

August 6, 2004.
June 10, 2005.
July 29, 2005.
December 22, 2005.
January 13, 2006.
September 18, 2006.
November 9, 2006.
December 11, 2006.
August 3, 2007.
December 20, 2007.

Sec. 10 Trading Halts

(a) *Halts.* An Options Official may halt trading in any option contract in the interests of a fair and orderly market. The following are among the factors that shall be considered in determining whether the trading in an option contract should be halted:

- i. trading in the underlying security has been halted or suspended in the primary market.
- ii. the opening of such underlying security has been delayed because of unusual circumstances.
- iii. occurrence of an act of God or other event outside BOX's control;
- iv. a Trading Host technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of Options Participant trading applications, or the electrical power supply to the system itself or any related system; or;
- v. other unusual conditions or circumstances are present.

(See BSE Rules Chapter I-B, "Business Hours", Section 1, "Primary Session").

(b) In the event an Option Official makes a determination to halt trading, all trading in the effected class or classes of options shall be halted. BOX shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors.

(c) No Options Participant or person associated with a Participant shall effect a trade on BOX in any options class in which trading has been halted under the provisions of this Section 10 during the time in which the halt remains in effect.

Supplementary Material to Section 10

.01 Trading Pauses. Trading on BOX in any option contract shall be halted whenever trading in the underlying security has been paused by the primary listing market. Trading in such options contracts may be resumed upon a determination by the Exchange that the conditions that led to the pause are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one exchange.

Amended.

June 10, 2010.

Sec. 11 Resumption of Trading After a Halt

Trading in an option that has been the subject of a halt under Section 10 of this Chapter V shall be resumed upon the determination by an Options Official, that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

Sec. 12 Trading Halts Due To Extraordinary Market Volatility

The Market Regulation Center shall halt trading in all options whenever a marketwide trading halt is initiated on the New York Stock Exchange (commonly known as a "circuit breaker") in response to extraordinary market conditions.

Sec. 13 Reserved.

Amended.

September 18, 2009.

Sec. 14 Order Entry

(a) Orders for option contracts and strategies can be submitted to the Trading Host from commencement of pre-opening until market close. Submitted orders, once validated by the Trading Host, are time-stamped to within one one-hundredth of a second.

(b) On BOX :

- i. a bid is represented as an order to buy ("buy order");
- ii. an offer is represented as an order to sell ("sell order"); and
- iii. an execution, or trade is defined as the matching of a buy order and sell order in the BOX Book.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 6, "Bids and Offers for Stocks").

(c) The following types of orders may be submitted to the Trading Host:

- i. *Limit Order.* Limit Orders entered into the BOX Book are executed at the price stated or better. Any residual volume left after part of a Limit Order has traded is retained in the BOX Book until it is withdrawn or traded (unless a designation described in paragraph (d) below is added which prevents the untraded part of a limit order from being retained). All Limit Orders (with the exception of those with a GTC designation as described in paragraph (d)(i) below) are automatically withdrawn by the Trading Host at market close;
- ii. *BOX-Top Order.* BOX-Top Orders entered into the BOX Book are executed at the best price available in the market for the total quantity

available from any contra bid (offer). Any residual volume left after part of a BOX-Top Order has been executed is automatically converted to a limit order at the price at which the original BOX Top Order was executed;

- iii. *Market-on-Opening Order.* Market-on-Opening Orders entered into the BOX Book are executed on the market opening at the best price available in the market until all available volume on the opposite side of the market has been traded. Any residual volume left after part of a Market-on-Opening Order has been executed is automatically converted to a limit order at the price at which the original Market-on-Opening Order was executed. Market-on-Opening Orders have priority over Limit Orders.
- iv. **Market Order.** Market Orders submitted to BOX are executed at the best price obtainable for the total quantity available when the order reaches the BOX market. Any remaining quantity is executed at the next best price available for the total quantity available. This process continues until the Market Order is fully executed. Prior to execution at each price level, Market Orders are filtered pursuant to the procedures set forth in Chapter V, Section 16(b) of these Rules to avoid trading through the NBBO.
- v. Auto Auction Order. The Auto Auction Order (“AAO”) is a Limit Order that is entered into the Trading Host with a price specified in one-cent increments (the “AAO Maximum Improvement Price”), on a series for which the standard trading increment is greater than one cent. When an AAO is received by the Trading Host it will be rounded to the nearest minimum trading increment (“AAO Limit Price”) as defined in Chapter V, Section 6 of the BOX Rules (rounded up if the order is to sell and rounded down if the order is to buy) and placed on the BOX Book (“AAO Limit Order”).
- vi. *Intermarket Sweep Order.* Intermarket Sweep Order (“ISO”) means a Limit Order that instructs the Exchange to execute the order up to the price of its limit, regardless of the NBBO. ISOs may only be entered with a time-in-force of immediate or cancel, and the entering Options Participant must comply with the provisions of Chapter XII, Section 1(g).
- vii. *Customer Cross Order.* A Customer Cross Order is comprised of a non-Professional, Public Customer Order to buy and a non-Professional, Public Customer Order to sell at the same price and for the same quantity. Customer Cross Orders are automatically executed upon entry provided that the execution is between the best bid and offer on BOX and will not trade through the NBBO.
 - 1) Customer Cross Orders will be automatically canceled if they cannot be executed.
 - 2) Customer Cross Orders may only be entered in the regular trading increments applicable to the options classes under Chapter V, Section 6 of the BOX Rules.
 - 3) Supplementary Material .01 to Chapter V, Section 17 applies to the entry and execution of Customer Cross Orders.

- A) AAO Limit Orders will be processed as provided in Subsection (c)(i) of this Section 14 and executed in accordance with Section 16(a)(iv) of Chapter V.
- B) An AAO Limit Order will participate (subject to Chapter V, Section 18 of the BOX Rules) in any price improvement auction "Improvement Auction" (e.g., PIP) if the AAO Limit Price equals the NBBO on the opposite side of Improvement Auction Order at the commencement of the relevant Improvement Auction. At the conclusion of the Improvement Auction, but prior to trade allocation, the BOX Trading Host will convert the AAO Limit Order to an Improvement Order in the Improvement Auction ("AAO Improvement Order"). Each AAO Improvement Order will be submitted to the Improvement Auction with the following terms:
- i. The quantity of the AAO Improvement Order shall be the lesser of the remaining quantity of the AAO Limit Order or the quantity of the Improvement Auction Order.
 - ii. The price of the AAO Improvement Order shall be equal to the price of the best Improvement Order, Primary Improvement Order, Unrelated Order or quote but shall not exceed the AAO Maximum Improvement Price.
- C) **Where there are two or more AAO Improvement Orders in a single Improvement Auction at the same price at the conclusion of the Improvement Auction the order(s) having the highest (lowest) AAO Maximum Improvement Price in the case of a buy (sell) will have first priority. If the AAO Improvement Orders have the same AAO Maximum Improvement Price, the AAO Limit Order(s) received by the BOX Trading Host first will have priority.** The size of the AAO Limit Order will be decremented for any executions that may occur during an Improvement Auction prior to the processing of any other Unrelated Orders received by the BOX Trading Host on the opposite side of the market as the AAO Limit Order.
- D) Any residual size remaining after an AAO Limit Order has partially executed on the BOX Book will continue to be eligible to trade in any subsequent Improvement Auctions. Any such residual size will maintain its priority on the BOX Book for purposes of Chapter V, Section 16 of BOX Rules.
- E) Any modification to the AAO Maximum Improvement Price which causes the AAO Limit Price to change will result in a new time priority for the AAO Limit Order that is already on the BOX Book; changes to the AAO Maximum Improvement Price that result in the same AAO Limit Price will not cause a change to the time priority of the AAO Limit Order. Any increase in quantity of the AAO will cause a new time priority to be assigned. AAO Limit Orders may be canceled at any time.
- F) If an AAO is received in the same series and on the opposite side of the market from another AAO that is already on the BOX Book and these orders are marketable at their AAO Maximum Improvement Price, the AAOs will be matched at the mid-point of the two AAO Maximum Improvement Prices, rounded to the nearest penny in favor of the AAO already on the BOX Book. The quantity of the resulting trade will be for the lesser quantity of the two AAOs.
- G) An AAO may be entered only for Public Customer Accounts.

At the opening, Market Orders have priority over Market-on-Opening Orders and Limit Orders.

After the opening, when the highest BOX Bid for a series is zero, any Market Order or BOX-Top Order to sell ("Zero Bid Orders") shall be considered a Limit Order to sell at a price, above zero, equal to the minimum trading increment applicable to that particular options series (See Chapter V, Section 6 "Minimum Trading Increments"). If the resulting Limit Order would cause a locked or crossed market, then the original Market Order or BOX-Top Order will be rejected by the Trading Host.

- (d) Where no order type is specified, the Trading Host will reject the order.
- i. The following designations can be added to the order types referred to in paragraph (c) above:
- 1) *Good 'Til Cancelled (GTC)*. A GTC designation can be added to Limit Orders and remain in the BOX Book until the order:
 - a. trades;
 - b. is withdrawn by the relevant responsible trader or BOX at the Options Participant's request;
 - c. is automatically withdrawn by the Trading Host at market close on the date specified at the time of order entry; or
 - d. is automatically cancelled by the Trading Host on expiration of the contract month to which the order related;
 - 2) *Fill and Kill (FAK)*. An FAK designation can be added to Limit Orders. FAK orders are immediately executed against any existing orders at the specified price or better up to the volume of the FAK order. Any residual volume left after part of the FAK order has traded will be automatically cancelled by the Trading Host.
 - 3) *Session Order*. An order with a Session Order designation will remain active in the BOX trading system until one of the following events ("Triggering Event") occurs:
 - a. the connection between the Options Participant and BOX that was used to enter the order is interrupted;
 - b. there is a disconnection between internal BOX components used to process orders, causing a component to lose its connection to the Options Participant or the Trading Host while in possession of the Session Order;
 - c. a component of the Trading Host experiences a system error in which it is unable to process open orders while in possession of the Session Order.

Upon the occurrence of one of these Triggering Events, only those Session Orders residing in the affected BOX internal system(s) will be automatically cancelled by BOX. Any Triggering Events are connection or component specific. When a particular external connection between BOX and the Options Participant is interrupted, only those Session Orders that came through the interrupted connection will be automatically cancelled by BOX. When the Triggering Event is a disconnection between internal BOX components, the BOX system will only automatically cancel Session Orders related to the component that is not "responding". The cancellation of the Session Orders from an affected

connection will neither impact nor determine the treatment of the orders of the same or other Options Participants entered into the Trading Host via a separate and distinct connection. All Session Orders will be cancelled at the end of the normal trading day.

A Session Order will not be cancelled and shall remain active in the BOX market if the order is not allowed to be cancelled pursuant to another BOX Rule or it is in one of the following BOX system processes when a Triggering Event occurs:

- The order is being exposed to the BOX market pursuant to Section 16(b) of Chapter V;
- The order is a Directed Order to which the Executing Participant has not yet responded pursuant to Section 5(c)(ii) of Chapter VI;
- The order has been routed away to an away exchange pursuant to Section 5 of Chapter XII;

The Session Order duration type is not available for PIP Orders, Primary Improvement Orders or Improvement Orders.

Amended.

October 13, 2010.

(e) The identity of Options Participants who submit orders to the Trading Host will remain anonymous to market participants at all times, except orders submitted through the Directed Order process, during error resolution or through the normal clearing process as set forth in Chapter V, Section 16(a)(vi) of these Rules.

Supplementary Material to Chapter V. Section 14(e)

.01 The Options Participant identification number ("Participant ID") of an OFP who submits orders to the Trading Host for use in the Directed Order process will be revealed to the Market Maker who receives such Directed Orders as set forth in Chapter VI, Section 5(c) of these Rules.

(f) Orders can be edited once they are held in the BOX Book. Editing of orders may be applied to price, volume and cancellation date (for GTC orders). The time-stamp assigned by the Trading Host at the entry of the original order will be updated if either the price is changed or the volume increased (i.e., the order will assume an inferior position in the time priority "queue"). A reduction in volume or an amendment to the cancellation date has no effect on the time-stamp.

(g) Orders held in the BOX Book can be withdrawn, individually or as a block, by the relevant Participant or under his authority.

(h) All orders with the exception of GTC orders will be purged at market close. All orders, including GTC orders, will be cancelled at close of business on the last trading day of the expiration month to which they relate.

(i) In the event of failure of the Trading Host, all orders will be represented in the pre-opening phase upon return of system functionality pursuant to the procedures established under Section 9 of this Chapter V. (See also Section 27 of this Chapter V).

Amended.

June 10, 2005.
March 20, 2006.
June 30, 2006.
September 19, 2006.
December 11, 2006.
August 3, 2007.
April 9, 2009.
August 18, 2009.
March 1, 2012.

Sec. 15 Audit Trail

(a) *Order Identification.* When entering orders on BOX, each Options Participant shall submit order information in such form as may be prescribed by BOXR in order to allow BOX to properly prioritize and match orders pursuant to Section 16 of this Chapter V and report resulting transactions to the Clearing Corporation. An Options Participant must ensure that each options order received from a Customer for execution on BOX is recorded on an order ticket and time-stamped immediately. The order ticket must be time-stamped again on execution and also at the time of any modification or cancellation of the order by the Customer.

(b) Order tickets relating to BOX must contain the following information at a minimum:

- i. a unique order identification;
- ii. the underlying security;
- iii. opening/closing designation;
- iv. the identity of the Clearing Participant;
- v. Options Participant identification;
- vi. Participant Capacity;
- vii. identity of the individual/terminal completing the order ticket;
- viii. customer identification;
- ix. account type;
- x. buy/sell;
- xi. contract volume;
- xii. contract month;
- xiii. exercise price;
- xiv. put/call;
- xv. price or price limit, price range or strategy price;
- xvi. special instructions (e.g., GTC); and
- xvii. strategy type indicator;

xviii. and such other information as may be required by BOX.

(c) An Options Participant that employs an electronic system for order routing or order management which complies with BOX requirements will be deemed to be complying with the requirements of this Section if the required information is recorded in electronic form rather than in written form.

(d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Section must be retained by Options Participants for a period of no less than three (3) years after the date of the transaction.

Supplementary Material to Section 15:

While the identity of the individual/terminal completing the order ticket and the customer identification (the specific customer or account number) are not submitted in the order entry system, this type of specific information should be maintained as part of the Participant's books and records requirements, and if requested, must be provided to the Exchange. (See BOX Rules Chapter V, Section 1(b)(iv) and Chapter VIII (Records, Reports and Audits)).

Amended.

September 26, 2006.
August 25, 2009.

Sec. 16 Execution and Price/Time Priority

(a) BOX shall display to Options Participants market information in the manner described in subsection (a) ii. BOX will also disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between BOX and OPRA in the manner described in subsection (a) iii.

i. *Ranking.* Orders of Options Participants shall be ranked and maintained in the BOX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry in the following manner.

- 1) Limit Orders, with no other conditions, shall be ranked ahead of all other orders based on the specified limit price and the time of original order entry.
- 2) Conditional orders shall be ranked behind all unconditional Limit Orders at the specified limit price based upon the time of order entry with earlier orders receiving priority.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 6, "Bids and Offers for Stocks").

ii. *Display.* BOX makes the proprietary High Speed Vendor Feed ("HSVF") of BOX market information available at no cost to all Participants. The HSVF contains the following information:

- (1) Trades and trade cancellation information;

- (2) Best-ranked price level to buy and the best ranked price level to sell;
- (3) Instrument summaries (including information such as high, low, and last trade price and traded volume);
- (4) The five best limit prices for each option instrument;
- (5) Request for Quote messages (see Chapter I, Section 1(a)(58), Chapter V, Section 9(h) and Chapter VI, Section 6);
- (6) PIP Order, Improvement Order and Block Trade Order (Facilitation and Solicitation) information (as set forth in Sections 18 and 31 of Chapter V of the BOX Rules, respectively);
- (7) Orders exposed at NBBO (as set forth in Chapter V, Section 16(b)iii and Chapter VI, Section 5(c) iii of the BOX Rules, respectively);
- (8) Instrument dictionary (e.g. strike price, expiration date, underlying symbol, price threshold, and minimum trading increment for instruments traded on BOX);
- (9) Options class and instrument status change notices (e.g., whether an instrument or class is in pre-opening, continuous trading, closed, halted, or whether prohibited from trading); and
- (10) Options class opening time.

iii. *Dissemination.* The best-ranked price level to buy and the best ranked price level to sell in the BOX Book and the aggregate size of orders associated with such prices shall be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 602 under the Exchange Act.

iv. *Order Matching and Trade Priority.* The Trading Host accepts buy and sell orders in the respective sequence in which the Trading Host receives such orders. The following criteria will determine order matching and trade execution priority:

1) *Price.* A buy order at the highest price and a sell order at the lowest price have priority over other orders in the same series/strategy; and

2) *Time.* A buy/sell order at the best price will trade in sequence according to the time it was accepted by the Trading Host, from earliest time stamp to latest.

