

Regulatory Circular RG97-94

To: Members and Member Personnel

From: Legal Department

Re: Prohibition on Clerk Trading

Date: July 21, 1997

The purpose of this circular is to reiterate that Exchange rules prohibit clerks employed by members from entering into transactions on the Exchange's trading floor.

CBOE Rule 6.20 provides that the only persons who may enter into a transaction on the Exchange floor are Exchange members who have been approved to perform a floor function and Exchange employees who have been designated by the Exchange to act as order book officials. Additionally, CBOE Rule 7.3 permits the Exchange to designate any Exchange employee to act in the capacity of an order book official, regardless of that person's Exchange job title.

Accordingly, clerks of market-makers, floor brokers, member firms, and DPMs, as well as other associated persons who are not members, are all prohibited by Rule 6.20 from making or entering into trades on the Exchange floor.

Further, only those DPM personnel who are Exchange members and who are wearing member badges may enter into a trade or execute a booked order. Although some DPM employees have been issued black acronym badges to assure that the proper DPM acronym is recorded by members who enter into transactions with a DPM, **persons wearing black badges are not members and may not enter into a trade or execute a booked order.** DPMs that require assistance in performing the DPM's book function may request Exchange personnel to assist the DPM, for which the Exchange may charge the DPM a reasonable fee.

Except as provided under Rule 7.3, any clerk who enters into an Exchange transaction, that clerk's employer and supervisors, and any member who enters into an Exchange transaction with a clerk may all be subject to Exchange disciplinary action.

Any questions regarding this circular may be directed to Daniel Hustad at (312) 786-7715 or to Margaret Williams at (312) 786-7834. DPMs desiring to request assistance from the Exchange in performing their book function should contact John Johnston at (312) 786-7303 or the Help Desk at extension 7100.