



REGULATORY INFORMATION BULLETIN

**RAN-00-13
May 25, 2000**

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

**SUBJECT: Ticket-to-Follow Rule for Option Orders
(File No. SR-PCX-99-17)**

On May 23, 2000, the SEC approved a PCX rule change proposal to permit Options Floor Brokers to represent orders in the trading crowd with a ticket-to-follow. Under the former rules, Floor Brokers were not permitted to represent orders they received over the telephone unless and until they have prepared, from outside the trading crowd, a written, time-stamped order ticket. The rule change permits a Floor Broker in the trading crowd who receives an order from a Member or Member Firm representative located on the Trading Floor to represent that order immediately in the trading crowd, provided that: (a) an order ticket is 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) a written, time-stamped order ticket for the order must be taken immediately to the Floor Broker in the trading crowd. The rule change also modifies PCX Rules 6.67, 6.85 and OFPA F-5 to make them consistent with the new ticket-to-follow provision.

Following is the text of the rule change that the SEC approved. Questions regarding this Bulletin may be directed to Michael Pierson, Director, Regulatory Policy at (415) 393-4107.

EXHIBIT A

Text of the Rule Change:¹

Rule 6.2(h) **Telephones on the Options Floor**

(1) – (3) – No Change.

(4) Floor Brokers

(A) – No Change.

(B) Floor Brokers may receive orders over their phones from persons on the Trading Floor. ~~Floor Brokers who receive telephonic orders while in the trading crowd must step outside of the crowd, write up an order ticket and time stamp it before representing the order in the crowd.~~ 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) ~~(C)~~ – No change.

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¶ 5091 **Orders Required to Be in Written Form**

Rule 6.67(a) – (c) – No change.

(d) A Floor Broker may represent a telephonic order, with the ticket to follow, as provided in Rule 6.2(h)(4)(C).

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¶ 5199 **Market Maker Orders Executed by Floor Brokers**

¹ New text is underscored; strikethrough indicates deleted text.

Rule 6.85(a) – (c) – No change.

Commentary .01 - .02 – No change.

.03 [No change to first paragraph]

Except as provided in Rule 6.2(h)(4)(C) (Ticket to Follow Rule), ~~When~~ when a Floor Broker receives a verbal order from a Market Maker, or when a Floor Broker is requested by a Market Maker to alter an order in his possession in any way, the Floor Broker shall immediately prepare an order ticket from outside the trading crowd and time stamp it.

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OPTIONS FLOOR PROCEDURE ADVICES

* * *

F-5

¶7807 **Subject: Means of Communication on the Options Floor**

Pursuant to Rule 6.2(b), Rule 6.67, Rule 6.73 and Rule 6.46, the Options Floor Trading Committee deems that hand signals may represent a potential for abuse in the transmission of private information not generally available to other members. Accordingly, the Committee has established the following regulations governing the proper use of hand signals on the Floor.

Hand signals may always be used to request and to relay information regarding current quotations and market size. Also, without limiting the applicability of Rule 6.67, (Orders Required to be in Written Form) the use of hand signal communications on the floor of the Exchange may be used to increase or decrease the size of an order, to change the order's limit, to cancel an order or to activate a market order. Any cancellation, or change of an order relayed to a Floor Broker through the use of hand signals also must be relayed to the Floor Broker in a timestamped, written form immediately thereafter. All cancellations and changes of orders held by the Order Book Official must be in written form. The executing broker who receives the communication must have a written order in his possession with all of the following information on the ticket:

- Underlying security ticker symbol
- Expiration month
- Striking price
- Volume
- Purchase or Sale Notation
- Whether Market or Limit Order

Cancellation of orders held by the Floor Broker must be in written form in accordance with current practice. A Floor Broker may cancel an order through the use of hand signals if it is followed immediately by a written cancellation.

~~Any changes to an order must be documented in writing outside of the crowd and the ticket time stamped, before the revised order may be represented.~~

The Options Floor Trading Committee has determined that, in order to ensure that trading occurs in an open and public manner, all communications on the Floor among members, their clerks, and messengers, and others authorized to enter into transactions on the Options Trading Floor, shall be conducted in the English language.