3) *Trade.* A trade occurs when orders or quotations match in the Trading Host. An order entered into the Trading Host that matches an order in the Trading host will trade at the price of the order in the Trading Host up to the available size.

4) Exception: Options Participant Match Trade Prevention

a. An Options Participant may direct that its Market Maker or proprietary broker-dealer orders entered on BOX not execute against Market Maker quotes or orders, or proprietary broker-dealer orders that originated from such Options Participant and were resting on the BOX Book. In such a case, the quantity of the incoming order that would otherwise trade against the quote/order from the same Participant will be cancelled back to the entering party.

b. A Participant's written direction shall be effective at the beginning of the trading session following MOC's written confirmation to the

Participant of receipt of such Participant's written direction.

- c. Such direction shall be effective until the Participant receives MOC's written confirmation of the Participant's written direction to discontinue the effectiveness of the exception for such Participant.
- d. BOX MOC will act on all Participant directions received pursuant to this subparagraph 4 no later than the beginning of the trading session on the second day following MOC's receipt of such Participant's direction.

Any unexecuted portion of a UPIP Order will trade as specified above except, however, that the same beneficial account: (1) who submits an Improvement Order(s) in the UPIP auction that executes with the UPIP Order; and (2) who had a quote(s) and/or order(s) on the BOX Book before the Eligible Order, as defined in Section 29(e) of this Chapter V, was received by the Trading Host, will receive priority for the beneficial account's quote(s) and/or order(s) on the BOX Book over all other quotes and orders except Customer Orders. This priority will only be granted for the same quantity of the Improvement Order submitted by the beneficial account in the UPIP auction. In the case where two or more quotes or orders qualify for this priority, the priority among them will be according to the time of receipt on the BOX Book of the order or quote.

- v. Where the BOX market is crossed (bids higher than offers) at market open, BOX will determine the price at which the maximum volume can be traded and automatically execute trades accordingly, pursuant to Section 9 of this Chapter V. Any orders executed in this way will be traded at a price equal to or better than that at which they were entered and any untraded bids and/or offers will remain on the BOX Book.
- vi. The details of each trade on BOX will be automatically reported by the Trading Host to the Trade Reporting System. All post-trade details will be published on an anonymous basis. However, for each trade, counterparty details will be made available after the trade is executed to Options Participants that were party to the trade through the normal clearing process. Options Participants are required to keep this information confidential and not allowed to disclose it to any person other than those who are required to know it, or their professional advisers, except where required by law or applicable regulation.
- vii. Options Participants are required to make available personnel responsible for the resolution of trade processing queries, trade disputes and "out trades" when required to do so by BOX.

(b) Filtering of BOX In-Bound Orders to Prevent Trade-Throughs.

- i. With the exception of Improvement Orders and Primary Improvement Orders submitted during a PIP (which are processed in accordance with section 18 of this Chapter V), Directed Orders (which are processed in accordance with section 5, subsections b and c, of Chapter VI) and ISOs (as this term is defined in Section 14 of this Chapter V and Section 1(h) of Chapter XII herein) all inbound orders to BOX (whether on behalf of Customers, non-BOX Participant broker-dealer proprietary accounts or market makers at other exchanges) will be filtered by the Trading Host prior to entry on the BOX Book to ensure that these orders will not:

1) in the case of a sell order, execute at a price below the NBBO bid price

-or-

2) in the case of a buy order, execute at a price above the NBBO offer price.

All of the filtering rules described in this section are independent of whether the NBBO is locked or crossed or not, except where the BOX best price on the same side of the market as the inbound order has crossed or locked, or is crossed or locked by, the opposite side NBBO, the order will be routed, if eligible, or rejected immediately.

ii. If the order is a BOX-Top Order, the Trading Host will handle the order in the following manner:

- 1) In the case where the best price on the BOX Book on the opposite side of the market from the BOX-Top order is equal to the NBBO, the BOX-Top Order will be executed for all the quantity available at this price. Any remaining quantity will be converted to a Limit Order at this execution price pursuant to Section 14(c)(ii) of this Chapter V and filtered as described in subparagraph b(iii) below.
- 2) In the case where the best price on the BOX Book on the opposite side of the market from the BOX-Top Order is not equal to the NBBO, the BOX-Top Order will be converted to a Limit Order for its total quantity at the then current NBBO pursuant to Section 14(c)(ii) of this Chapter V and filtered as described in subparagraph b(iii) below.

If the Order is a Market Order, the Trading Host will handle the order in the following manner:

- 1) In the case where the best price on the BOX Book on the opposite side of the market is equal to the NBBO, the Market Order will be executed for all the quantity available at this price. Any remaining quantity will be filtered as described in subparagraph b(iii) below.
- 2) In the case where the best price on the BOX Book on the opposite side of the market from the Market Order is not equal to the NBBO, the Market Order will be filtered as described in subparagraph b(iii) below.

iii. The Trading Host will filter the relevant orders as follows:

The filter will determine if the order is executable against the NBBO (an order is deemed "executable against the NBBO" when, in the case of an order to sell(buy), its limit price is equal to or lower(higher) than the best bid(offer) across all options exchanges. By definition, a BOX-Top Order or a Market Order is executable against the NBBO).

- 1) If the order is not executable against the NBBO, the order will be

placed on the BOX Book.

- 2) If the order is executable against the NBBO, the filter will determine whether there is a quote on BOX that is equal to the NBBO.
 - a. If there is a quote on BOX that is equal to the NBBO, then the order will be executed against the relevant quote. Any remaining quantity of the order is exposed on the BOX Book at the NBBO for a period of one second. If the order is not executed during the one second exposure period, then the order will be handled by the Trading Host pursuant to subparagraph b(iii)(2)(c) below.

- or -

- b. If there is not a quote on BOX that is equal to the NBBO, then the order is exposed on the BOX Book at the NBBO for a period of one second. If the order is not executed during the one second exposure period, then the order will be handled by the Trading Host pursuant to subparagraph b(iii)(2)(c) below.
- c. At the end of the one second exposure period, any unexecuted quantity will be handled by the Trading Host in the following manner:
 1. If the best BOX price is now equal to the NBBO, the remaining unexecuted quantity will be placed on the BOX Book and immediately executed against that quote. Any remaining quantity will be i) in the case of Public Customer Eligible Orders, routed to one or more Away Exchanges displaying the NBBO, or ii) in the case of market maker or proprietary broker-dealer orders, returned to the submitting Options Participant; or
 2. If the best BOX price is not equal to the NBBO, any remaining unexecuted quantity will be i) in the case of Public Customer Eligible Orders, routed to one or more Away Exchanges displaying the NBBO, or ii) in the case of market maker or proprietary broker-dealer orders, returned to the submitting Options Participant.
- iv. Notwithstanding the foregoing, if an Order is submitted while a PIP is in progress, and the Order is in the same series and on the opposite side of the Customer Order submitted to the PIP (the "PIP Order"), under the circumstances set forth in Section 18(i) of this Chapter V, the Order will be immediately executed against the PIP Order up to the lesser of (a) the size of the PIP Order, or (b) the size of the Order, at a price equal to either (i) one penny better than the NBBO or (ii) the NBBO. The remainder of the Order, if any, continues to be filtered as set forth in this Section 16(b).

Amended.

June 10, 2005.
December 6, 2006.
July 30, 2007.
January 18, 2008.
August 18, 2009.
July 24, 2010.
October 31, 2011.
March 2, 2012.
May 3, 2012.

Sec. 17 Customer Orders and Order Flow Providers

(a) Order Flow Providers (OFP) are those Options Participants representing as agent Customer Orders on BOX. OFPs may register as Market Makers, but are not required to do so.

(b) Options Participants may trade as principal, both as contra party to Customer Orders submitted to BOX by such Options Participant and as contra party to other Options Participants' orders. However, Options Participants may only seek to act as contra party to their own Customer Orders pursuant to Supplementary Material in .02 and .03 to this Section 17 set forth below.

(c) Reserved.

Supplementary Material to Section 17

.01 This Section prevents an Options Participant executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on BOX an opportunity to trade with the agency order pursuant to Section 18 (Price Improvement Period) or Section 31 (Block Trades) of this Chapter V. However, BOXR recognizes that it may be possible for an Options Participant to establish a relationship with a Customer or other person (including affiliates) to deny agency orders the opportunity to interact on BOX and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of this Section for an Options Participant to circumvent this Section by providing an opportunity for a Customer or other person (including affiliates) to execute against agency orders handled by the Options Participant immediately upon their entry into the Trading Host.

.02 If an Options Participant fails to expose its Customer Order on BOX, it will be a violation of this Section 17 for an Options Participant to cause the execution of an order it represents as agent on BOX through the use of orders it solicited from Options Participants and/or non-Participant broker-dealers to transact with such orders, whether such solicited orders are entered into the BOX market directly by the Options Participant or by the solicited party (either directly or through another Participant), unless (i) the agency order is first exposed to the BOX Book for at least one (1) second, (ii) the Options Participant utilizes the Solicitation Auctions pursuant to Section 31(b) of this Chapter V or (iii) the Options Participant utilizes the Price Improvement Period pursuant to Section 18 of this Chapter V.

.03 An OFP may not execute as principal an order it represents as agent unless, (i) the agency order is first exposed to the BOX Book for at least one (1) second, or (ii) the OFP has been bidding or offering on BOX for a least one (1) second prior to receiving an agency order that is executable against such bid or offer; or (iii) the OFP sends the agency order to the Price Improvement Period or Universal

Price Improvement Period process pursuant to Sections 18 and 29 of this Chapter V; or (iv) the OFP sends the agency order to the Facilitation Auction pursuant to Section 31(a) of this Chapter V.

.04 Prior to submitting an order to BOX, including the Price Improvement Period process, the Facilitation Auction, or Solicitation Auction, an Options Participant cannot inform an Options Participant or any other third party of any of the terms of the order, except as provided for in Chapter VI, Section 5(c) of these Rules. (See BSE Rules, Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

Amended.

May 24, 2006.

January 18, 2008.

March 27, 2009.

May 3, 2010.

September 23, 2011.

March 1, 2012.

Sec. 18 The Price Improvement Period ("PIP")

(a) The execution of price improvement transactions via the BOX market is permitted under certain circumstances subject to the procedures detailed in Sections 18, 19 and 29 of this Chapter V. In compliance with these procedures, price improvement transactions for Customer Orders may be consummated with the Options Participant who submits the order, with other Options Participants, Improvement Orders or "Unrelated Orders".

Note: For purposes of Sections 18, 19 and 29 of this Chapter V, an "Unrelated Order" shall be defined as a non-Improvement Order entered into the BOX market during a PIP or a Universal Price Improvement Period ("UPIP").

(b) Options Participants must ensure that, when executing Customer Orders by way of the Price Improvement Period, they comply with all the procedures set forth in these Rules for such transactions; that they act with due skill, care and diligence, and that the interests of their Customers are not prejudiced.

(c) An OFP may not execute as principal an order it represents as agent unless it complies with the provisions of Section 17 of this Chapter V or the OFP sends the agency order to the PIP process pursuant to the rules described below.

(d) An Options Participant must not use the PIP system to create a misleading impression of market activity (i.e., the facilities may be used only where there is a genuine intention to execute a bona fide transaction).

(e) Options Participants, both OFPs and Market Makers, ("Initiating Participants"), executing agency orders may designate BOX-Top Orders, Market Orders, and marketable limit Customer Orders for price improvement and submission to the PIP. Customer Orders designated for the PIP (PIP Orders) shall be submitted to BOX with a matching contra order, the "Primary Improvement Order", equal to the full size of the PIP Order. The Primary Improvement Order shall be on the opposite side of the market than that of the PIP Order and represents either: (i) a single price ("Single-Priced Primary Improvement Order") that is equal to or better than that of the NBBO at the time of the commencement of the PIP; or (ii) an auto-match submission that will automatically match both the price and size of all competing quotes and orders at any price level achieved during the PIP or only up to a limit price ("Max Improvement Primary Improvement

Order"). Either the Single-Priced Primary Improvement Order or the Max Improvement Primary Improvement Order will designate the PIP auction start price ("PIP Start Price"), which shall be equal to or better than the NBBO at the time of commencement of the PIP. BOX will commence a PIP by broadcasting a message to Participants that (1) states that a Primary Improvement Order has been processed; (2) contains information concerning series, size, PIP Start Price and side of the market, and; (3) states when the PIP will conclude ("PIP Broadcast").

- i. The PIP shall be one hundred milliseconds, commencing upon the dissemination of the PIP Broadcast. At the commencement of the PIP, all quotes and orders on the BOX Book prior to the PIP Broadcast that are equal to or better than (a) the Single-Priced Primary Improvement Order price or (b) the PIP Start Price of a Max Improvement Primary Improvement Order, except any proprietary quote or order from the Initiating Participant, will be immediately executed against the PIP Order in price/time priority. Such proprietary quote or order shall not be executed against the PIP Order during or at the conclusion of the PIP.

During the PIP, Order Flow Providers and Market Makers (except for the Initiating Participant) may submit competing orders, "Improvement Orders," for their own account. Order Flow Providers may submit Improvement Orders for the account of a Public Customer under any type of instruction they wish to accept. Order Flow Providers may also provide access to the PIP on behalf of a Public Customer in the form of a CPO or for any account except Market Maker (as set forth in subparagraph (g) below). An Improvement Order submitted to the PIP for the account of a Public Customer, including a CPO or an AAO, must be identified as a Public Customer Order. Option Participants who submit Improvement Orders for a PIP, including CPOs and AAOs, shall be deemed "PIP Participants" for that specific PIP only, and may continually submit competing Improvement Orders during that PIP. During the PIP, Improvement Orders shall be disseminated solely to Option Participants.

- ii. The Initiating Participant is not permitted to cancel or to modify the size of its Single-Priced Primary Improvement Order or the PIP Order at any time during the PIP, and may modify only the price of its Single-Priced Primary Improvement Order by improving it. The subsequent price modifications to a Single-Priced Primary Improvement Order are treated as new Improvement Orders for the sake of establishing priority in the PIP process. The Initiating Participant is not permitted to cancel or to modify the Max Improvement Primary Improvement Order, including the PIP Start Price, the designated limit price or the size.

Options Participants that are permitted to submit Improvement Orders (as set forth in subparagraph i. above) may: (1) submit competing Improvement Order(s) for any size up to the size of the PIP Order; (2) submit competing Improvement Order(s) for any price equal to or better than the PIP Start Price; (3) improve the price of their Improvement Order(s) at any point during the PIP; and (4) decrease the size of their Improvement Order(s) only by improving the price of that order. Improvement Orders may be submitted in one-cent increments.

- iii. At the conclusion of the PIP, the PIP Order shall be matched against the best prevailing quote(s) or order(s) on BOX (except any pre-PIP Broadcast proprietary quote or order from the Initiating Participant), in accordance with price/time priority as set forth in Section 16 of this Chapter V, whether Improvement Order(s), including CPO, AAOs, or Unrelated Order(s) received by BOX during the PIP (excluding Unrelated Orders that were immediately executed during the interval of

the PIP). Such Unrelated Orders may include agency orders on behalf of Public Customers, market makers at away exchanges and non-BOX Participant broker-dealers, as well as non-PIP proprietary orders submitted by Option Participants.

- iv. The only exceptions to time priority are: (1) no order for a non-market maker broker-dealer account of an Options Participant may be executed before all Public Customer order(s), whether an Improvement Order, including a CPO or an AAO, or unrelated, and all non-BOX Participant broker-dealer order(s) at the same price have been filled; (2) as provided in paragraph (f) of this Section 18; and (3) as provided in paragraphs (b) and (c) of Section 19 below. Any portion of an Improvement Order left unfilled shall be cancelled.

(f) The Initiating Participant retains certain priority and trade allocation privileges upon conclusion of the PIP, as follows:

- i. In instances in which a Single-Priced Primary Improvement Order, as modified (if at all), is matched by or matches any competing Improvement Order(s) and/or non-Public Customers unrelated order(s) at any price level, the Initiating Participant retains priority for only forty percent (40%) of the original size of the PIP Order, notwithstanding the time priority of the Primary Improvement Order, competing Improvement Order(s) or non-Public Customer unrelated order(s). The Initiating Participant will receive additional allocation only after all other orders have been filled at that price level.
- ii. In instances in which a Max Improvement Primary Improvement Order is submitted by the Initiating Participant, the Initiating Participant shall be allocated its full size at each price level, except where restricted by the designated limit price and subject to the limitations in paragraph f(iii) of this Section 18, until a price level is reached where the balance of the PIP Order can be fully executed. Only at such price level will the Initiating Participant retain priority for only forty percent (40%) of the remaining size of the PIP Order.
- iii. The Primary Improvement Order shall yield priority to certain competing orders in the following circumstances:
 1. When a Single-Priced or Max Improvement Primary Improvement Order for the proprietary account of an OFP is matched by or matches any competing Public Customer order(s), whether an Improvement Order, including a CPO, an AAO, or Unrelated Order(s), or any non-BOX Participant broker-dealer order(s) at any price level, it shall yield priority to them, including any priority provided pursuant to subparagraph f(i) or f(ii), above.
 2. When the unmodified Single-Priced Primary Improvement Order for the account of a Market Maker is matched by any competing Public Customer order(s), whether an Improvement Order, including a CPO, an AAO, or Unrelated Order(s), or any non-BOX Participant broker-dealer order(s) at the initial PIP price level, it shall yield priority to all competing Public Customer order(s) or non-BOX Participant broker-dealer order(s), including any priority provided pursuant to subparagraph f(i) or f(ii), above.
 3. When the Max Improvement or the modified Single-Priced Primary Improvement Order for the account of a Market Maker matches any

competing Public Customer order(s), whether an Improvement Order, including a CPO, an AAO, or Unrelated Order, or any non-BOX Participant broker-dealer order(s) at subsequent price levels, it shall yield priority to all competing Public Customer order(s) or non-BOX Participant broker-dealer order(s), including any priority provided pursuant to subparagraph f(i) or f(ii), above.

