

Regulatory Circular # 96-73

Date: July 29, 1996

To: Exchange Membership

From: Brian Novak, Chairman  
OEX Floor Procedures Committee

Re: OEX Telephone Policy

This regulatory circular supersedes Regulatory Circular RG 95-54 and governs the installation and use of all telephones and telephone lines at the S&P 100 ("OEX") options trading post. Available telephone services at the OEX post include: (i) Exchange-provided general use telephones that may be used by members to make calls to or to receive calls from locations within the CBOE building and, with the assignment of a PIN number, may be used by members to make calls to locations outside of the building, (ii) telephones or telephone lines dedicated to the exclusive use of approved floor brokers that may be used to make or receive calls to or from locations outside of the CBOE building, and (iii) telephones or telephones lines dedicated to a particular member to make calls to a location within the CBOE building, for example to a booth location.

Members who wish to apply for PIN numbers enabling them to use Exchange-provided telephone lines to place outside calls and floor brokers who wish to apply for dedicated telephones or telephone lines must submit a completed Application and Agreement to the Exchange. Those members who use a dedicated telephone line to make calls to a location within the CBOE building, such as to a booth location, will need to file the Application and Agreement. Copies of the Application and Agreement may be obtained from the telecommunications service center located on the second floor.

An Application and Agreement need not be submitted by those members who use Exchange-provided general use telephone lines (i) to make calls to or to receive calls from locations within the CBOE building other than on the trading floor when no order is being transmitted during the telephone call and (ii) to receive orders from or to transmit orders to locations on the CBOE trading floor. Exchange-provided general use lines may not be used to receive incoming calls from outside the CBOE building, including calls emanating from outside the CBOE building but patched or transferred from a phone on the trading floor or elsewhere, and may not be used to receive orders directly from non-member customers.

Floor brokers who wish to apply for dedicated telephones or telephone lines must submit a completed Application and Agreement to the Exchange, and the application must be approved by the OEX Floor Procedure Committee and the Exchange's Department of Compliance. Restrictions exist on the usage of telephones depending upon the type of approval that a Member receives. Approval to transact business with public customers under Chapter IX includes the requirement that any floor broker who receives orders directly from public customers must be Series 7 qualified. **Sole proprietor floor brokers may not under any circumstances receive orders directly from public customers.**

The following additional requirements and conditions apply to the use of telephone services at the OEX post:

1. PIN numbers, which must be entered before making outside calls over Exchange-provided general use telephone lines, may be used from any general use floor telephone, thus offering flexibility and freedom to those members who move about the floor.

2. No activation fee will be charged for PIN numbers, but local and long distance calls will be charged for as follows:

!Local calls to any number in the 312, 708 or 847 area codes will be billed at 10 cents per minute.

!Long distance calls will be billed at a rate 25% higher than the Exchange's direct cost, which is still lower than standard rates. For example, a call that ordinarily costs 17 cents per minute is charged to the Exchange at 12 cents per minute due to the Exchange's volume discount. This call would be charged to a PIN number at 15 cents per minute.

!A monthly maintenance fee of \$5.00 is charged to all PIN number accounts, which is used to offset the expenses of additional central trunks as a result of the PIN number service.

3. Only those floor brokers that (i) are either nominees of member firms approved to transact business with public customers in accordance with Chapter IX of the Rules of the Exchange or individual members who have registered their memberships for the use of such member firms and (ii) have received approval of the Exchange's Membership Committee may receive orders directly from public customers over dedicated telephones or dedicated telephone lines at the OEX post. Approval to transact business with public customers under Chapter IX includes the requirement that any floor broker who receives orders directly from public customer must be Series 7 qualified. **Sole proprietor floor brokers may not under any circumstances receive orders directly from public customers.**

4. Only those quotations that have been publicly disseminated pursuant to Rule 6.43 may be provided over post telephones.

5. Members may give their clerks their PIN access code. Although both members and clerks

may use the telephones, members will have priority. Each member will be responsible for all calls made using that member's PIN access code.

6. Headsets will not be permitted on the telephones at the post. Portable or cellular phones also will not be permitted.

7. Clerks will not be permitted to establish a base of operation utilizing telephones at the OEX post. This means, for example, that a clerk may not monopolize the use of a telephone receiver on a telephone that has multiple lines all of which are not lines dedicated to the Member for whom that clerk works.

8. The Exchange may provide for the taping of any telephone line into the OEX post or may require Members to provide for the tape recording of a dedicated line at the OEX post at any time. Members and their clerks using the telephones consent to the Exchange that any telephone or line may be tape recorded by the Exchange.

9. The telephones will be used for voice service only. Data services (PC's, fax, etc.) will remain subject to Exchange consent under a separate program.

10. Incoming calls from locations outside of the CBOE building may be received at the OEX post only on telephones or telephone lines dedicated to the exclusive use of approved floor brokers, and may not be received on Exchange-provided general use telephone lines at the post. For this purpose, a call that emanates from a location outside the building and is patched or conference-linked from a member's booth or other location to a post telephone is considered to be a call from outside the building.

**Please note that no person or Committee, including the OEX Floor Procedure Committee, has the authority to waive any of the above conditions and requirements.** However, the OEX Floor Procedure Committee will continue to monitor the use of the telephones in the post and determine whether to recommend any changes to the policy.

This is to remind members that all other telephone and communications facilities on the floor of the Exchange require prior Exchange approval.

Questions concerning the conditions on the use of the telephones should be directed to Gregory R. Rich at 786-7847 or to a Trading Floor Liaison representative on the trading floor. Questions concerning qualifications for conducting a public customer business should be directed to Larry Bresnahan at (312) 786-7713 in the Department of Compliance. Questions concerning the financial, records, and reporting requirements of broker-dealers engaged in doing business with the public should be directed to Richard Lewandowski at (312) 786-7183 in the Department of Financial Compliance. Questions concerning registration requirements should be directed to GEmily Schmitz at (312) 786-7056.