### Rule 6.55. Multiple Representation Prohibited

(a) No member, for any account in which the member has an interest or on behalf of a customer, shall maintain with more than one broker orders for the purchase or sale of the same option contract or other security, or the same combination of option contracts or other securities, with the knowledge that such orders are for the account of the same principal.

(b) Except in accordance with procedures established by the appropriate Procedure Committee or with such Committee's permission in individual cases, no Market-Maker shall enter or be present in a trading crowd while a Floor Broker present in the trading crowd is holding an order on behalf of the Market-Maker's individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest.

. . . Interpretations and Policies:

.01 A Market-Maker may permissibly enter a trading crowd in which a Floor Broker is present who holds an order on behalf of the Market-Maker's individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest if one of the following procedures is followed:

(a) The Market-Maker makes the Floor Broker aware of the Market-Maker's intention to enter the trading crowd and the Floor Broker cancels the order. If the Market-Maker wishes to re-enter the order upon the Market-Maker's exit from the trading crowd, a new order must be entered.

(b) The Market-Maker cancels the order prior to the Market-Maker's entry into the trading crowd. If the Market-Maker wishes to re-enter the order upon the Market-Maker's exit from the trading crowd, a new order must be entered.

.02 Exchange regulatory circulars concerning joint accounts should be consulted in connection with procedures governing the simultaneous presence in a trading crowd of participants in and orders for the same joint account.

.03 Subject to the requirements of Rule 6.9 or 6.74, as applicable, a Market-Maker may permissibly enter or be present in a trading crowd in which a Floor Broker is present who holds (a) a solicited order on behalf of the Market-Maker's individual or joint account or (b) a solicited order initiated by the Market-Maker for an account in which the Market-Maker has an interest, provided that the Market-Maker makes the Floor Broker aware of the Market-Maker's intention to enter or to be present in the trading crowd and the Market-Maker refrains from trading in-person on the same trade as the original order. It is the responsibility of the Market-Maker utilizing these procedures to ascertain whether solicited orders for the Market-Maker's joint account have been entered in a trading crowd prior to the Market-Maker trading the joint account in-person.

.04 A Market-Maker may permissibly enter or be present in a trading crowd in which a Floor Broker is present who holds an order on behalf of the Market-Maker's individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest, provided that the Market-Maker makes the Floor Broker aware of the Market-Maker's intention to enter or to be present in the trading crowd and the Market-Maker refrains from trading in-person on the same trade as the order being represented by the Floor Broker.

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