- iv. In all cases in which the Primary Improvement Order has priority pursuant to the provisions of (i), (ii) or (iii), above, it shall be entitled to a trade allocation of at least one (1) contract.
- v. At its option, the Initiating Participant may designate a lower amount for which it retains certain priority and trade allocation privileges upon the conclusion of the PIP auction than the forty (40%) of the PIP Order it is entitled to pursuant to the provisions of subparagraph f(i) or f(ii), above. When starting a PIP, the Initiating Participant may submit to BOX the Primary Improvement Order with a designation of the total amount of the PIP Order it is willing to "surrender" to the other PIP Participants ("PIP Surrender Quantity"). The PIP Surrender Quantity shall not be effective for any amount that is less than or equal to sixty percent (60%) of the PIP Order. In no case shall the PIP Surrender Quantity function result in more than the maximum allowable allocation percentage to the Initiating Participant than that which the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Section 18.

Upon the conclusion of the PIP auction, when the Trading Host determines the priority and trade allocation amounts for the Initiating Participant pursuant to subparagraph f(i) or f(ii), above, the Trading Host will automatically adjust the trade allocations to the other PIP Participants, according to the priority set forth in subparagraphs e(iii) and e(iv) above, up to the PIP Surrender Quantity. The Primary Improvement Order shall be allocated the remaining size of the PIP Order above the PIP Surrender Quantity, if any, pursuant to subparagraph f(i) or f(ii), above. If the aggregate size of other PIP Participants' contra orders is not equal to or greater than the PIP Surrender Quantity, then the remaining PIP Surrender Quantity shall be left unfilled and the Primary Improvement Order shall be allocated the remaining size of the PIP Order pursuant to subparagraph f(i) or f(ii), above.

Note: It shall be considered conduct inconsistent with the just and equitable principles of trade for any Initiating Participant to engage in a pattern of conduct where the Initiating Participant submits Primary Improvement Orders into the PIP process for 2 contracts or less for the purpose of manipulating the PIP process in order to gain a higher allocation percentage than the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Section 18.

(g) In addition to Improvement Orders submitted on behalf of Public Customers, OFPs may provide access to the PIP on behalf of a customer that is not a broker-dealer (i.e. Public Customer) in the form of a Customer PIP Order ("CPO") provided that:

- i. The terms of each CPO shall include a price stated in rounded five cent or ten cent increments, as appropriate, ("standard tick") at which the order shall be placed in the BOX Book ("BOX Book Reference Price") as well as a specific price stated in one cent increments ("penny tick") at which the Public Customer wishes to participate in any PIPs ("CPO Auction Reference Price") that may occur while his order is on the BOX Book and displayed at the BOX Book Reference

Price;

- ii. The terms of each CPO shall include a specific order size ("CPO Total Size"). The number of contracts that may be entered into a PIP must be no greater than the lesser of (a) the CPO Total Size remaining on the BOX Book or (b) the size of the Primary Improvement Order submitted to the PIP;
- iii. In order for the CPO to be eligible for participation in a PIP in the subject options series, the BOX Book Reference Price for a CPO at the time a PIP commences must be equal to the best BOX price (i.e. the BBO).
- iv. The CPO may only participate in a PIP on the same side of the market as the Primary Improvement Order.
- v. Upon initiation of a PIP for which a CPO is eligible to participate pursuant to paragraphs (i)-(iv) above, the OFP who submitted the CPO to the BOX Book must submit a CPO to the PIP at a price which is better than the BOX Book Reference Price and at any price level up to the CPO Auction Reference Price. At any time during the PIP, the OFP may modify the price of the CPO submitted to the PIP to any price level up to the CPO Auction Reference Price.

(h) Reserved.

(i) In cases where an unrelated order is submitted to BOX on the same side as the PIP Order, such that it would cause an execution to occur prior to the end of the PIP, the PIP shall be deemed concluded and the PIP Order shall be matched pursuant to paragraph (e)(iii) of this Section 18, above.

Specifically, the submission to BOX of a BOX-Top Order or Market Order on the same side as a PIP Order will prematurely terminate the PIP when, at the time of the submission of the BOX-Top Order or Market Order, the best Improvement Order is equal to or better than the NBBO on the same side of the market as the best Improvement Order. The submission to BOX of a Limit Order on the same side as a PIP Order will prematurely terminate the PIP if at the time of submission:

- i. the Buy (Sell) Limit Order price is equal to or higher (lower) than the National Best Offer (Bid) and either
 - a. the BOX Best Offer (Bid) is equal to the National Best Offer (Bid); or
 - b. the BOX Best Offer (Bid) is higher (lower) than the National Best Offer (Bid) and the price of the best Improvement Order is equal to or lower (higher) than the National Best Offer (Bid); or
- ii. the Buy (Sell) Limit Order price is lower (higher) than the National Best Offer (Bid) and its limit price equals or crosses the price of the best Improvement Order.

Following the execution of the PIP Order, any remaining Improvement Orders are cancelled and the BOX-Top Order, Market Order, or Limit Order is filtered pursuant to Section 16(b) of this Chapter V.

In cases where an unrelated order is submitted to BOX on the opposite side of the PIP Order, such that it would cause an execution to occur prior to the end of the PIP as set forth below, the unrelated order shall be immediately executed against the PIP Order up to the lesser of (a) the size of the PIP Order, or (b) the size of the unrelated order, at a price equal to either (i) one penny better than the NBBO, if the best BOX price on the opposite side of the market from the unrelated order is equal to the NBBO at the time of execution, or (ii) the NBBO. The remainder of the unrelated order, if any, shall be filtered pursuant to Section 16(b) of this Chapter V. The remainder of the PIP Order, if any, shall be executed at the

conclusion of the PIP auction pursuant to Paragraph (e)(iii) of this Section 18, above. Following the execution of the PIP Order, any remaining Improvement Orders are cancelled.

Specifically, a BOX-Top Order or a Market Order on the opposite side of a PIP Order will immediately execute against the PIP Order when, at the time of the submission of the BOX-Top Order or Market Order, the best Improvement Order does not cross the NBBO on the same side of the market as the PIP Order. The submission to BOX of a Limit Order on the opposite side of a PIP Order will immediately execute against a PIP Order when the Sell (Buy) Limit Order price is equal to or crosses the National Best Bid (Offer) and;

- i. the BOX Best Bid (Offer) is equal to the National Best Bid (Offer); or
- ii. the BOX Best Bid (Offer) is lower (higher) than the National Best Bid (Offer) and neither the best Improvement Order nor BOX Best Offer (Bid) is equal to or crosses the National Best Bid (Offer).

It shall be considered conduct inconsistent with just and equitable principles of trade for any Participant to enter unrelated orders into BOX for the purpose of disrupting or manipulating the PIP process.

(j) Improvement Orders, including CPOs and AAOs, must be submitted in increments no smaller than one penny (\$.01). Improvement Orders, including CPOs, will be displayed to BOX Options Participants, but will not be disseminated to OPRA.

(k) Improvement Orders may not be executed unless the price is equal to or better than the NBBO at the commencement of the PIP, except in the following circumstances:

- i. Where an Options Official determines that quotes from one or more particular markets in one or more classes of options are not reliable, the Options Official may direct the senior person in charge of BOX's Market Control Center to exclude the unreliable quotes from the Improvement Period determination of the NBBO in the particular option class(es). The Options Official may determine quotes in one or more particular options classes in a market are not reliable only in the following circumstances:
 - 1) Quotes Not Firm: A market's quotes in a particular options class are not firm based upon direct communication to the Exchange from the market or the dissemination through OPRA of a message indicating that disseminated quotes are not firm;
 - 2) Confirmed Quote Problems: A market has directly communicated to the Exchange or otherwise confirmed that the market is experiencing systems or other problems affecting the reliability of its disseminated quotes.
- ii. The away options exchange posting the NBBO is conducting a trading rotation in that options class.

Supplementary Material to Section 18

.01 During the extended Pilot Period, there will be no minimum size requirement for Customer Orders to be eligible for the PIP process. During this extended Pilot Period, BOX will continue to submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size PIP orders, that there is significant price improvement for all orders executed through the PIP, and that there is an active and liquid market functioning on BOX

outside of the PIP mechanism. Any data which is submitted to the Commission by BOX will be provided on a confidential basis. The Pilot Period shall expire on July 18, 2012.

.02 A PIP will not run simultaneously with another PIP or UPIP in the same series, nor will PIPs or UPIPs interact, queue or overlap in any manner. Any request to initiate a PIP while a PIP/UPIP is already in progress in the same series will be rejected. Any order which would otherwise meet the price conditions to initiate a UPIP which is received while a PIP is underway for the same series will be considered as an Unrelated Order pursuant to paragraph (i) above.

.03 The Trading Host will not accept Improvement Orders that lock or cross the BOX Book on the same side of the market as the PIP Order.

.04 The time priority given to a CPO or an AAO in a PIP will be the order receipt time of the submission of the CPO or AAO.

Amended.

September 23, 2004.

May 3, 2005.

June 10, 2005.

July 28, 2005.

June 29, 2006.

March 7, 2007.

June 26, 2007.

August 3, 2007.

January 18, 2008.

July 18, 2008.

November 5, 2008.

November 17, 2008.

March 27, 2009.

March 30, 2009.

May 7, 2009.

July 13, 2009.

March 25, 2010.

July 9, 2010.

January 19, 2011.

June 29, 2011.

February 2, 2012.

Sec. 19 Market Maker Prime

(a) At the commencement of each PIP, a single Market Maker Prime may be designated for that PIP only. In order to qualify as the Market Maker Prime for a particular PIP, a Market Maker who is participating in a PIP must satisfy the following criteria:

- i. The Market Maker must have a quote at the moment the PIP commences that is equal to the NBBO, on the same side of the market as the Primary Improvement Order.
- ii. The Market Maker's quote must represent an order in the BOX Book with the best price/time priority.
- iii. The Market Maker Prime must not have submitted the Primary Improvement Order to commence the relevant PIP.

(b) The Improvement Order of the Market Maker Prime shall have partial priority over all other Market Maker Improvement Orders, CPOs, PPOs and unrelated orders at the same limit price in the same PIP, pursuant to Paragraph (c) of this Section 19. This priority will only apply if a Market Maker Prime enters an Improvement Order during the PIP, and will not apply to the quote of the Market Maker Prime outside of the PIP process.

(c) An Improvement Order of the Market Maker Prime will have a guaranteed trade allocation of at least one-third of any portion of a Customer Order remaining at the Improvement Order's limit price which has not been previously allocated, in accordance with the allocation provisions set forth in Section 18 of this Chapter V, to the Options Participant who submitted the Primary Improvement Order.

(d) If a Market Maker Prime cancels his quote during the PIP, the Market Maker Prime retains his status as Market Maker Prime for that PIP. Consequently, if the Market Maker Prime subsequently enters an Improvement Order at the best limit price during the PIP, the Market Maker Prime will have priority over all other Market Maker Improvement Orders and unrelated orders at the same limit price.

(e) If a Market Maker Prime changes his quote during the PIP, instead of entering an Improvement Order into the PIP process, the Market Maker Prime does not retain his status as the Market Maker Prime for that PIP. Consequently, subsequent trade matching during the remainder of that PIP will follow the normal PIP priority rules, as set forth in Section 18 of this Chapter V, and the Market Maker Prime's modified quote will be treated as an unrelated order.

Sec. 20 Obvious and Catastrophic Errors

(a) BOXR shall either bust a transaction or adjust the execution price of a transaction that results from an obvious error or catastrophic error as provided in this Section ("Obvious Error" or "Catastrophic Error"; collectively "Errors").

(b) (1) *Definition of Obvious Error.* For purposes of this Section only, an Obvious Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2	.25
\$2 to \$5	.40
Above \$5 to \$10	.50
Above \$10 to \$20	.80
Above \$20	1.00

(2) *Definition of Catastrophic Error.* For purposes of this Section only, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2	\$1

\$2 to \$5	\$2
Above \$5 to \$10	\$5
Above \$10 to \$50	\$10
Above \$50 to \$100	\$20
Above \$100	\$30

(c) *Definition of Theoretical Price.* For purposes of this Section only, the Theoretical Price of an options series is:

- i. if the series is traded on at least one other options exchange, National Best Bid with respect to an erroneous sell transaction, and National Best Offer with respect to an erroneous buy transaction, just prior to the trade in question; or
- ii. if there are no quotes for comparison purposes, as determined by the MRC.

(d) *Erroneous Print in Underlying.* A trade resulting from an erroneous print disseminated by the underlying market which is later cancelled or corrected by that underlying market may be nullified as set forth in subsection (f) below. In order to be nullified, however, the trade must be the result of an erroneous print that is higher or lower than the average trade in the underlying security during a two-minute period before and after the erroneous print by an amount at least five times greater than the average quote width for such underlying security during the same period. For purposes of this paragraph, the average trade in the underlying security shall be determined by adding the prices of each trade during the four minute time period referenced above (excluding the trade in question) and dividing by the number of trades during such time period (excluding the trade in question). For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of each separate quote during the four minute time period referenced above (excluding the quote in question) and dividing by the number of quotes during such time period (excluding the quote in question).

(e) *Erroneous Quote in Underlying.* Trades resulting from an erroneous quote in the underlying security may be adjusted or busted as set forth in subsection (f) below. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security on the primary market (as defined in Chapter I, Section 1(51)) during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of each separate quote during the four minute time period referenced above (excluding the quote in question) and dividing by the number of quotes during such time period (excluding the quote in question).

(f) *Obvious Error Procedure.* Designated personnel in the MRC shall administer the application of this Rule as follows.

- i. Notification. If a market maker¹ believes that it participated in a transaction that was the result of an Obvious Error, it must notify MOC within five (5) minutes of the execution. If a non Market Maker Options Participant believes an order it executed on BOX was the result of an

¹ For purposes of this Section 20, a reference to a market maker includes a Market Maker on BOX and also includes transactions which are sent by a market maker on another exchange where the order is designated with a market maker account type in the BOX Trading Host.

Obvious Error, it must notify MOC within twenty (20) minutes of the execution. Except as provided below, no relief under this Section will be provided unless notification is made within the prescribed time periods.

- ii. Adjust or Bust. MRC will determine whether there was an Obvious Error as defined above. If it is determined that an Obvious Error has occurred, MRC shall take one of the actions listed below. Upon taking final action, the MRC shall promptly notify both parties to the trade.
 - 1). Where each party to the transaction is a market maker, the execution price of the transaction will be adjusted by the MRC to the prices provided in subparagraphs (a) and (b) below unless both parties agree to adjust the transaction to a different price or agree to bust the trade within ten (10) minutes of being notified by MRC of the Obvious Error.
 - a. Erroneous buy transactions will be adjusted to their Theoretical Price (1) plus \$.15 if the Theoretical Price is under \$3, and (2) plus \$.30 if the Theoretical Price is at or above \$3.
 - b. Erroneous sell transactions will be adjusted to their Theoretical Price (1) minus \$.15 if the Theoretical Price is under \$3, and (2) minus \$.30 if the Theoretical Price is at or above \$3.
 - 2). Where one party to the transaction is not a market maker and the other party to the transaction is a market maker, the non-market maker party may either elect to have the transaction adjusted according to the guidelines set forth in Paragraph 1 subparagraphs (a) and (b) above, or busted by the MRC.
 - 3). Where neither party to the Obvious Error is a market maker, the trade will be busted by the MRC unless both parties agree to an adjustment price for the transaction within thirty (30) minutes of being notified by MRC of the Obvious Error.

(g) *Catastrophic Error Procedure.* Designated MRC personnel shall administer the application of this Rule as follows.

