

Regulatory Circular RG98-94

Date: September 9, 1998
To: Members
From: Regulatory Services Division
Re: Joint Account Participant Trading In Equity Options

This memorandum addresses procedures established by the Equity Floor Procedure Committee ("EFPC") regarding the trading activities of joint account participants in equity option crowds. These procedures do not apply to the trading activities of DPMs in their appointed option classes. These procedures supplement Exchange Rules regarding transactions on the floor by members. The requirements governing joint account trading on RAES are contained in the rules and memoranda regarding the operations and eligibility requirements for that system (See Rules 6.8 and 8.16).

The EFPC has determined that the following procedures apply to the trading of joint accounts in equity options:

1. A joint account may be simultaneously represented in a trading crowd only by participants trading in-person. Orders for a joint account may not be entered in a crowd where a participant of the joint account is trading in-person for the joint account. However, if no participant is trading in-person for the joint account, orders may be entered via floor broker so long as the same option series is not represented by more than one floor broker.
2. Members may alternate trading in-person between their individual and joint accounts while in the crowd. Members who alternate trading between accounts must ensure that while trading the joint account another participant does not enter orders through a broker for the joint account in the same crowd or that an order is not being continuously represented for the joint account in the same crowd.
3. The EFPC has determined that it is the responsibility of a joint account participant to ascertain whether joint account orders have been entered in a crowd prior to trading the joint account in-person.
4. Joint account participants may not act as a floor broker for the joint account of which they are a participant.
5. When a joint account participant is trading in a crowd for his individual account or actively as a floor broker for accounts unrelated to his joint account, another participant of the joint account may either trade in-person for the joint account or enter orders for the joint account with other floor brokers.
6. Members are prohibited from entering orders in a particular crowd with floor brokers for their individual or joint account whenever they are trading in-person in that crowd; this applies even though the orders are for an account they are not then actively trading.

7. It is a member's responsibility to ensure that they do not trade in-person or enter orders with floor brokers such that any of the following results:

(a) a trade occurs between a joint account participant's individual account and the joint account of which he or she is a participant,

(b) a trade occurs between two joint accounts that have common participants, or

(c) a trade occurs in which the buyer and seller are representing the same joint account and are on opposite sides of a transaction.

Joint Account Identification

The proper procedure for completing a trade ticket for joint account transactions is that both the initiating member's acronym and the joint account acronym must be recorded. This information is required to insure that the initiating joint account member receives credit for such transactions as they relate to reporting and market performance obligations set forth in Exchange Rules 6.51(d) and 8.7.03.

Requests for exemptions from the above procedures should be directed to the EFPC.

Questions regarding this memorandum may be directed to either Pat Cerny at (312) 786-7722 or Karen Charleston at (312) 786-7724.

(RG96-28, revised)