

Regulatory Circular RG98-133

To: Members and Member Personnel

From: Regulatory Services Division

Re: Prohibition on Clerk Trading

Date: December 4, 1998

The purpose of this circular is to reiterate that Exchange rules prohibit non-member employees of members and member organizations from entering into transactions on the Exchange's trading floor.

CBOE Rule 6.20 and the Interpretations and Policies thereunder provide 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 members, 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. **Persons acting as clerks of members may record or confirm the terms of a transaction only after the transaction has been agreed to between or among the members executing the trade.**

With respect to DPM stations in particular, 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.