- i. Notification. If a Participant believes that it has participated in a transaction that qualifies as a Catastrophic Error pursuant to paragraph (c) above, it must notify MOC by 8:30 a.m. Eastern Time on the first trading day following the date the Catastrophic Error occurred. For transactions in an expiring options series that take place on expiration Friday, a Participant must notify MOC by 5:00 p.m. Eastern Time that same day. Relief will not be granted under this paragraph: (1) unless notification is made within the prescribed time period; and (2) if the MRC has previously rendered a decision with respect to the transaction(s) in question.
- ii. Catastrophic Error Determination. The MRC will determine whether the transaction(s) qualifies as a Catastrophic Error. If it is determined that a Catastrophic Error has occurred, the BOXR Chief Regulatory Officer or an Options Official, who is not a Participant, designated by the CRO ("CRO or designee") will instruct the MRC to adjust the execution price of the transaction(s)

according to subparagraph (iii) below. All determinations by the CRO or designee shall constitute final Exchange action on the matter at issue.

- iii. Adjustment. If it is determined that a Catastrophic Error has occurred, unless both parties agree to adjust the transaction(s) to a different price, the execution price of the transaction(s) will be adjusted to the Theoretical Price (1) plus the adjustment value provided below for erroneous buy transactions, and (2) minus the adjustment value provided below for erroneous sell transactions:

Theoretical Price	Adjustment Value
Below \$2	\$1
\$2 to \$5	\$2
Above \$5 to \$10	\$3
Above \$10 to \$50	\$5
Above \$50 to \$100	\$7
Above \$100	\$10

(h) Request for Review. If a party affected by a determination made under Subsection (f) of this Rule so requests within the time permitted below, the BOXR Chief Regulatory Officer will review decisions made by the MRC under this Rule, including whether an Obvious Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price. A party may also request that the BOXR Chief Regulatory Officer provide relief under this Rule in cases where the party failed to provide the notification required in paragraph (f)(i) and MRC declined to grant an extension, but unusual circumstances must merit special consideration. A request for review must be made in writing within thirty (30) minutes after a party receives verbal notification of a final determination by MRC under this Rule, except that if notification is made after 3:30 p.m. Eastern Time, either party has until 9:30 a.m. Eastern Time the next trading day to request review. The BOXR Chief Regulatory Officer shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made after 3:30 on the day of the transaction or where the request is properly made the next trade day.

(i) Decision. The BOXR Chief Regulatory Officer may overturn or modify an action taken by MRC under Subsection (f) of this Rule. All determinations by the BOXR Chief Regulatory Officer shall constitute final Exchange action on the matter at issue.

(j) Mutual Agreement. The determination as to whether a trade was executed in error may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree. In the absence of mutual agreement by the parties, a particular trade may only be nullified or adjusted when the transaction results in an Error as provided for in this Section.

Supplementary Material to Section 20

.01 When MRC determines that an Error has occurred and action is warranted under paragraphs (f) or (g) above, the identity of the parties to the trade will be disclosed to each other in order to encourage conflict resolution.

.02 Buyers of options with a zero bid may request that their execution be busted if at least one strike

below (for calls) or above (for puts) in the same options class were quoted with a zero bid at the time of execution. Such buyers must follow the procedures of Paragraph (f)(i) or (g) above.

.03 For the purposes of this Section 20, an "erroneous sell transaction" is one in which the price received by the person selling the option is erroneously low, and an "erroneous buy transaction" is one in which the price paid by the person purchasing the option is erroneously high.

Amended.

May 16, 2006.
June 28, 2007.
April 7, 2008.
May 23, 2008.
December 24, 2008.
August 18, 2009.
December 22, 2011.
January 20, 2012.

Sec. 21 Transaction Price Binding

The price at which an order is executed shall be binding notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. A report shall not be binding if an order was not actually executed but was reported to have been executed in error. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 3, "Bids and Offers Binding").

Sec. 22 Clearing Participant Give Up

An Options Participant must give up the name of the Clearing Participant through which the transaction will be cleared. If there is a subsequent change in identity of the Clearing Participant through whom a transaction will be cleared, the Options Participant must, as promptly as possible, report such change to BOX. (See BSE Rules Chapter VII, "Carrying of Accounts", Section 4, "Give-Ups").

Sec. 23 Submission for Clearance

(a) All options transactions effected on BOX shall be submitted for clearance to the Clearing Corporation, and all such transactions shall be subject to the Rules of the Clearing Corporation. Every Clearing Participant shall be responsible for the clearance of BOX Transactions of such Clearing Participant and of each Options Participant that gives up such Clearing Participant's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such Clearing Participant to such Options Participant, which authorization must be submitted to BOXR.

(b) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, BOX shall furnish the Clearing Corporation a report of each Clearing Participant's matched trades.

Sec. 24 Contracts of Suspended Participants

(a) When an Options Participant, other than a Clearing Participant, is suspended pursuant to former Chapter IX of these Rules (Summary Suspension), all open short positions of the suspended Options Participant in options contracts and all open positions resulting from exercise of options contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the Rules of the Clearing Corporation, shall be closed without unnecessary delay by all Participants carrying such positions for the account of the suspended Participant; provided that BOXR may cause the foregoing

requirement to be temporarily waived for such period as it may determine if it shall deem such temporary waiver to be in the interest of the public or the other Participants of BOX. (See BSE Rules Chapter VI, "Failure to Fulfill Contracts", generally).

(b) No temporary waiver hereunder by BOXR shall relieve the suspended Options Participant of its obligations or of damages, nor shall it waive the close out requirements of any other Rules. (See BSE Rules Chapter VI, "Failure to Fulfill Contracts", generally).

(c) When a Clearing Participant is suspended pursuant to former Chapter IX (Summary Suspension) of these Rules, the positions of such Clearing Participant shall be closed out in accordance with the Rules of the Clearing Corporation.

Amended.

May 14, 2012.

Sec. 25 Failure to Pay Premium

(a) When the Clearing Corporation shall reject a BOX Transaction because of the failure of the Clearing Participant acting on behalf of the purchaser to pay the aggregate premiums due thereon as required by the Rules of the Clearing Corporation, the Options Participant acting as or on behalf of the writer shall have the right either to cancel the transaction by giving notice thereof to the Clearing Participant or to enter into a closing writing transaction in respect of the same options contract that was the subject of the rejected BOX Transaction for the account of the defaulting Clearing Participant.

(b) Such action shall be taken as soon as possible, and in any event not later than 10:00 A.M. EST on the business day following the day the BOX Transaction was rejected by the Clearing Corporation.

Sec. 26 Limitation of Liability

(a) The Exchange, BOXR, BOX, and any of their respective affiliates, and their respective directors, officers, committee members, employees, contractors, and agents or other persons acting on their behalf ("Exchange Related Persons and/or Entities") will not be liable to Options Participants or users for any loss, damages, claim or expense:

- i. growing out of the use or enjoyment of BOX or the Trading Host; or
- ii. arising from or occasioned by any inaccuracy, error or delay in, or omission of or from the collection, calculation, compilation, maintenance, reporting or dissemination of any information derived from BOX, resulting either from any act or omission by any Exchange Related Persons and/or Entities, or from any act, condition or cause beyond the reasonable control of any Exchange Related Persons and/or Entities, including but not limited to flood, extraordinary weather conditions, earthquakes or other acts of God, fire, war, terrorism, insurrection, riot, labor dispute, accident, action of government, communications or power failure, or equipment or software malfunction;
- iii. Generally, in the event of a BOX market outage, or interruption of service, a loss pertaining to an order that is entered into BOX will be absorbed by the order entering Participant organization.

Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any

loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(b) Exchange Related Persons and/or Entities shall not be liable to Options Participants nor any persons associated with Participants for any loss, expense, damages or claims arising out of the use of the facilities, systems or equipment afforded by BOX in relation to the BOX market, or any interruption in or failure or unavailability of any such facilities, systems or equipment, whether or not such loss, expense, damages or claims result or are alleged to result from negligence or other unintentional errors or omissions on the part of any Exchange Related Persons and/or Entities acting on its behalf, or from systems failure, or from any other cause within or outside the control of BOX.

Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(c) Exchange Related Persons and/or Entities make no warranty, express or implied, as to results to be obtained by any person or entity from the use of any data transmitted or disseminated by or on behalf of BOX or any reporting authority designated by BOX, including but not limited to, reports of transactions in or quotations for securities traded on BOX or underlying securities, or reports of interest rate measures or index values or related data, and the Exchange Related Persons and/or Entities make no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data.

(d) No Options Participant or person associated with an Options Participant shall institute a lawsuit or other legal proceeding against any Exchange Related Person and/or Entity for actions taken or omitted to be taken in connection with the official business of BOX or any subsidiary, except to the extent such actions or omissions constitute violations of applicable federal securities laws for which a private right of action exists. This provision shall not apply to appeals of disciplinary actions or other actions by BOXR as provided for in the Rules.

(See BSE Rules Chapter XXXIII, "BEACON", Section 7, "BEACON Liability").

(e) Notwithstanding paragraphs (a), (b), and (d) above, and subject to the express limits set forth below, BOX may compensate Options Participants for losses resulting directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange, BOXR or BOX.

- (1) As to the aggregate of all claims made by all Options Participants under this Section during a single calendar month, BOX shall not be liable in excess of the larger of \$500,000, or the amount of any recovery obtained by BOX under any applicable insurance maintained by BOX.
- (2) In the event that all of the claims made under this Section cannot be fully satisfied because in the aggregate they exceed the applicable maximum limitations provided in this Section, then the maximum permitted amount will be proportionally allocated among all such claims arising during a single calendar month based on the proportion that each such claim bears to the sum of all such claims.
- (3) All claims for compensation pursuant to this Section shall be in writing and must be submitted no later than 12:00 p.m. ET on the next business day following the day on which the use of BOX gave rise to such claims. Once in receipt of a claim, BOX will verify that: (i) a valid order was accepted into BOX; and (ii) any loss claimed resulted

directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange, BOXR or BOX during the execution or handling of that order.

Amended.

August 31, 2006.
February 22, 2012.

Sec. 27 Complex Orders

(a) Complex Orders Defined. A Complex Order is any order for the same account as defined below:

- i. Spread Order. A spread order is an order to buy a stated number of call (put) option contracts and to sell the same number of call (put) option contracts, of the same class of options.
- ii. Straddle Order. A straddle order is an order to buy (sell) a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date (e.g., an order to buy two XYZ July 50 calls and to buy two XYZ July 50 puts).
- iii. Strangle Order. A strangle order is an order to buy (sell) a number of call option contracts and the same number of put option contracts in the same underlying security, which contracts have the same expiration date (e.g., an order to buy two ABC June 40 calls and to buy two ABC June 35 puts).
- iv. Combination Order. A combination order is an order involving a number of call option contracts and the same number of put option contracts in the same underlying security and representing the same number of shares at option.
- v. Combination orders with non-equity options legs. One or more legs of a Complex Order may be to purchase or sell a stated number of units of another security.
 - 1) Stock-Option Order. A stock-option order is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with either (a) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of units of the underlying stock or convertible security or the number of units of the underlying stock necessary to create a delta neutral position; or (b) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date, and each representing the same number of units of stock, as and on the opposite side of the market from, the stock or convertible security portion of the order.
 - 2) SSF-Option Order. A SSF-option order is an order to buy or sell a stated number of units of a single stock future or a security

convertible into a single stock future ("convertible SSF") coupled with either (a) the purchase or sale of option contracts(s) on the opposite side of the market representing either the same number of units of stock underlying the single stock future or convertible SSF, or the number of units of stock underlying the single stock future or convertible SSF necessary to create a delta neutral position; or (b) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date, and each representing the same number of units of underlying stock, as and on the opposite side of the market from, the stock underlying the single stock future or convertible SSF portion of the order.

- vi. Ratio Order. A spread, straddle or combination order may consist of a different number of contracts, so long as the number of contracts differs by a permissible ratio. For purposes of this paragraph, a permissible ratio of contracts is any of the following: For purposes of this paragraph, a permissible ratio of contracts is any ratio that is equal to or greater than 0.5. For example, a one-to-two ratio (which is equal to 0.5) and a six-to-ten ratio (which is equal to 0.6) are permitted, but a one-to-three ratio (which is equal to 0.33) is not.
- vii. Butterfly Spread Order. A butterfly spread order is an order involving three series of either put or call options all having the same underlying security and time of expiration and, based on the same current underlying value, where the interval between the exercise price of each series is equal, which orders are structured as either (a) a "long butterfly spread" in which two short options in the same series offset by one long option with a higher exercise price and one long option with a lower exercise price or (b) a "short butterfly spread" in which two long options in the same series are offset by one short option with a higher exercise price and one short option with a lower exercise price.
- viii. Box Spread Order. A box spread order is an order involving (a) a long call option and a short put option with the same exercise price, coupled with (b) a long put option and a short call option with the same exercise price; all of which have the same underlying security and time of expiration.
- ix. Collar Order. A collar order is an order involving the sale of a call option coupled with the purchase of a put option in equivalent units of the same underlying security having a lower exercise price than, and same expiration date as, the sold call option.

(b) *Applicability of BOX Rules.* Except as otherwise provided in this Section, Complex Orders shall be subject to all other BOX Rules that pertain to orders generally.

- i. Minimum Increments. Bids and offers on Complex Orders may be expressed in any decimal price pursuant to Section 6 of this Chapter V (Minimum Trading Increments), and the option leg(s) of a stock-option order may be executed in one cent increments, regardless of the minimum increments otherwise applicable to the individual option legs of the order. Complex Orders expressed in net price increments that are not multiples of the minimum increment are not entitled to the same priority under subparagraph (b)(ii) of this Section 27 as such orders

expressed in increments that are multiples of the minimum increment.

- ii. **Complex Order Priority.** Notwithstanding the provisions of Section 16 of this Chapter V (Execution and Price/Time Priority), a Complex Order, as defined in paragraph (a) of this Section, may be executed at a total credit or debit price with one other Participant without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such total credit or debit provided; however, that if any of the bids or offers established in the marketplace consist of a Customer Limit Order, the price of at least one leg of the Complex Order must trade at a price that is better than the corresponding bid or offer in the marketplace. Under the circumstances described above, the option leg of a stock-option order, as defined in subparagraph(a)(v)(1)(a) of this Section, or SSF-option order as defined in subparagraph (a)(v)(2)(a) of this Section, will be executed according to price/time priority, as set forth in Section 16 of this Chapter V. The options legs of a stock-option order as defined in subparagraph (a)(v)(1)(b), or SSF-option order as defined in subparagraph (a)(v)(2)(b), consisting of a combination order with stock or single stock future, as the case may be, may be executed in accordance with the first sentence of this subparagraph (b)(ii).
- iii. **Execution of Orders.** Complex orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.
- iv. **Types of Complex Orders.** Complex orders may be entered as fill-and-kill orders, as defined in Section 14, or as all-or-none orders, which are resting limit orders to be executed in their entirety or not at all.
- v. **Complex orders shall not be submitted to BOX as Directed Orders pursuant to Chapter VI, Section 6 of these Rules, nor shall they be submitted to the PIP process pursuant to Section 18 of this Chapter V.**

(c) An Options Participant who wishes to propose trading in a Complex Order strategy that is not currently available on BOX, must notify BOX by either sending an electronic Complex Order strategy request through the BOX Trading Host or making a telephone request with the BOX Market Operations Center. Along with this request, the Participant may also place a Complex Order in the proposed strategy. Each strategy request will be validated as to the option components of the strategy listed on BOX and the Complex Order type available on BOX. After validation, an "advisory" message regarding the new Complex Order strategy will be sent by BOX to all Participants, stating the terms of the strategy created and the time when Complex Orders on the new strategy will begin to trade. Trading shall not begin until at least five minutes has elapsed from the time the advisory message was sent from BOX. Any Complex Orders on the newly created strategy that are received prior to the start of trading will be placed in the Complex Order Book and disseminated to all Participants.

Supplementary Material to Section 27

.01 A bid or offer made as part of a stock-option order (as defined in (a)(v)(1) above) or a SSF-option order (as defined in (a)(v)(2) above) is made and accepted subject to the following conditions: (a) the order must disclose all legs of the order and must identify the security (which in the case of a single stock future requires sufficient identification to determine the market(s) on which the single stock future trades) and the price at which the non-option leg(s) of the order is to be filled; and (b) concurrent with the execution of the options leg of the order, the initiating Options Participant and each Options Participant that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to a non-Exchange market(s) for execution. Failure to observe these requirements will be

considered conduct inconsistent with just and equitable principles of trade and a violation of Section 14 of Chapter II of the Rules of the Exchange.

A trade representing the execution of the options leg of a stock-option or SSF-option order may be cancelled at the request of any Options Participant that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

Amended.

February 3, 2004.

July 6, 2004.

December 11, 2006.

Sec. 28 Accommodation Liquidations (Cabinet Trades)

Cabinet trading under the following terms and conditions shall be available in each series of options contracts open for trading on BOX:

- i. Trading shall be conducted in accordance with other BOX Rules except as otherwise provided herein.
- ii. Limit Orders valued at a price of \$1 per options contract must be placed on BOX using the Cabinet Trading System.
- iii. Opening transactions at a value of \$1 per options contract may be placed on BOX using the Cabinet Trading System only to the extent that the order book in Cabinet Trades contains unexecuted closing orders with which the opening orders may be immediately matched.
- iv. Orders in Cabinet Trades may be placed for Public Customers accounts, with priority based upon the sequence in which such orders are placed on BOX.
- v. Market Makers shall not be subject to the requirements of Chapter VI, Section 5, of these Rules, for orders placed pursuant to this Section 28.

