

Regulatory Circular RG97-05

Date: January 14, 1997

To: Members, Member Firms and Clearing Firms

From: Regulatory Services Division

Re: Transfer of Positions

This circular addresses Exchange Rule 6.49A - Transfer of Positions, which codifies the Exchange's existing policy regarding off-floor position transfers and establishes a new on-floor procedure for the bulk transfer of positions. Under Rule 6.49A, transfers can be made off floor in the following situations:

- ☞ dissolution of a joint account when a remaining member assumes the positions of the joint account
- ☞ total or partial dissolution of a partnership or corporation when a former nominee or general partner assumes the positions; positions transferred as part of a member's capital contribution to a new or existing joint account, partnership or corporation
- ☞ donation of position(s) to a not-for-profit corporation
- ☞ transfer of positions to a minor under the "Uniform Gifts to Minor" law
- ☞ merger or acquisition where continuity of ownership or management results
- ☞ other situations when approved by the President of the Exchange.

For situations other than those listed above, a procedure has been developed for the transfer of a "package" on the floor which includes at least one option position that is a material part of the package. The transfer of option positions as a result of an acquisition or dissolution in which all or substantially all of the assets of one entity are acquired by another where there remains no continuity of ownership or management are examples of situations that normally would be (i) subject to this procedure or (ii) subject to transfer on another Exchange that lists the option. A "Transfer Package" is a set of options or other financial products which is offered as a package by the transferor to be bid upon at a net credit or debit for the entire package. The following summarizes the on-floor procedure for the transfer of a package:

1. Each "Transfer Package" will have one class of options, but may include stock and other securities. A transferor may offer multiple "Transfer Packages", or a portfolio of packages, on the floor at the same time. The Transfer Package will be offered by the member wishing to transfer the positions for bids at a net credit or debit for the entire package.
2. If the Transfer Package or portfolio of packages includes one class of options, or multiple classes of options which all trade at the same post and station, and does not include stock or other securities, it must be offered at the post where the option class trades. Each component must be individually priced and reported and is subject to ordinary trading procedures.
3. If the Transfer Package or portfolio of packages includes securities or other financial instruments other than options, or option classes which trade at multiple trading stations, the Package or

portfolio must be offered at the Index FLEX post. The OBO or DPM at the post where the options components trade must be notified of the Package being offered. Packages offered at the Index FLEX post are subject to the FLEX Trading Procedures and Principles in Rule 24A.5, and the Index FLEX post official will disseminate any last sale information in the form of a net credit or debit via the CBOE internal blackboard.

4. Unless an alternative amount of time is approved by the President of the Exchange, members will have two hours to make a market quote for the Transfer Package at the Index FLEX post. All market quotes must be net credit or net debit for the entire package, including options, securities and other instruments which may be part of the package. Requests for quotes can be made until 1:00 p.m.; however, if permission is granted to allow a request time of less than two hours, requests for quotes can be made until 2:30 p.m. At the end of the request period, the member wishing to transfer the positions may either accept the best bid or offer, or may decide to offer the Package again the following day. Permission from the President of the Exchange is necessary to offer the Package for more than two days.
5. This procedure may also be used by market-makers who, for reasons other than a forced liquidation, such as an extended vacation, wish to liquidate their entire, or nearly their entire, position in a single set of transactions. However, this procedure is not to be used repeatedly or routinely in circumvention of the normal auction market process.
6. If portions of the Package must be traded on another Exchange, and the non-CBOE portion cannot be traded due to a trading halt or other operational problem, the options portion of the Package may be canceled by any party to the trade.

Please refer to the text of Exchange Rule 6.49A for a detailed explanation of the Transfer Procedure. Questions concerning this circular can be addressed to Pat Cerny at (312) 786-7722 or Karen Calvin at (312) 786-7759.