

Regulatory Circular RG93-63

Date: December 7, 1993

To: Member and Member Organizations

From: Regulatory Services Division

Re: Market-Makers Effecting Closing Transactions for their Customer Account

This Regulatory Circular is being issued in response to member inquiries regarding the correct procedure for Market-Makers to follow when closing a position which they established from off the trading floor and cleared in their customer account. In accordance with the rules stated below, a **Market-Maker may close a position previously established in his customer account by effecting a trade in-person on the trading floor or by initiating a closing transaction via an order from on or off the trading floor.**

**CBOE Rule 8.1 - Market-Maker Defined**, states that only transactions that are initiated on the floor of the Exchange shall count as Market-Maker transactions. The specialist provisions of Regulation T Section 220.12(b) are available only to orders initiated from the floor of an Exchange. An order initiated by a Market-Maker from off the floor of an Exchange which opens or increases a position must be margined as a customer position. An order initiated by a Market-Maker from off the floor of an Exchange which closes or reduces an existing position in the Market-Maker's account may be transmitted to the floor and executed as a Market-Maker order and may be cleared and settled in a Market-Maker's account, as closing transactions are not subject to the provisions of Regulation T or Exchange Rule 8.1.

Questions regarding this policy may be directed to Barbara Casey, the Department of Market Regulation, at (312) 786-7712.