

**RAN-01-05**  
**January 22, 2001**

**TO: All Members and Member Organizations**

**FROM: Department of Regulatory Policy**

**SUBJECT: Use of Telephones on Options Floor**  
**(File No. SR-PCX-00-33)**

On January 11, 2001 the Securities and Exchange Commission approved PCX's proposed rule change to PCX Rule 6.2(h), Use of Telephones on the Options Floor, SR-PCX-00-33. The rule change provides the permitted uses of telephones on the options floor with certain restrictions. Specifically, the rule change: (1) Allows Floor Brokers to use cellular and cordless phones to place calls to any person at any location (whether on or off the Trading Floor); (2) Allows Market Makers to place orders by phone to the post from on or off the floor; (3) Allows Floor Brokers at a trading post to accept orders during outgoing calls except Market Makers may transmit orders to the trading post during incoming calls. Finally, under the rule change, only quotes that have been publicly disseminated may be provided over telephones.

Following is the text of the rule change. Questions regarding this bulletin may be directed to Cindy Sink, Senior Attorney, Regulatory Policy at (415) 393-7926.

#### **EXHIBIT A**

#### **Text of the Rule Change:<sup>1</sup>**

#### **¶ 4733 Admission to and Conduct On the Options Trading Floor**

Rule 6.2(a) - (c) No Change.

(d) – (g) – Reserved.

(h) *Telephones on the Options Floor.*

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<sup>1</sup>New text is underscored.

(1) *Registration.* Members and Member Firms must register, prior to use, any new telephone to be used on the Options Floor. Registration forms are available from the Control Room. Each phone registered with the Exchange must be registered by category of user (Market Maker, Floor Broker, Clerk or Manager). If there is a change in the category of any user, the phone must be re-registered with the Exchange. At the time of registration, Members and Member Firm representatives must sign a statement that they are aware of and understand the rules governing the use of telephones on the Trading Floor. No Member or Member Firm may employ any alternative communication device, including but not limited to e-mail, on the Trading Floor without the prior approval of the Options Floor Trading Committee.

(2) *Capacity and Functionality.* No wireless telephone used on the Trading Floor may have an output greater than one watt. No person on the Trading Floor may use any device for the purpose of maintaining an open line of continuous communication whereby a person not located in the trading crowd may continuously monitor the activities in the trading crowd. This prohibition covers intercoms, walkie-talkies and any similar devices. Speed-dialing features are permitted on any Member phone.

(3) Requirements and Conditions: The following requirements and conditions shall apply to use of telephoning services at the option posts:

(A) Only those quotations that have been publicly disseminated pursuant to Rule 6.73 may be provided over telephones at the post.

(B) Orders transmitted by registered Exchange Market Makers may be entered directly to the trading posts. All other orders may be entered directly to the trading posts only during outgoing telephone calls that are initiated at the option posts.

(C) The Exchange may provide for the taping of any telephone line into the trading posts or may require Members to provide for the tape recording of a dedicated line at the posts at any time. Members and their clerks using the telephones consent to the Exchange tape recording any telephone or line.

~~(3)~~(4) *Market Makers and LMMs.*

(A) Market Makers and LMMs may use their own cellular and cordless phones to place calls to any person at any location (whether on or off the Trading Floor).

(B) ~~Market Makers and~~ Only LMMs may use the ~~Pit Rep and~~ LMM telephones located at the trading posts and only for the purpose of marketing option issues, responding to customer inquiries, or otherwise conducting

Exchange business. ~~No person other than a Pit Rep or an LMM may use the Pit Rep or LMM phones.~~

~~(C) Market Makers located off the Trading Floor may not place an order by calling a Floor Broker who is present in a trading crowd. Market Makers located off the Trading Floor may not otherwise place an order by calling the Pit Rep or LMM phone in the trading crowd. Any telephonic order entered from off the Trading Floor must be placed with a person located in a member firm booth~~

~~(4)~~ (5) *Floor Brokers.*

~~(A) Floor Brokers may use cellular and cordless phones, but only to communicate with persons located on the Trading Floor. to place calls to any person at any location (whether on or off the Trading Floor). These phones may not include a call forwarding feature. Headsets are permitted for Floor Brokers, but if the Exchange determines that a Floor Broker is maintaining a continuous open line through the use of a headset, the Floor Broker will be prohibited from future use of any headset for a length of time to be determined by the Exchange.~~

~~(B) Floor Brokers may receive orders over their phones from persons on the Trading Floor. subject to the provisions of rule 6.2(h)(3)(B). Any telephonic order entered from off the Trading Floor must be placed with a person located in a member firm booth.~~

~~(C) *Ticket to Follow.* A Floor Broker in a trading crowd who receives a telephonic order from a Member or Member Firm representative located on the Trading Floor may represent that order immediately in the trading crowd, provided (a) that an order ticket for the order must be prepared and time stamped in the member firm booth before the order is transmitted telephonically to the Floor Broker in the trading crowd; and (b) that the written, time-stamped order ticket for the order must be taken to the Floor Broker in the trading crowd immediately after it has been prepared~~

~~(D) Floor Brokers may not use the Pit Rep or LMM telephones under any circumstances.~~

~~(5)~~ (6) *Clerks.*

~~(A) Floor Broker Clerks are subject to the same terms and conditions on telephone use as Floor Brokers.~~

~~(B) Stock Execution Clerks are subject to the same terms and conditions on telephone use as Floor Brokers.~~

(C) Market Maker Clerks are subject to the same terms and conditions on telephone use as Market Makers.

(D) The Options Floor Trading Committee reserves the right to prohibit clerks from using cellular or cordless phones on the floor at any time that it is necessary due to electronic interference problems or capacity problems resulting from the number of such phones then in use on the Trading Floor. In such circumstances, the Committee will first consider restricting the use of such phones by Market Maker Clerks, then by Stock Execution Clerks, and then finally, by Floor Broker Clerks.

~~(6)~~ (7) *Floor Managers.* Member Firm Floor Managers may use any telephone, including any cellular or cordless phones, for any business purpose relating to their management responsibilities (except that they may not use the ~~Pit Rep~~ or LMM phones).

~~(7)~~ (8) *General Access Phones.* The general access phones located outside of the trading post areas may be used by any Member, Clerk or Member Firm Floor Manager to communicate with persons located on the Trading Floor.

~~(8)~~ (9) *Telephone Records.* Members must maintain their cellular or cordless telephone records, including logs of calls placed, for a period of not less than one year. The Exchange reserves the right to inspect such telephone records pursuant to Rule 10.2 (Investigations).

~~(9)~~ (10) *Exchange Liability.* The Exchange assumes no liability to Members or Member Firms due to conflicts between phones in use on the Trading Floor or due to electronic interference problems resulting from the use of telephones on the trading floor.

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