Sec. 29 The Universal Price Improvement Period (“UPIP”)

(a) The execution of price improvement transactions via the Universal Price Improvement Period or UPIP auction on the BOX market is permitted under certain circumstances and subject to the procedures detailed herein. All orders submitted to the BOX Trading Host which meet the criteria outlined in paragraph 29(e) below are deemed to be Eligible Orders for a UPIP auction. Upon commencement of the UPIP auction, an Eligible Order shall become a UPIP order (“UPIP Order”). The Options Participant who submits an Eligible Order may also submit an Improvement Order for his own account or as agent. A UPIP Order may be executed against Improvement Orders submitted by Options Participants for their own account or as agent, or with other Unrelated Orders and quotes.

(b) Options Participants must comply with the procedures set forth in this Section 29 when executing orders in a UPIP auction and must act with due skill, care and diligence, and ensure that the interests of their Customers are not prejudiced.

(c) An OFP may not execute as principal an order it represents as agent unless it complies with the provisions of Sections 17 or 18 of this Chapter V or pursuant to the rules described below in Paragraph (k).

(d) An OFP is prohibited from using the UPIP auction to create a misleading impression of market activity (*i.e.*, the facilities may be used only where there is a genuine Customer request to execute a bona fide transaction).

(e) BOX will automatically initiate a UPIP auction upon satisfaction of the following conditions:

- i. the Eligible Order is for a series that is open for trading;
- ii. the Eligible Order is a Public Customer Order;
- iii. the Eligible Order is a Limit, Market or BOX-Top Order;
- iv. the Eligible Order does not include a minimum quantity condition;
- v. **Reserved.**
- vi. the Eligible Order is not a Fill and Kill order;
- vii. the Eligible Order is marketable against the opposite side NBBO;
- viii. a PIP/UPIP auction in the same series is not already underway;
- ix. if the NBBO is locked or crossed, the BBO on the same side of the market as the Eligible Order does not equal the NBBO; and
- x. The Eligible Order is not an Intermarket Sweep Order.

The initiation of a UPIP auction following the receipt of an Eligible Order by the BOX Trading Host as described in this paragraph (e) will not affect the Eligible Order's anonymity on the BOX Book.

(f) The UPIP shall be permitted on a class-by-class basis.

(g) The UPIP shall be three (3) seconds, or less as determined by the Board on a class-by-class basis except that when the Eligible Order was previously processed as a Directed Order accompanied by a Guaranteed Directed Order ("GDO") pursuant to Chapter VI, Section 5(c)(iii)(2) of these Rules, the duration of the UPIP shall not be less than the time the GDO is to be withheld from trading with the Directed Order as provided in Chapter VI, Section 5(c)(iii)(2)(b)(4) of these Rules.

(h) UPIP Broadcast

Upon initiation of the UPIP auction, the BOX Trading Host will solicit Improvement Orders from Options Participants by broadcasting a message ("Broadcast Message") to the Options Participants that informs them of: (1) the initiation of a UPIP auction by the Trading Host; (2) the Eligible Order's series, size, and side of the market; (3) the Start Price, which is the minimum/maximum (buy/sell) price at which an Improvement Order must be submitted; and (4) the end time of the UPIP auction.

No information other than that which is outlined in this paragraph (h) will be provided in the Broadcast Message.

(i) If the BOX BBO on the opposite side of the market from the UPIP Order is equal to the NBBO, the Start Price will be one improvement increment, as defined in Section 29(j)(i) of this Chapter V,

better than the NBBO; if the BOX BBO on the opposite side of the market from the UPIP Order is not equal to the NBBO, the Start Price will be the NBBO.

(j) Improvement Orders

Improvement Orders must be on the opposite side of the market from the UPIP Order and are subject to the following conditions:

- i. Improvement Orders may be submitted in increments of one-cent or more.
- ii. All Improvement Orders must be equal to or better than the Start Price.
- iii. Upon receipt of a Broadcast Message, any Options Participant may submit Improvement Orders. An OFP may submit Improvement Orders for the account of a Customer under any type of instruction the OFP wishes to accept. OFPs may also submit Improvement Orders on behalf of a Public Customer in the form of a CPO (as set forth in Paragraph (m) below). Options Participants who submit Improvement Orders for a UPIP, including CPOs, shall only be deemed to be a participant for that specific UPIP auction ("UIP Participant").
Prior to the conclusion of the UPIP auction, a UIP Participant may cancel the Improvement Order or modify the terms of the Improvement Order at any point during the UPIP auction. Any subsequent quantity increases or price modifications to an Improvement Order will be treated as new Improvement Orders for purposes of establishing priority in the UPIP auction.
- iv. In order to establish NBBO Prime priority status as described in Section 30 of this Chapter V, an Options Participant who has an order on the BOX Book at a price equal to the NBBO must provide to the BOX Trading Host the unique order number of that BOX Book order along with the NBBO Prime Order it submits to the Trading Host for the same beneficial account. The order number will be anonymous to all other Options Participants. Although Market Makers are eligible for the NBBO Prime Priority, they are not required to provide the order number of their BOX Book quote or order to obtain the NBBO Prime priority status.
An Options Participant, including a Market Maker, who also has an order or quote on the BOX Book may indicate in an Improvement Order's message field the quantity by which his order or quote size on the BOX Book should be decremented in the event of a partial or full execution of the Improvement Order. By indicating a quantity to decrement, the BOX Trading Host will automatically decrement the size of the related order or quote on the BOX Book upon execution of the Options Participant's Improvement Order at the conclusion of the UPIP auction up to the lesser of, (1) the quantity provided in the Improvement Order message; (2) the actual quantity of the Improvement Order that was executed; or (3) the size of the remaining order or quote on the BOX Book. Any modification to this decrementation quantity in the Improvement Order during the UPIP auction will not affect the Improvement Order's time priority.
- v. Improvement Orders shall be disseminated solely to Options Participants.
- vi. Any unexecuted portion of an Improvement Order shall be cancelled.
- vii. Only one Improvement Order for the same beneficial account may be submitted in a given UPIP auction.

(k) Proprietary Improvement Orders

Except where the Improvement Order is generated by an automated quotation system that operates independently from the existence or non-existence of a pending Eligible Order, prior to the Eligible Order's submission by the Options Participant, any Improvement Order submitted by a UPIP Participant, who has also submitted the Eligible Order, will be last in time priority at all price levels in any subsequent UPIP auction relating to the Eligible Order, except that in relation to a Improvement Order by an Executing Participant strict time priority will govern. Where the Improvement Order is generated by an automated quotation system that operates independently from the existence or non-existence of the pending Eligible Order, prior to its submission to the BOX Trading Host, the Improvement Order will be eligible for trade execution at the end of the UPIP auction without prejudice and according to the terms described in paragraph (p) below.

(l) Improvement Orders Submitted By Executing Participants

A Market Maker who receives a Directed Order pursuant to Section 5(c) of Chapter VI of the BOX Rules (the Executing Participant) that is released to the BOX Book will be last in time priority at all price levels for any Improvement Order or quote submitted to a subsequent UPIP auction relating to the same Directed Order, except that in relation to a Proprietary Improvement Order strict time priority will govern. A Market Maker's GDO, which is also submitted to BOX when the Directed Order is released pursuant to Section 5(c) of Chapter VI, will be released by the Trading Host to the BOX Book at the conclusion of the UPIP auction, including any UPIP auction terminated early pursuant to Paragraph (o) below.

(m) Customer PIP Orders

In addition to Improvement Orders submitted on behalf of Customers, OFPs may provide Public Customers with access to the UPIP via a Customer Price Improvement Order ("CPO") in accordance with Section 18(g) of Chapter V provided the following conditions have been satisfied.

- i. The terms of each CPO include the price at which the order shall be placed in the BOX Book ("BOX Book Reference Price"), stated in rounded five-cent or ten-cent increments, as appropriate ("Standard Tick"), as well as the price at which the Public Customer wishes to participate in any UPIP that may occur while the order is on the BOX Book ("CPO Auction Reference Price"), stated in one-cent increments ("Penny Tick").
- ii. The terms of each CPO shall include the size of the order ("CPO Total Size"). The number of contracts that may be entered into a UPIP, however, shall not exceed the lesser of (a) the CPO Total Size remaining on the BOX Book; or (b) the size of the UPIP Order.
- iii. In order for the CPO to be eligible for participation in a UPIP auction of the subject options series, the BOX Book Reference Price for a CPO at the time a UPIP commences must be equal to the BBO.
- iv. The CPO may only participate in a UPIP auction when the CPO is on the opposite side of the market as the UPIP Order.
- v. Upon initiation of a UPIP, for which a CPO is eligible to participate pursuant to paragraphs (i)-(iv) above, the OFP who submitted the CPO to the BOX Book must also submit a CPO (*i.e.*, Improvement Order) to the UPIP auction at a price that is better than the BOX Book Reference Price but less than or equal to the CPO Auction Reference Price. At any time during the UPIP auction, the OFP may modify the price of the CPO (*i.e.*, Improvement Order) submitted to the UPIP up to the CPO Auction Reference Price.

(n) Modification or Cancellation of the UPIP Order

A UPIP Order may be cancelled or modified at any time prior to the termination of the UPIP auction. The cancellation of a UPIP Order will result in the cancellation of the UPIP auction and all related Improvement Orders.

Customers may modify a UPIP Order, without causing the premature termination of the UPIP auction, by: 1) reducing the size of the UPIP Order; 2) changing the order type from a Limit Order to a BOX Top or Market Order; or 3) improving a Limit Order (*i.e.*, lower the price of a sell limit or increase the price of a buy limit). A modification of a UPIP Order type from either a BOX Top or Market Order to a Limit Order, a price disimprovement of a Limit Order, or an increase in the size of the UPIP Order will result in the cancellation of the UPIP auction and all associated Improvement Orders.

(o) Modification and Cancellation of the Initial Aggregate Quote Size

The Initial BOX Book Quote is defined as the quote(s) and/or order(s) on the BOX Book at the best price, on the opposite side, and in the same series as the Eligible Order at the time of receipt by the BOX Book.

The Initial Aggregate Quote Size is defined as the aggregate size of the Initial BOX Book Quote.

- i. During the UPIP auction, any subsequent modification or cancellation to an order or quote which is a component of the Initial BOX Book Quote that decreases the Initial Aggregate Quote Size below the size of the UPIP Order at the commencement of the UPIP auction will cause the UPIP to terminate. The modified or canceled order/quote will be placed at the end of the quote and order queue on the BOX Book and be last in priority at the price level of the Initial BOX Book Quote and then the UPIP Order will match as described in paragraph (p) below. Once the UPIP Order has been matched, the cancellation or modification of the Initial BOX Book Quote which triggered the end of the UPIP will be processed.
- ii. If a modification or cancellation to an order or quote which is a component of the Initial BOX Book Quote does not cause the Initial Aggregate Quote Size to decrease below the size of the UPIP Order, the UPIP auction will continue.

Any orders or quotes on the opposite side of the UPIP Order which are not executable against the BOX Book that are received by the BOX Book after the UPIP auction has commenced (*i.e.*, orders that are not otherwise part of the Initial BOX Book Quote), may be cancelled or modified without causing the UPIP auction to terminate as described in this paragraph (o).

(p) At the conclusion of the UPIP auction, including premature termination, the UPIP Order shall be matched against the best prevailing orders, whether Improvement Orders, including CPOs, or Unrelated Orders, and quotes, including the Initial BOX Book Quote as described in paragraph (r), on BOX submitted during the UPIP auction that are equal to or better than the Start Price, in accordance with the price/time matching priority algorithm as set forth in Section 16(a) of this Chapter V.

The only exceptions to time priority in the UPIP auction are: (1) as provided in paragraphs (k), (l) and (o); and (2) as provided in paragraphs (b) - (d) of Section 30 of this Chapter V. However, within the UPIP auction no order for a non-market maker broker-dealer account of an Options Participant will be executed before Public Customer order(s) and non-BOX Options Participant broker-dealer order(s) at the same price.

Any unexecuted portion of an Improvement Order shall be cancelled.

(q) Price Protection

- i. The UPIP Order will be filtered to prevent a trade-through of the NBBO and will not execute against orders and quotes at prices inferior to the NBBO (*e.g.*, lower than the NBBO bid or higher than the NBBO offer) at the end of the UPIP except pursuant to Chapter XII, Section 2(b).
- ii. If the UPIP Order cannot be executed on BOX at or better than the NBBO, then it will be routed to the market center(s) posting the NBBO at the conclusion of the UPIP.
- iii. The quantity of the UPIP Order that is equal to or less than the Initial Aggregate Quote Size will not be executed at a price worse than the Initial BOX Book Quote.

(r) Any remaining size of the UPIP Order not executed in the UPIP auction shall be released to the BOX Book and handled in accordance with its specific order type pursuant to Section 16(a) and (b)(iii)(2)(c) of this Chapter V.

(s) Unrelated Orders that are submitted to the Trading Host during a UPIP auction:

- i. on the opposite side of the market from the UPIP Order that are executable against the NBBO will be executed immediately against the UPIP Order at the mid-point of the National Best Bid (or Offer) and the best of the best UPIP Improvement Order, the UPIP Start Price or the National Best Offer (or Bid). Any rounding required will be to the benefit of the Unrelated Order. Where the Unrelated Order on the opposite of the market as the UPIP Order has a quantity equal to or greater than the UPIP Order, the UPIP auction will terminate; otherwise, the immediate execution of the Unrelated Order will not cause the termination of the UPIP auction and the auction will continue.
- ii. on the same side of the market as the UPIP Order that are executable against the NBBO will cause the UPIP to terminate.

It shall be considered conduct inconsistent with just and equitable principles of trade for any Participant to enter Unrelated Orders into BOX for the purpose of disrupting or manipulating any UPIP auction.

Amended.

July 24, 2010.

Supplementary Material to Section 29

- 01. A UPIP will not run simultaneously with another PIP or UPIP in the same series, nor will PIPs or UPIPs interact, queue or overlap in any manner. Any order which would otherwise meet the price conditions to initiate a UPIP that is received while:
 - a. a PIP is underway for the same series will be considered an Unrelated Order pursuant to Section 18(a).
 - b. a UPIP is underway for the same series will cause the UPIP to terminate pursuant to Section 29(s).

Adopted.

January 15, 2008.

August 18, 2009.

Sec. 30 NBBO Prime

(a) An Improvement Order, or multiple Improvement Orders, may be designated as NBBO Prime in a particular UPIP auction and afforded certain priority privileges ("NBBO Prime Order") at the conclusion of the UPIP auction if the following conditions have been satisfied:

- i. the same beneficial account for whom the Options Participant is submitting the NBBO Prime Order ("NBBO Prime Participant") must have quotes or orders on the BOX Book that are on the opposite side of the UPIP Order ("NBBO Prime Participant Quote");
- ii. the NBBO Prime Participant Quote must be equal to the NBBO on the opposite side of the UPIP Order; and
- iii. the NBBO Prime Participant Quote must have been on the BOX Book prior to the time the Eligible Order was presented to the Trading Host.

(b) NBBO Prime Orders shall have time priority over all other Improvement Orders and Unrelated Orders with the same limit price in the relevant UPIP auction. NBBO Prime Orders, however, shall only have priority for the amount of the NBBO Prime Order that does not exceed the size of the NBBO Prime Participant's Quote, pursuant to Paragraph (c) of this Section 30.

(c) Time priority among multiple NBBO Prime Orders in the same UPIP and at the same price level will be based on the relevant time stamp of the NBBO Prime Participants' Quotes. The priority of all other Improvement Orders, including any residual quantity of an NBBO Prime Order that does not receive NBBO Prime priority as discussed in paragraph (b) of this Section 30, will be determined based on time priority.

(d) NBBO Prime Orders shall retain their priority even if the NBBO Prime Participant's Quote is subsequently modified or cancelled during the relevant UPIP auction.

Adopted.

January 18, 2008

Sec. 31 Block Trades

(a) *Facilitation Auction.* The Facilitation Auction is a process by which an OFP can attempt to execute a transaction wherein the OFP seeks to facilitate a block-size order it represents as agent ("Agency Order"), and/or a transaction wherein the OFP solicited interest to execute against an Agency Order. OFPs must be willing to execute the entire size of Agency Orders entered into the Facilitation Auction through the submission of a contra "Facilitation Order".

- (i) Upon the entry of an Agency Order and the Facilitation Order into the Facilitation Auction, a broadcast message will be sent and Options Participants will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to participate in the facilitation of the Agency Order.
- (ii) Responses may be priced at the price of the Agency Order or at a better price and must not exceed the size of the Agency Order to be facilitated.

