

Regulatory Circular RG00-08

DATE: January 10, 2000

TO: Members and Member Organizations

FROM: Division of Regulatory Services

SUBJECT: Option Day Trades Exceeding Account Approval Level

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**PLEASE ROUTE TO: COMPLIANCE DEPARTMENT
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The purpose of this Regulatory Circular is to address the guidelines that member organizations are required to follow with respect to the proper identification of options day trades in non-member customer accounts that exceed an account's approved options strategy level. The term "day trading" means the opening purchase or sale and the subsequent closing sale or purchase of the same security on the same day.¹

KEY ISSUE

- Member organizations that conduct a non-member customer business are required to establish and implement reasonable procedures to identify, on at least a post-trade date basis, options day trades in non-member customer accounts that exceed an account's approved option strategy level.

DISCUSSION

Member organizations that conduct a non-member customer business are required by Exchange Rule 9.8 - Supervision of Accounts to establish, maintain and enforce written procedures for the supervision of all non-member customer accounts, and all option orders for such accounts. This includes surveillance for option day trades that exceed

¹ In respect of options, each option series is considered a different security. The purchase(sale) of one option series and the sale(purchase) of a different option series within the same option class on the same day is not considered a day trade.

an account's approved option strategy level; for example, detecting when the sell side of an option day trade occurs before the buy transaction in an account not approved for uncovered writing.

The Exchange requests that member organizations review their policies and procedures for the surveillance of options trading in non-member customer accounts, and to take steps, if necessary, to establish and implement reasonable procedures to identify, on at least a post-trade date basis, option day trades in non-member customer accounts that exceed an account's approved option strategy level.

Failure by a member organization to comply with the forgoing requirements may result in Exchange disciplinary proceedings and be deemed a violation of Exchange Rules 4.2 - Adherence to Law and 9.8 - Supervision of Accounts.

Questions regarding this Regulatory Circular should be directed to Jaime Galvan at (312) 786-7058, or Barry J. Szurgot at (312) 786-7756 in the Department of Financial and Sales Practice Compliance.