

Regulatory Circular RG94-80

Date: December 9, 1994  
To: All CBOE Members  
From: Regulatory Services Division  
Re: Cabinet Trades/Accommodation Liquidations

Cabinet trades may be effected as follows pursuant to CBOE Rules 6.54 and 21.15:

1. Opening cabinet orders may be executed for customer, firm and market-maker accounts.
2. All cabinet orders, whether opening or closing, including those for market-maker accounts, must be placed with the Order Book Official (OBO). (No member may personally trade an option contract at a price less than 1/16.)
3. Opening cabinet orders will be accepted by the OBO only to the extent that they can immediately be paired with unexecuted, contra closing orders already held by the OBO. For example, whether the OBO has closing orders to sell a total of 50 contracts at \$1 per contract, an opening order to purchase 100 contracts at \$1 per contract will be only half-filled. The unexecuted portion of the opening cabinet order will not be retained by the OBO or displayed in the crowd. Under no circumstances can two opening cabinet orders be matched with each other.
4. Information as to the aggregate size of closing cabinet orders held by the OBO will be displayed in the trading crowd. Cabinet bids and offers and cabinet trades are not disseminated to the public.
5. A floor broker who receives a buy order should not fill the order at 1/16 when orders to sell at \$1 per contract are displayed. Instead, the floor broker should book the buy order, and the OBO will match the buy order with closing cabinet sell orders. Any remaining portion of the buy order which cannot be filled at \$1 per contract may be returned to the floor broker.
6. When a floor broker receives a market order to sell and the disseminated market is no bid, 1/16 ask, with closing orders to buy at \$1 per contract held by the OBO, the floor broker should consult with the customer (or the customer's firm) to determine whether the sell order or a part thereof should be executed at \$1 per contract. The customer should be made aware that if the order is treated as a cabinet order, it will be filled at \$1 per contract and not at the minimum fractional change of 1/16 (\$6.25 per contract) otherwise required under exchange rules.
7. Print-throughs of cabinet orders are handled the same way as other print-throughs. If a closing cabinet sell order is printed through, the order will generally be entitled to an execution on the number of contracts printed through, at \$1 per contract.

Questions concerning this memorandum may be directed to Jeffrey B. Schroer at (312) 786-7716 or Barbara Casey at (312) 786-7712