- (iii) At the end of the period given for the entry of Responses, the Facilitation Order will be automatically executed with the Agency Order.
- 1) Unless there is sufficient size to execute the entire Agency Order at a better price, Public Customer bids (offers) and Public Customer Responses on BOX at the time the Agency Order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Non-Public Customer and Market Maker bids (offers) and Non-Public Customer and Market Maker Responses on BOX at the time the Agency Order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Agency Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers) and Responses.
 - 2) The facilitating OFP will execute at least forty percent (40%) of the original size of the Facilitation Order, but only after better-priced bids (offers) and Responses on BOX, as well as Public Customer bids (offers) and Responses at the facilitation price, are executed in full based upon price/time priority. Thereafter, Non-Public Customer and Market Maker bids (offers) and Non-Public Customer and Market Maker Responses on BOX at the facilitation price will participate in the execution of the Agency Order based upon price/time priority.

(b) *Solicitation Auction.* The Solicitation Auction is a process by which an OFP can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it has solicited ("Solicited Order"). Each Agency Order entered into the Solicitation Auction shall be all-or-none.

- (i) Upon entry of both orders into the Solicitation Auction at a proposed execution price, a broadcast message will be sent and Options Participants will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to participate in the execution of the Agency Order.
- (ii) At the end of the period given for Options Participants to enter Responses, the Agency Order will be automatically executed in full or cancelled. For the purposes of this subparagraph (ii), the term "Book Priority Public Customer Order" means a Public Customer bid (offer) that is (A) at a price equal to or better than the proposed execution price of the Solicited Order; and (B) on the BOX Book within the depth that would have traded with the Agency Order if the Agency Order had been submitted to the BOX Book.
 - 1) If at the time of execution there is insufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed against the Solicited Order at the proposed execution price so long as, at the time of execution: (a) the execution price is equal to or better than the NBBO, and (b) there are no Book Priority Public Customer Orders on the BOX Book. Both the Solicited Order and Agency Order will be cancelled if an execution would take place at a price that is inferior to the best bid or offer on BOX, the NBBO, or if there is a Book Priority Public Customer Order on the BOX Book, but there is insufficient size to execute the entire Agency Order, except pursuant to paragraph (4) below.
 - 2) If at the time of execution there is a Book Priority Public Customer Order on the BOX Book and there is sufficient size on the Book to execute the entire Agency Order, the Agency Order will be executed against the bid

(offer), and the Solicited Order will be cancelled. The aggregate size of all bids (offers) on the BOX Book at or better than the proposed execution price, will be used to determine whether the entire Agency Order can be executed.

3) If at the time of execution there is sufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed at the improved price(s), subject to the condition in (1)(a), and the Solicited Order will be cancelled. The aggregate size of all bids (offers) and Responses at each price will be used to determine whether the entire Agency Order can be executed at an improved price (or prices).

4) The OFP may designate for the Solicited Order a certain number of contracts of the Agency Order for which it is willing to 'surrender' interest to the BOX Book ("Surrender Quantity") when at the time of execution:

(a)(i) there is a Book Priority Public Customer Order on the BOX Book. In this situation, when the aggregate size of (Y) these Book Priority Public Customer Orders and (Z) all bids (offers), excluding Responses, on the BOX Book at prices better than the proposed execution price, is equal to or less than the Surrender Quantity, the Agency Order will first execute against all such Book Priority Public Customer Orders and such bids (offers), and then against the Solicited Order. If the aggregate size of all such bids (offers) exceeds the Surrender Quantity, but there is insufficient size to execute the entire Agency Order, then both the Solicited Order and the Agency Order will be cancelled; or

(ii) there are bids (offers) on the BOX Book on the opposite side of the Agency Order at a price better than the proposed execution price, but there is insufficient size to execute the entire Agency Order at an improved price. In this situation, when the aggregate size of all such bids (offers) on the BOX Book, is equal to or is less than the Surrender Quantity, the Agency Order will first execute against all such bids (offers), and then against the Solicited Order. If the aggregate size of all such bids (offers) on the BOX Book exceeds the Surrender Quantity, then both the Solicited Order and the Agency Order will be cancelled.

(b) Public Customer bids (offers) on the BOX Book at the time of Surrender Quantity execution that are priced higher (lower) than the proposed execution price will be executed at the proposed execution price. Non-Public Customer and Market Maker bids (offers) on the BOX Book at the time of Surrender Quantity execution that are priced higher (lower) than the proposed execution price will be executed at their stated price, thereby providing the Agency Order a better price for the number of contracts associated with such higher bids (lower offers).

5) When executing the Agency Order against the bid or offer in accordance with paragraph (2) or (4) above, or at an improved price in accordance with paragraph (3) above, the bids (offers) will participate in the execution of the Agency Order based upon price and time priority.

(iii) Prior to entering Agency Orders into the Solicitation Auction on behalf of a Customer, OFPs must deliver to the Customer a written notification informing the Customer that its

order may be executed using the BOX Solicitation Auction. Such written notification must disclose the terms and conditions contained in this Paragraph (b) and must be in a form approved by the Exchange.

Supplementary Material

.01 It will be a violation of an Option Participant's duty of best execution to its customer if it were to cancel a Facilitation Order to avoid execution of the order at a better price. The availability of the Facilitation Auction does not alter an Option Participant's best execution duty to get the best price for its customer. Accordingly, while Facilitation Orders may be canceled during the time period given for the entry of Responses, if an Option Participant were to cancel a Facilitation Order when there was a better price available on BOX and subsequently re-enter the Facilitation Order at the same facilitation price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the Option Participant did so to avoid execution of its customer order in whole or in part by other brokers at the better price.

.02 Block-size orders are orders for fifty (50) contracts or more.

.03 For purposes of this Section a "Response" means an electronic message that is sent by Options Participants to the BOX Trading Host in response to a Facilitation or Solicitation Auction broadcast message. Responses represent non-firm interest that can be canceled or decremented as to price or size at any time prior to execution. Responses are not displayed to any market participants. At the time of execution, Responses priced outside the NBBO, or Responses at the NBBO when there is a Public Customer bid (offer) at the same price as the Agency Order, will be ignored by the BOX Trading Host.

.04 The time given to Options Participants to enter Responses under Paragraphs (a) and (b) shall be one (1) second.

.05 Under paragraph (b) above, Options Participants may enter contra orders that are solicited. The Solicitation Auction provides a facility for Options Participants that locate liquidity for their Customer Orders. Options Participants may not use the Solicitation Auction to circumvent the rules in Section 17 of this Chapter V. This may include, but is not limited to, Options Participants entering Solicitation Orders that are solicited from (1) affiliated broker-dealers, or (2) broker-dealers with which the Options Participant has an arrangement that allows the Options Participant to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, any Solicited Orders entered by Options Participants to trade against Agency Orders may not be for the account of a BOX market maker that is assigned to the options class.

.06 Penny Prices. Orders and Responses may be entered into the Facilitation and Solicitation Auctions and receive executions at penny (\$0.01) increments. Orders in the BOX market that receive the benefit of the facilitation execution price under paragraph (a)(iii)(1) may also receive executions at penny increments.

Adopted.

September 23, 2011.

Sec. 32 Quote Mitigation

- a) Updates for orders placed on the BOX Book that are updates relating to instruments which have been listed for more than ten (10) trading days and for which open interest is fewer than 300 to 400 contracts (the precise number will vary with the degree that BOX's target traffic levels have been met) as determined by the Options Clearing Corporation, will be subject to bundling.
- b) For those instruments that meet the criteria outlined in subsection (a) above, the bundling of quote and order updates will occur at intervals of at least 200 milliseconds, but no more

than 1,000 milliseconds. While all instruments meeting the criteria of a) will be subject to bundling, BOX may apply variable rates of bundling frequency depending on whether the update is:

- i. a change in price
- ii. an increase in quantity without a change in price
- iii. a decrease in quantity without a change in price

The bundling frequency for each type of update will be set in accordance with BOX's overall objective of reducing both peak and overall traffic. At a minimum, all updates for instruments listed for at least ten days and having open interest below 50 contracts will be bundled at 200 millisecond intervals.

- c) There will be no bundling of quotes in the following situations:
 - i. For price improvements auctions.
 - ii. Inbound orders and quotes.
 - iii. NBBO exposure broadcasts.
 - iv. Reporting of trades on BOX.

- c) All quote mitigation mechanisms which are used on the BOX Trading Host will be identical for the OPRA "top of the book" broadcast and the internal BOX broadcast, which includes the top line of the five best limits broadcast.

Adopted.

January 12, 2007.

Section 33. Penny Pilot Program

- a) BOX will participate in the Penny Pilot Program. This program begins on January 26, 2007 and ends on June 30, 2012.

- b) During the Penny Pilot Program certain classes will be quoted in trading increments as described in section 6(b) of this Chapter V from March 28, 2008 through June 30, 2012.

The Exchange may replace, any Pilot Program classes that have been delisted on the second trading day following January 1, 2012. The replacement classes will be selected based on trading activity for the six month period beginning June 1, 2011, and ending November 30, 2011. The Exchange will distribute Regulatory Circular notifying Participants which replacement classes shall be included in the Penny Pilot Program.

Adopted.

January 23, 2007.

Amended.

July 24, 2007.
September 27, 2007.
October 4, 2007.
March 25, 2008.
March 24, 2009.
June 25, 2009.
October 19, 2009.
December 24, 2010.

December 2, 2011.

Chapter VI. Market Makers

Sec. 1 Market Maker Registration

Options Participants registered as Market Makers have certain rights and bear certain responsibilities beyond those of other Options Participants. All Market Makers are designated as specialists on BOX for all purposes under the Exchange Act or Rules thereunder. (See BSE Rules Chapter XV, "Specialists", Section 1, "Registration").

(a) To register as a Market Maker, a Participant must file an application in writing on such forms as BOXR may prescribe. BOXR reviews applications and considers an applicant's market making ability and such other factors as BOXR deems appropriate in determining whether to approve an applicant's registration as a Market Maker.

(b) The registration of any Participant as a Market Maker may be suspended or terminated by BOXR upon a determination that such Participant has failed to properly perform as a Market Maker.

(c) These Rules place no limit on the number of qualifying entities that may become Market Makers. However, based on system constraints, capacity restrictions or other factors relevant to protecting the integrity of the BOX Trading Host the Board or its designee may limit access to the Trading Host, for a period to be determined in the Board's discretion, pending any action required to address the issue of concern to the Board. To the extent that the Board places limitations on access to the Trading Host on any Participant(s), such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Act.

Sec. 2 Qualification Requirements for Market Maker Registration

To qualify for registration as a Market Maker, an Options Participant must meet the requirements established in SEC Rule 15c3-1(a)(6)(i), and the general requirements for Specialists as set forth in Chapter XV, Section 1 of the Rules of the Exchange (Specialist Registration).

Sec. 3 Good Standing for Market Makers

- (a) To remain in good standing as a Market Maker, the Market Maker must:
- i. continue to be an Options Participant in good standing;
 - ii. continue to satisfy the Market Maker qualification requirements specified by BOXR, as amended from time to time by BOXR;
 - iii. comply with the Rules of the Exchange as well as the Rules of the OCC;
and
 - iv. pay on a timely basis such Participation, transaction and other fees as the Exchange and BOX shall prescribe.

(b) The good standing of a Market Maker may be suspended, terminated or otherwise withdrawn, as provided in the Rules, if any of said conditions for approval cease to be maintained or the Market Maker violates any of its agreements with the Exchange or any of the provisions of the Rules.

(See BSE Rules Chapter XV, "Specialists", Section 1, "Registration").

Sec. 4 Appointment of Market Makers

(a) Market Makers shall be those Options Participants registered as Market Makers and approved by the Exchange for an appointment in an options class listed on BOX. Such an appointment shall consist of at least one class and may include all classes listed on BOX.

(b) In approving such appointments the Board or designated committee shall consider (1) the financial and technical resources available to the Market Maker, (2) the Market Maker's experience and expertise in market making or options trading, and (3) the maintenance and enhancement of competition among Market Makers in each class of options contracts to which they are appointed.

(c) The Board or designated committee may suspend or terminate any appointment of a Market Maker under this Rule and may make additional appointments or change the options classes included in a Market Maker's appointment whenever, in the Board's or designated committee's judgment, the interests of a fair and orderly market are best served by such action.

(d) BOXR shall periodically conduct an evaluation of Market Makers to determine whether they have fulfilled performance standards relating to, among other things, quality of markets, competition among Market Makers, observance of ethical standards, and administrative factors. BOXR may consider any relevant information, including but not limited to the results of a Market Maker evaluation questionnaire, trading data, a Market Maker's regulatory history and such other factors and data as may be pertinent in the circumstances. Failure by a Market Maker to meet minimum performance standards may result in, among other things:

- i. suspension, termination or restriction of an appointment to one or more of the options classes;
- ii. restriction of appointments to additional options classes; or
- iii. suspension, termination, or restriction of the Market Makers registration.

(e) Market Makers may transact business outside of their appointments, but the total number of contracts executed during a quarter by a Market Maker in options classes to which it is not appointed may not exceed twenty-five percent (25%) of the total number of contracts traded by such Market Maker.

(f) Market Makers may withdraw from trading an options class that is within their appointment by providing BOX with written notice of such withdrawal. BOXR may require a certain minimum prior notice period for withdrawal, and may place such other conditions on withdrawal and re-appointment as it deems appropriate in the interests of maintaining fair and orderly markets. Market Makers who fail to give advance written notice of withdrawal to BOX may be subject to formal disciplinary action pursuant to BX Rules 9000 Series.

Amended.

June 25, 2007.
February 21, 2008
February 7, 2011.
May 14, 2012.

Sec. 5 Obligations of Market Makers

(a) In registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of

dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. (See BSE Rules Chapter XV, "Specialists", Section 2, "Responsibilities"). Ordinarily, Market Makers are expected to:

- i. During trading hours, a Market Maker must maintain a two-sided market, pursuant to Section 6(d)(i) of this Chapter VI, in those option classes in which the Market Maker is assigned to trade, in a manner that enhances the depth, liquidity and competitiveness of the market.
- ii. Participate in opening the market pursuant to Section 6(d) of this Chapter VI and Chapter V, Section 9(a) of these Rules.
- iii. Engage, to a reasonable degree under the existing circumstances, in dealings for their own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class.
- iv. Compete with other Market Makers in all series of options classes to which the Market Maker is assigned to trade.
- v. Make markets that will be honored for the number of contracts entered into BOX's system in all series of options classes to which the Market Maker is assigned to trade.
- vi. Update quotations in response to changed market conditions in all series of options classes to which the Market Maker is assigned to trade.
- vii. Price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than \$5 between the bid and offer following the pre-opening phase for each options contract. During the pre-opening phase, spread differentials shall be no more than \$.25 between the bid and offer for each options contract for which the bid is less than \$2, no more than \$.40 where the bid is at least \$2 but does not exceed \$5, no more than \$.50 where the bid is more than \$5 but does not exceed \$10, no more than \$.80 where the bid is more than \$10 but does not exceed \$20, and no more than \$1.00 where the bid is \$20 or greater, provided that BOX may establish differences other than the above for one or more options series.
 - 1) The bid/offer differentials stated in subparagraph (a)(vii) of this section shall not apply to in-the-money options series where the underlying securities market is wider than the differentials set forth above. For these series, the bid/ask differential may be as wide as the quotation on the primary market of the underlying security.
 - 2) BOX may calculate bids and asks for various indices for the sole purpose of determining permissible bid/ask differentials on options on these indices. These values will be calculated by determining the weighted average of the bids and asks for the components of the corresponding index. These bids and asks will be disseminated by BOX at least every fifteen (15) seconds during the trading day solely for the

purpose of determining the permissible bid/ask differential that market-makers may quote on an in-the-money option on the indices. For in-the-money series in index options where the calculated bid/ask differential is wider than the applicable differential set out in subparagraph (a)(vii) of this Rule, the bid/ask differential in the index options series may be as wide as the calculated bid/ask differential in the underlying index. BOX will not make a market in the basket of stock comprising the indices and is not guaranteeing the accuracy or the availability of the bid/ask values.

- viii. Maintain active markets in all classes in which the Market Maker is appointed.
- ix. **Reserved.**
- x.
 - 1) Except in unusual market conditions, refrain from purchasing a call option or a put option at a price more than \$0.25 below parity. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security.
 - 2) Not bid more than \$1 lower or offer more than \$1 higher than the last preceding transaction price for the particular options contract, plus or minus the aggregate change in the last sale price of the underlying security since the time of the last preceding transaction for the particular options contract. This provision applies from one day's close to the next day's opening and from one transaction to the next in intra-day transactions. With respect to inter-day transactions this provision applies if the closing transaction occurred within one hour of the close and the opening transaction occurred within one hour after the opening. With respect to intra-day transactions, this provision applies to transactions occurring within one hour of one another.

A BOXR Official may waive the provisions of subparagraphs (x)(1) and (x)(2) in an index option when the primary underlying securities market for that index is not trading.

