

MARKET REGULATION ADVISORY NOTICE

Exchange	CBOT
Subject	Cabinet Transactions in Option Products
Rule References	CBOT Rule 542 and CBOT Option Product Chapters
Advisory Date	December 3, 2007
Advisory Number	CBOT RA0701-1

Effective November 29, 2007, CBOT amended its rules related to cabinet transactions. A cabinet trade is an option trade executed in a deep out-of-the-money option at a premium value less than the standard minimum tick. Each option product chapter defines the standard minimum tick increment and the allowable cabinet increments applicable to that product. For example, the standard minimum tick in Five-Year Treasury Note options is 1/64 of one point (\$15.625), and a cabinet trade in Five-Year Treasury Note options may be executed at a premium ranging from Cab1 (\$1.00) to Cab15 (\$15.00) in \$1.00 increments per option contract. On the electronic trading system, cabinet transactions may occur only at Cab1 (\$1.00).

The amended product chapter rules permit the execution of cabinet transactions to initiate or to liquidate a position. Previously, CBOT rules allowed cabinet transactions for liquidating purposes only.

Additionally, amended CBOT Rule 542 ("Simultaneous Spread and Combination Transactions") permits spread or combination transactions involving cabinet options only if the traded price of the spread or combination is an acceptable cabinet increment, as defined for the particular option, or one standard tick.

Questions regarding this advisory may be directed to the following individual in Market Regulation:

Robert Sniegowski, Executive Director, 312.341.5991