



## Special Executive Report

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### HEADSET POLICY CHANGE APPROVED IN THE S&P OPTIONS PIT

The CME® Trading Floor Operations Committee ("Committee") has considered and approved a request for a change to the headset policy in the Standard & Poor's 500 Stock Price Index ("SP") options pit. The change allows brokers standing at any level of the SP options pit and clerks standing in approved clerk locations to use headsets to receive **member orders** (orders for the accounts of individual members and firm proprietary accounts receiving a preferential clearing fee) originating from on or off the trading floor provided that all audit trail and recordkeeping requirements are met. Prior to the change, only brokers standing at the bottom of the SP options pit were permitted to receive member orders via the use of a headset and clerks were prohibited from accepting member orders that originated off the trading floor.

**Please note that brokers and clerks in the SP options pit remain prohibited from communicating with, or accepting orders from, non-member customers via headsets.**

The change is effective immediately. This change is not applicable to the SP futures pit where headset use by brokers to accept member orders is prohibited unless the broker stands at the bottom of the pit (defined as the bottom plus two steps up). SP futures top-step clerks remain prohibited from accepting calls from off-floor locations.

In order to obtain a headset, members and clerks are required to submit a completed headset application to the CME Telecommunications Department that identifies the intended use of the headset. Applications are available at the Wireless Telecommunications desk located on 7S immediately outside the upper trading floor.

CME Rule 536.A.2. ("Recordkeeping Requirements for Pit, GLOBEX, and Negotiated Trades – Member Open Outcry Pit Trades – Member Executing Orders Received from Another Member on the Trading Floor") sets forth the recordkeeping requirements concerning the placement and execution of verbal orders on the trading floor while CME Rule 536.A.3. ("Member Executing Orders Received from Another Member Off the Trading Floor") sets forth the recordkeeping requirements concerning the execution of orders received from members located off the trading floor. A copy of the pertinent sections of Rule 536.A.2. and A.3. appear on the opposite side of this document.

If you have any questions concerning the policy change, please contact Robert A. Sniegowski, Associate Director, Market Regulation, at 312/648.5493 or Eric S. Wolff, Managing Director, Regulatory Affairs, at 312/930.3255. Questions concerning the headset application process should be directed to the Wireless Telecommunications Hotline at 312/648.5454.

### **536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES**

#### **536.A. Member Open Outcry Pit Trades**

2. Member Executing Orders Received from Another Member on the Trading Floor
  - a. Whenever a member receives a verbal order from another member present on the trading floor, the member executing the order must record the time of execution to the nearest minute on a trading card for each execution made for the order. The member executing the order must return the card to the member initiating the order in sufficient time to comply with the card and order pick-up schedule in Section A.1.g.
  - b. A member placing a verbal order, except for orders involving options-futures combination and other spread trades, shall simultaneously make a written record of the order on his pre-sequenced trading card in sequence with his other trading cards and record the time of placement to the nearest minute. The trading card used to record the placement of the verbal order and the trading card used to record the execution of the order must be submitted together to the clearing member by the member placing the order in accordance with the card and order pick-up schedule in Section A.1.g.
3. Member Executing Orders Received from Another Member Off the Trading Floor

A member or his employee standing in a trading pit receiving an order directly over a headset for pit execution from an off-floor member for his account or from an authorized representative of an Exchange clearing member, 106.H. or 106.I. firm for the account of such firm must simultaneously make a written record of the order on a trading card including the identification of the member calling in the order. The member executing the order must record the trade and the time of execution to the nearest minute on the card, and must then deliver the card to the initiating member's clearing member in sufficient time to comply with the card and order pick-up schedule in Section A.1.g.