(b) Market Makers may receive and handle Directed Orders on an agency basis. Market Makers may trade as principal as contra party to Directed Orders submitted to BOX; however, Market Makers may only seek to act as contra party to Directed Orders pursuant to the rules of the Price Improvement Period (Section 18 of Chapter V of these Rules), or pursuant to Paragraph (c) of this Section 5. As agent handling Directed Orders, the Market Maker is required to:

- i. hold the interests of orders entrusted to him above his own interests and fulfill in a professional manner all other duties of an agent, including, but not limited to, ensuring that each such order, regardless of its size or source, receives proper representation and timely, best possible execution in accordance with the terms of the order and the rules and

policies of the Exchange.

- ii. Ensure that his acceptance and execution of orders as agent are in compliance with applicable Federal and Exchange rules and policies.

(See BSE Rules Chapter XV, "Specialists", Section 2, "Responsibilities").

(c) When acting as agent for a Directed Order, a Market Maker must comply with subparagraphs (i) - (iii) of this Paragraph (c).

- i. A Market Maker shall not receive a Directed Order other than through the BOX Trading Host. Unlike all other orders submitted to the BOX Trading Host, Directed Orders are not anonymous. The Options Participant identification number ("Participant ID") of the OFP sending the Directed Order will be given to the Market Maker recipient. Upon systemically indicating its desire to accept Directed Orders, a Market Maker that receives a Directed Order shall not, under any circumstances, reject the receipt of the Directed Order from the BOX Trading Host nor reject the Directed Order back to the OFP who sent it. A Market Maker who desires to accept Directed Orders must systemically indicate that it is an Executing Participant ("EP") whenever the Market Maker wishes to receive Directed Orders. If a Market Maker does not systemically indicate that it is an Executing Participant, the BOX Trading Host will not forward any Directed Orders to the Market Maker. In such a case, the BOX Trading Host will send the order directly to the BOX Book. Prior to accepting any Directed Order through the Trading Host, an EP must inform BOX of the OFPs from whom it has agreed to accept Directed Orders through the Trading Host ("Listed OFPs" or "LOFPs"). The Trading Host will then only send to the EP Directed Orders from LOFPs.
- ii.
 - 1) If the Directed Order is executable against the current NBBO and the EP is also quoting at such NBBO on the opposite side of the Directed Order, then the Trading Host will immediately upon receipt of the Directed Order take down the EP's quote and shall guarantee the EP's execution of the Directed Order for at least the price and size of the EP's quote. This guarantee shall be called a Guaranteed Directed Order ("GDO"). The EP's quote shall not be reestablished until the Directed Order has been processed pursuant to this paragraph (c).
 - 2) If a GDO has been automatically generated and is pending, then upon receipt of a subsequent Directed Order for the same EP for the same series and side of the market such subsequent order shall no longer be considered a Directed Order but be treated as a regular order. The Trading Host will not send the order to the EP, but shall immediately release it to the BOX Book as a regular order. If no GDO has been automatically generated, then upon receipt of a subsequent Directed Order for the same EP for the same series and side of the market such subsequent order shall be treated as a new Directed Order. The Trading Host will send the new Directed Order to the EP for handling pursuant this paragraph (c).
 - 3) Upon receipt of a Directed Order an EP must either:

- a) Submit the Directed Order to the PIP process, pursuant to Chapter V, Section 18 of these Rules. Under this option, if a GDO has been automatically generated, then the Trading Host will prohibit the EP from adjusting his quotation prior to submitting the Directed Order to the PIP process. If no GDO has been automatically generated, and the EP is currently quoting at the NBBO on the opposite side of the Directed Order, then he is prohibited from adjusting his quotation prior to submitting the Directed Order to the PIP process. Upon submission of the Directed Order to the PIP process, the Trading Host will only accept a Primary Improvement Order to start the PIP priced at or better than 1) the GDO or 2) the NBBO at the time the EP sent the Directed Order to the PIP, whichever price is better for the Directed/PIP Order.

-OT-

- b) Send the Directed Order to the BOX Book pursuant to subparagraph (c)(iii) below.
- 4) If, three seconds after receipt of a Directed Order, an EP has not taken any action on the Directed Order, then BOX will automatically release the Directed Order to the BOX Book and the EP must comply with all the requirements of subparagraph (c)(iii) below.
- 5) If the Directed Order is modified once the Trading Host has established the GDO, then the modified Directed Order shall no longer be considered a Directed Order and shall be immediately released to the BOX Book and treated as a regular order. Upon modification or cancellation of the Directed Order, the Trading Host will immediately reestablish the EP's quote, including any of the EP's pending quote modifications, with a new time priority; or in the case of a pending quote cancellation, the EP's quote will be cancelled.

If no GDO had been established, then the modified Directed Order shall be resubmitted to the EP pursuant to paragraph (c)(ii)(1) above.

NOTE: It shall be considered conduct inconsistent with just and equitable principles of trade for any Options Participant or person to communicate with an EP about the terms or conditions of a Directed Order prior to its outcome in the BOX Trading Host (e.g. execution, cancellation).

- iii. When an EP chooses not to enter the Directed Order into the PIP process, and therefore, must send the Directed Order to BOX for placement on the BOX Book, the following requirements shall apply:

- 1) When the Trading Host has **not** automatically generated a GDO pursuant to paragraph (c)(ii)(1) above, the Trading Host will determine if the Directed Order is executable against the now current NBBO according to the NBBO filter process set forth in Chapter V, Section 16(b)(iii) of these Rules.

The EP shall not submit to BOX a contra order to the Directed Order for his proprietary account during the three seconds following his submission of the Directed Order to BOX.

- 2) When the Trading Host has automatically generated a GDO pursuant to paragraph (c)(ii)(1) above, then the Trading Host will determine if the Directed Order is executable against the now current NBBO.
 - a. If the order is not executable against the current NBBO, then the Trading Host will expose the order at the better GDO price for three seconds pursuant to paragraph (c)(iii)(2)(b)(3)-(5) below. The EP shall not submit to BOX a contra order to the Directed Order for his proprietary account during the three seconds following his submission of the Directed Order to BOX.
 - b. If the order is executable against the current NBBO, then the Trading Host will continue to hold the EP quote as described in paragraph (c)(ii)(1) above to provide the GDO.
 - 1) The EP:
 - i. Shall not submit to the BOX Book a contra order to the Directed Order for his proprietary account until the GDO is released to the BOX Book pursuant to subparagraph (c)(iii)(2)(b)(4) below.
 - ii. Shall not decrement the size or worsen the price of his GDO. The Trading Host will not process such changes to the GDO, except a decrementation of the GDO size down to the size of the remaining Directed Order.
 - iii. May increase the size or better the price of his GDO.
 - iv. May modify his pending quote to be reestablished pursuant to paragraph (c)(iii)(2)(b)(4) below. The Trading Host shall apply such modifications only when the EP's quote is reestablished.
 - 2) Upon receipt of the Directed Order, the Trading Host will execute the Directed Order against any matching order(s) on the BOX Book that are better than or equal to the GDO and equal to the current NBBO, except the pending quote and/or GDO of the EP.
 - 3) The remaining quantity of the Directed Order will be exposed to all BOX Participants at the better of the current NBBO or the GDO price for three seconds. During this period, any BOX Participant, except the EP, may submit an order to the BOX Book in response to the exposure of the Directed Order. Any orders submitted to

the BOX Book during the three second period will execute immediately against any remaining quantity of the Directed Order, in time priority.

- 4) After exposure of the Directed Order for three seconds, the Trading Host will release the GDO, as modified if at all pursuant to paragraph (c)(iii)(2)(b)(1)(ii) or (iii) above, where it will execute with any remaining quantity of the Directed Order. The Trading Host will reestablish the quote of the EP with a new time priority decremented by any executed portion of the GDO or as modified by the EP.

When the Directed Order to which a GDO is associated has been entered into a UPIP auction pursuant to Chapter V, Section 29 of these Rules and such auction is prematurely terminated due to 1) a modification or cancellation to an order or quote which is a component of the Initial BOX Book Quote pursuant to Chapter V, Section 29(o)(i) of these Rules or 2) the reception of a same side, executable order pursuant to Chapter V, Section 29(s)(ii) of these Rules, then subsequent to its execution as a UPIP Order pursuant to Chapter V, Section 29(p) of these Rules, the GDO will be permitted to immediately execute directly against the remaining size of the UPIP/Directed Order.

It shall be considered conduct inconsistent with just and equitable principles of trade for any EP to directly or indirectly enter, modify or cancel quotes or orders on BOX for the purpose of disrupting, prematurely terminating or manipulating any Improvement Auction.

- 5) If any quantity of the Directed Order remains unexecuted after execution with the GDO, then the Directed Order will be filtered against trading through the current NBBO according to the procedures set forth in Chapter V, Section 16(b)(iii)(2)(c) of these Rules and, if applicable, placed on the BOX Book.

(d) With respect to classes of options to which a Market Maker is not appointed, it should not engage in transactions for an account in which it has an interest that are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in this Section 5 with respect to those classes of options to which it is appointed.

(e) Market Makers should not effect purchases or sales on BOX except in a reasonable and orderly manner.

(f) If BOXR finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Section, such Market Maker will be subject to disciplinary action or suspension or revocation of registration by BOXR in one or more of the securities in which the Market Maker is registered. Nothing in this Section will limit any other power of the Board under these Rules, or procedures of BOXR with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Section 5.

(See BSE Rules Chapter XV, "Specialists", Section 1, "Registration").

Supplementary Material to Section 5(c)(ii)

.01 Market Makers are expected to act upon Directed Orders as immediately as practicable, which must not exceed three seconds.

.02 When a Market Maker's quote is taken down to establish the GDO pursuant to paragraph (c)(ii)(1) of this Rule, such time without posting a quote shall not count for the Market Maker for purposes of fulfilling his obligations under Section 6(d) of this Chapter VI.

Amended.

November 16, 2004.

December 22, 2004.

March 20, 2006.

June 30, 2006.

August 31, 2006.

September 19, 2006.

January 16, 2007.

June 1, 2007.

June 21, 2007.

July 2, 2007.

January 18, 2008.

September 30, 2008.

January 26, 2009.

May 21, 2009.

August 18, 2009.

November 24, 2009.

February 22, 2010.

March 29, 2010.

April 15, 2010.

June 21, 2010.

July 24, 2010.

December 13, 2010.

December 16, 2010.

March 18, 2011.

Sec. 6 Market Maker Quotations

(a) *Size Associated with Quotes.* A Market Maker's bid and offer for a series of options contracts shall be accompanied by the number of contracts at that price the Market Maker is willing to buy from or sell to Customers. Every Market Maker bid or offer must have an initial size of at least ten (10) contracts.

(b) *Two-Sided Quotes.*

- i. A Market Maker that enters a bid (offer) in a class in which he is appointed on BOX must enter an offer (bid) within the spread allowable under Section 5 of this Chapter VI.
- ii. If a Market Maker is not already posting a two-sided quote in a series in

a class in which he is appointed as Market Maker, he must post an initial valid two-sided quote within three (3) seconds of receiving any RFQ message issued. A valid two-sided quote must be continuously maintained, without interruption by the Market Maker for at least thirty (30) seconds. However, if during the 30 second time frame the quote becomes invalid, a Market Maker must as soon as practicable, but within five (5) seconds, post a valid quote.

- iii. Every RFQ message issued, and every Market Maker responsive quote, must be for an initial minimum size of at least ten contracts, and must be within the spread allowable under Section 5 of this Chapter VI.
- iv. A Market Maker may be called upon by an Options Official to submit a single valid two-sided quote in one or more of the series of an options class to which the Market Maker is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of fair and orderly markets. The Market Maker must post the valid quote within three (3) seconds of receiving such message. A valid two-sided quote must be continuously maintained, without interruption by the Market Maker for at least thirty seconds (30). However, if during the 30 second time frame the quote becomes invalid, a Market Maker must as soon as practicable, but within five (5) seconds, post a valid quote.

(c) *Firm Quotes.* (See BSE Rules Chapter II, "Dealings on the Exchange", Section 7, "Dissemination of Quotations").

- i. Market Maker bids and offers are firm for all orders under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("Rule 602") for the number of contracts specified in the bid or offer and according to the requirements of paragraph (a) above.
- ii. Market Maker bids and offers are not firm under this Rule and Rule 602 if:
 - 1) a system malfunction or other circumstance impairs BOX's ability to disseminate or update market quotes in a timely and accurate manner;
 - 2) Reserved.
 - 3) during the pre-opening phase; or
 - 4) any of the circumstances provided in Rule 602 exist. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 7, "Dissemination of Quotations").
- iii. *Thirty Seconds Rule.* Within thirty seconds of receipt of a Customer Order to buy or sell an option in an amount greater than its published quotation size, a Market Maker will execute the entire order or that portion of the order equal to its published quotation size and the bid or offer price will be revised.

(d) *Continuous Quotes.* A Market Maker must enter quotations for the options classes to which it is appointed, as follows:

On a daily basis, a Market Maker must participate in the pre-opening phase and thereafter make markets consistent with the applicable quoting requirements specified in these rules, such that on a daily basis a Market Maker must post valid quotes at least sixty percent (60%) of the time that the class(es) are open for trading. These obligations will apply to

all of the Market Maker's appointed classes collectively, rather than on a class-by-class basis.

If a technical failure or limitation of the BOX Trading Host prevents a Market Maker from maintaining, or prevents a Market Maker from communicating to BOX, timely and accurate electronic quotes in an appointed class, the duration of such failure shall not be considered in determining whether the Market Maker has satisfied the 60% quoting obligation with respect to that particular options class. An Options Official may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(e) *Options Classes Other Than Those to Which Appointed.* A Market Maker may enter all order types permitted to be entered by Customers under the Rules to buy or sell options in classes of options listed on BOX to which the Market Maker is not appointed under Section 4 of this Chapter VI, provided that:

- i. Market Maker orders are subject to the limitations contained in Chapter V, Section 17 of these Rules (Customer Orders and Order Flow Providers) as those paragraphs apply to principal orders entered by Options Participants.
- ii. The Market Maker does not enter orders in options classes to which an affiliated Options Participant is otherwise appointed as a Market Maker.
- iii. Executions are subject to the limits provided in Section 4(e) of this Chapter VI.

(f) *Exemptive Authority.* Until six months from the date on which BOX commences operations, the Board may grant Market Makers exemptions from the requirements of paragraph (e)(iii) of this rule, subject to the following:

- i. Any exemption would be conditioned on the Participant performing Market Maker functions in the classes it trades;
- ii. An exemption could be revoked by BOXR at any time if the Market Maker is not acting in accordance with the terms of the exemption; and
- iii. No exemption would have a term of more than one month, but would be renewable on a monthly basis until all listed options classes were open for trading.

Amended.

June 2, 2009.
September 18, 2009.
April 26, 2010.
October 7, 2010.

Supplementary Material to Section 6

.01 Under this Section 6, in order to be deemed 'valid' a Market Maker's initial quoted size must be for at least ten (10) contracts. This initial minimum size shall apply regardless of whether a Market Maker receives an RFQ message, is called upon by an Options Official to post a quote, or otherwise.

The initial size of the Market Maker's valid quote may subsequently be depleted in size below the minimum size due to executions with the quote and the quote shall remain valid as long as the Market Maker's quote has not been changed or updated as to price or size. This depleted quote size shall remain valid until 1) the Market Maker's quoted size is completely exhausted, whereupon the Market Maker must once again post a valid quote with a valid initial size of ten (10) contracts, or 2) the Market Maker updates or changes the posted quote, whereupon such quote must meet the minimum initial size of ten (10) contracts in order to be deemed valid.

Amended.

October 7, 2010.

Sec. 7 Securities Accounts and Orders of Market Makers

(a) *Identification of Accounts.* In a manner prescribed by BOXR, each Market Maker shall file with BOXR and keep current a list identifying all accounts for stock, options, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity and related securities trading in which the Market Maker may, directly or indirectly, engage in trading activities or over which it exercises investment discretion. No Market Maker shall engage in stock, options, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity or related securities trading in an account which has not been reported pursuant to this Section. (See BSE Rules Chapter XV, "Specialists", Sections 1 and 2, generally).

(b) *Reports of Orders.* Each Market Maker shall, upon the request of BOXR and in the prescribed form, report to BOXR every order entered by the Market Maker for the purchase or sale of (i) a security underlying options traded on BOX, or (ii) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Section. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received and, if all or part of the order was executed, the quantity and execution price.

(c) *Joint Accounts.* No Market Maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is an Options Participant and unless such account is reported to, and not disapproved by, BOXR. Such reports in a form prescribed by BOXR shall be filed with BOXR before any transaction is effected on BOXR for such joint account. A participant in a joint account must:

- i. Be either a Market Maker or a Clearing Participant that carries the joint account.
- ii. File and keep current a completed application on such form as is prescribed by BOXR.
- iii. Be jointly and severally responsible for assuring that the account complies with all the Rules of the Exchange.
- iv. Not be a Market Maker appointed to the same options classes to which the joint account holder is also appointed as a Market Maker.

(See BSE Rules Chapter XV, "Specialists", Section 7, "Joint Accounts").

Amended.

July 7, 2008.

Sec. 8 Letters of Guarantee

(a) *Required of Each Market Maker.* No Market Maker shall make any transactions on BOX unless a Letter of Guarantee has been issued for such Participant by a Clearing Participant and filed with BOXR, and unless such Letter of Guarantee has not been revoked pursuant to paragraph (c) of this Section.

(b) *Terms of Letter of Guarantee.* A Letter of Guarantee shall provide that the issuing Clearing Participant accepts financial responsibilities for all BOX Transactions made by the guaranteed Participant.

(c) *Revocation of Letter of Guarantee.* A Letter of Guarantee filed with BOXR shall remain in effect until a written notice of revocation has been filed with BOXR by the Guarantor Clearing Participant. A revocation shall in no way relieve a Clearing Participant of responsibility for transactions guaranteed prior to the effective date of such revocation.

Sec. 9 Financial Requirements for Market Makers

(a) Pursuant to Chapter XXII, Section 2 of the BSE Rules (Capital and Equity Requirements), each Market Maker shall maintain (i) net liquidating equity in its Market Maker account of not less than \$200,000, and in conformity with such guidelines as the Board may establish from time to time, and (ii) net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each Market Maker which is a Clearing Participant shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation. This equity requirement, as well as all other provisions of the section (including capital maintenance requirements), applies to each Market Maker account, without regard to the number of Market Maker accounts per firm. The term "net liquidating equity" means the sum of positive cash balances and long securities positions less negative cash balances and short securities positions.

(b) Each Market Maker that makes an arrangement to finance his transactions as a Market Maker must identify in writing to BOXR the source of the financing and its terms. BOXR must be informed immediately of the intention of any party to terminate or change any such arrangement.

Amended.

May 14, 2012.

Sec. 10 Limitations on Dealings

(a) *General Rule.* A Market Maker on BOX may engage in Other Business Activities, or it may be affiliated with a broker-dealer that engages in Other Business Activities, only if there is an Information Barrier between the market making activities and the Other Business Activities. "Other Business Activities" means:

- i. conducting an investment banking or public securities business;
- ii. making markets in the stocks underlying the options in which it makes

markets; or

- iii. functioning as an Order Flow Provider, except where such Market Maker, or broker-dealer with which such Market Maker is affiliated: (A) engages solely in proprietary trading and does not, under any circumstance, maintain customer accounts or solicit or accept orders or funds from or on behalf of public customers, including broker-dealers and other securities firms, and (B) does not place or accept directed orders or utilize any other order types which call for the participation of, or interaction with, public customers, including broker-dealers and other securities firms.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(b) "*Information Barrier*". For the purposes of this Section, an Information Barrier is an organizational structure in which:

- i. The market making functions are conducted in a physical location separate from the locations in which the Other Business Activities are conducted, in a manner that effectively impedes the free flow of communications between designated representatives of an Options Participant performing the function of a Market Maker and persons conducting the Other Business Activities. However, upon request and not on his own initiative, a designated representative of an Options Participant performing the function of a Market Maker may furnish to a person performing the function of an OFP or other persons at the same firm or an affiliated firm ("affiliated persons"), the same market or trading information, so long as the Market Maker also may make available such information to non-affiliated persons with whom the Market Maker may have the same type of business relationship. The designated representative of a Market Maker must provide such information to affiliated persons in the same manner that he would make such information available to a non-affiliated person.
- ii. There are procedures implemented to prevent the use of material non-public corporate or market information in the possession of persons on one side of the barrier from influencing the conduct of persons on the other side of the barrier. These procedures, at a minimum, must provide that:
 - 1) the designated representative of an Options Participant performing the function of a Market Maker does not take advantage of knowledge of pending transactions, order flow information, corporate information or recommendations arising from the Other Business Activities; and
 - 2) all information pertaining to the Market Maker's positions and trading activities is kept confidential and not made available to persons on the other side of the Information Barrier, except as provided in Paragraph (b)(i) of this Section 10.

(c) Persons on one side of the barrier may not exercise influence or control over persons on the other side of the barrier, provided that:

- i. the market making function and the Other Business Activities may be under common management as long as any general management oversight does not conflict with or compromise the Market Maker's responsibilities under the Rules of the Exchange; and
- ii. the same person or persons (the "Supervisor") may be responsible for the supervision of the market making and OFP functions of the same firm or affiliated firms in order to monitor the overall risk exposure of the firm or affiliated firms. While the Supervisor may establish general trading parameters with respect to both market making and other proprietary trading other than on an order-specific basis, the Supervisor may not:
 - 1) actually perform the function of either a Market Maker or OFP;
 - 2) provide to any person performing the function of an OFP any information relating to market making activity beyond the information that a designated representative of an Options Participant performing the function of a Market Maker may provide under subparagraph (b)(i), above; nor
 - 3) provide a designated representative of an Options Participant performing the function of Market Maker with specific information regarding the firm's pending transactions or order flow arising out of its OFP activities.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(d) *Documenting and Reporting of Information Barrier Procedures.* An Options Participant implementing an Information Barrier pursuant to this Section shall submit to BOX a written statement setting forth:

- i. The manner in which it intends to satisfy the conditions in paragraph (b) of this Section, and the compliance and audit procedures it proposes to implement to ensure that the Information Barrier is maintained;
- ii. The names and titles of the person or persons responsible for maintenance and surveillance of the procedures;
- iii. A commitment to provide BOXR with such information and reports as BOXR may request relating to its transactions;
- iv. A commitment to take appropriate remedial action against any person violating this Section or the Participant's internal compliance and audit procedures adopted pursuant to paragraph (c)(i) of this Section, and that it recognizes that BOXR may take appropriate remedial action, including (without limitation) reallocation of securities in which it serves as a Market Maker, in the event of such a violation;
- v. Whether the Participant or an affiliate intends to clear its proprietary trades and, if so, the procedures established to ensure that information with respect to such clearing activities will not be used to compromise the Participant's Information Barrier, which procedures, at a minimum, must be the same as those used by the Participant or the affiliate to clear

for unaffiliated third parties; and

- vi. That it recognizes that any trading by a person while in possession of material, non-public information received as a result of the breach of the internal controls required under this Section may be a violation of Rules 10b-5 and 14e-3 under the Exchange Act or one or more other provisions of the Exchange Act, the Rules thereunder or the Rules of the Exchange, and that BOXR intends to review carefully any such trading of which it becomes aware to determine whether a violation has occurred.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(e) *Exchange Approval of Information Barrier Procedures.* The written statement required by paragraph (d) of this Section must detail the internal controls that the Participant will implement to satisfy each of the conditions stated in that Rule, and the compliance and audit procedures proposed to implement and ensure that the controls are maintained. If BOXR determines that the organizational structure and the compliance and audit procedures proposed by the Participant are acceptable under this Section, BOXR shall so inform the Participant, in writing. Absent BOXR finding a Participant's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(f) *Clearing Arrangements.* Paragraph (c)(v) permits a Options Participant or an affiliate of the Options Participant to clear the Participant's Market Maker transactions if it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the Information Barrier. In this regard:

- i. The procedures must provide that any information pertaining to Market Maker securities positions and trading activities, and information derived from any clearing and margin financing arrangements, may be made available only to those employees (other than employees actually performing clearing and margin functions) specifically authorized under this Section to have access to such information or to other employees in senior management positions who are involved in exercising general managerial oversight with respect to the market making activity.
- ii. Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Market Maker to meet market making or other obligations under the Exchange's and BOX Rules.

(g) Market Makers in compliance with Paragraphs (a)-(f) of this Section 10 may receive and handle Directed Orders on an agency basis pursuant to Section 5 of this Chapter VI.

Amended.

August 13, 2004.

May 16, 2006.

Sec. 11 Short Sales in Nasdaq National Market Securities

(a) NASD Rule 3350 ("NASD Short Sale Rule") prohibits NASD members from effecting short sales of Nasdaq National Market securities under certain circumstances. The NASD Short Sale Rule contains an exception (the "Hedging Exception") for short sales for the account of an options market maker provided the options market maker is registered with a "qualified options exchange" as a "qualified market

maker" and the short sale is an "exempt hedge transaction" as defined in the NASD Short Sale Rule.

(b) For purposes of the NASD Short Sale Rule, a Market Maker on BOX is deemed to be a "qualified options market maker" for each options class to which such Market Maker has been appointed on BOX.

(c) If, in accordance with paragraph (d) of Section 4 of this Chapter VI, BOXR determines that a Market Maker has failed to meet minimum performance standards for any options class to which such Market Maker has been appointed on BOX, such Market Maker automatically loses its status as a "qualified options market maker" for purposes of the NASD Short Sale Rule until such Market Maker demonstrates to the satisfaction of BOXR that it meets the minimum performance standards.

(d) BOXR will surveil all Market Makers use of the Hedging Exception to determine whether they are in compliance with the NASD Short Sale Rule.

(e) BOXR may withdraw, suspend or modify a Market Maker's eligibility for the Hedging Exception, as the result of a disciplinary action. If BOXR determines that such withdrawal, suspension or modification is warranted in light of the substantial, willful, or continuing nature of the violation, then the NASD is authorized to withdraw, suspend or modify the designation of a qualified options market maker.

(f) Short sales of a security of a company involved in a publicly announced merger or acquisition by or for the account of a Market Maker will be deemed to be an "exempt hedge transaction" under the NASD Short Sale Rule if the short sale was made to hedge existing or prospective positions (based on communicated indications of interest) in options on a security of another company involved in the merger or acquisition, where the options positions are or will be in a class of options to which the Market Maker is appointed under Chapter VI, Section 4 of these Rules, and were or will be established in the course of bona fide market making activity.

(See BSE Rules Chapter XXXV, "Trading in Nasdaq Securities, Section 26, "Short Sales").

Amended

May 16, 2006.

Sec. 12 Standard Market Maker Protection Mechanism

(a) Trade Counter

The Trading Host will maintain a "trade counter" for each Market Maker on each class to which the Market Maker is appointed. This trade counter will be incremented by one every time the Market Maker executes a trade of at least 10 contracts on any series in the appointed class. Whenever the Trading Host receives from the Market Maker a message to update or refresh any of his quotes on any of the options series in the same class, the trade counter at the Trading Host for that class will be reset to zero.

(b) Standard Market Maker Protection Mechanism

The Trading Host will implement the Standard Market Maker Protection Mechanism on an appointed class whenever the following conditions are met:

1. The trade counter has reached "n" executions against the quotes of the Market Maker in the Market Maker's appointed class; and
2. the Trading Host has not received from the Market Maker a message to update or refresh any of his quotes on any of the options series in the same class before the "n" executions have occurred.

When the above conditions are met, the Trading Host will automatically cancel all quotes posted by the Market Maker on that class by generating a "bulk cancel" message.

(c) The bulk cancel message will have the same time priority as any other quote or order message received by BOX. Any orders or quotes that matched with the Market Maker's quote and were received by the Trading Host prior to the receipt of the bulk cancel message will be automatically executed. Orders or quotes received by the Trading Host after receipt of the bulk cancel message will not be executed against the Market Maker. At any time the Market Maker may update or refresh any of its quotes for any of the options series in the same class and reset the trade counter to zero.

(d) The Board shall determine the appropriate trade counter threshold of "n" executions required in paragraph (b) above to implement the Standard Market Maker Protection Mechanism. In no case will the threshold be lower than five.

Amended.

January 18, 2005.

Sec. 13 Advanced Market Maker Protection Mechanism

(a) The Advanced Market Maker Protection Mechanism is enabled (or disabled) for an options class when a Market Maker sends an Advanced Market Maker Protection enabling (or disabling) message to the Trading Host. Unless enabled, the Advanced Market Maker Protection Mechanism is disabled for all options classes.

(b) When the Advanced Market Maker Protection Mechanism is enabled for a Market Maker's appointed options class, any "bulk quote" message sent by the Market Maker on that class is automatically rejected as soon as one of the following activating events occurs:

- i. The Market Maker's Standard Market Maker Protection Mechanism is triggered for that class, pursuant to Section 12; or
- ii. The Market Maker activates the Panic Quote function for that class pursuant to Section 14.

(c) Once the Advanced Market Maker Protection Mechanism has been activated for an options class, any bulk quote messages sent by the Market Maker on that class will continue to be rejected until the Market Maker sends an Advanced Market Maker Protection enabling or disabling message to the Trading Host.

(d) For purposes of this Section 13, a "bulk quote" message is a single message from a Market Maker that simultaneously updates all of the Market Maker's quotes in multiple series in a class at the same time.

Amended.

January 18, 2005.

Sec. 14 Panic Quote

A Market Maker may simultaneously cancel all its quotes in an assigned class by sending a Panic Quote message to the Trading Host through the Panic Quote channel, or otherwise requesting BOX operations staff to manually generate the Panic Quote message to the Trading Host in order to cancel all of the Market Maker's quotes in that class.

Adopted.

January 18, 2005.

Sec. 15 Automatic Quote Cancellation:

(a) Automatic Quote Cancellation is enabled (or disabled) for a Market Maker's appointed options class(es) when a Market Maker sends an Automatic Quote Cancellation enabling (or disabling) message to the Trading Host. The Market Maker must provide specific information in the enable message that sets forth the parameters that, if met, will cause the Trading Host to cancel the Market Maker's quotes in the specified class(es). Unless enabled, Automatic Quote Cancellation is disabled for all options classes.

(b) A Market Maker may enable Automatic Quote Cancellation by establishing triggering parameters for when the Market Maker, during a specified time period:

- (a) Experiences a duration of no technical connectivity for between one and nine seconds;
- (b) Trades a specified number of contracts in the aggregate across all series of an options class;
- (c) Trades a specified absolute dollar value of contracts bought and sold in a class;
- (d) Trades a specified number of contracts in a class of the net between (i) calls purchased plus puts sold, and (ii) calls sold and puts purchased; or,
- (e) Trades a specified absolute dollar value of the net position in a class between (i) calls purchased and sold, (ii) puts and calls purchased; (iii) puts purchased and sold; or (iv) puts and calls sold.

Adopted.

March 13, 2007.

Amended.

August 28, 2011.

Sec. 16 Quote Removal Mechanism Upon Technical Disconnect:

- (a) When the Trading Host loses communication with a Gateway such that the Trading Host does not receive any Heartbeat messages from a particular Gateway for a period of "n" seconds the Quote Removal Mechanism Upon Technical Disconnect will automatically cancel all Market Maker quotes posted through the affected Gateway.
- (b) The Quote Removal Mechanism Upon Technical Disconnect is enabled for all Market Makers' appointed options classes. The Quote Removal Mechanism Upon Technical Disconnect may not be disabled by Options Participants.
- (c) BOXR shall determine the appropriate period ("n" seconds) of no technical connectivity, as required in paragraph (a) above, to trigger the Quote Removal Mechanism Upon Technical Disconnect. BOXR shall notify Market Makers of the value of "n" seconds via Regulatory Circular. In no event shall "n" be less than one (1) second or exceed nine (9) seconds.
- (d) The trigger of the Quote Removal Mechanism Upon Technical Disconnect is event and Gateway specific. The automatic cancellation of the Market Makers' quotes entered into the Trading Host via a particular Gateway will neither impact nor determine the treatment

of the quotes of the same or other Market Makers entered into the Trading Host via a separate and distinct Gateway.

Supplementary Material to Section 16

- .01** A "Gateway" is the system component through which Market Makers communicate their quotes to the Trading Host.
- .02** A "Heartbeat" message is a communication which acts as a virtual pulse between a Gateway and the Trading Host. The Heartbeat message sent by the Gateway and subsequently received by the Trading Host allows the Trading Host to continually monitor its connection with the Gateways.

Adopted.

July 8, 2008.

Chapter VII. Exercises and Deliveries

Sec. 1 Exercise of Options Contracts

(a) Subject to the restrictions set forth in Chapter III, Section 9 of these Rules (Exercise Limits) and to such restrictions as may be imposed pursuant to Chapter III, Section 12 of these Rules (Other Restrictions on Options Transactions and Exercises) or pursuant to the Rules of the Clearing Corporation, an outstanding options contract may be exercised during the time period specified in the Rules of the Clearing Corporation by the tender to the Clearing Corporation of an exercise notice in accordance with the Rules of the Clearing Corporation. An exercise notice may be tendered to the Clearing Corporation only by the Clearing Participant in the account of which such options contract is carried with the Clearing Corporation. Participants may establish fixed procedures as to the latest time they will accept exercise instructions from customers.

(b) Special procedures apply to the exercise of equity options on the last business day before their expiration ("expiring options"). Unless waived by the Clearing Corporation, expiring options are subject to the Exercise-by-Exception ("Ex-by-Ex") procedure under Clearing Corporation Rule 805. This Rule provides that, unless contrary instructions are given, option contracts that are in-the-money by specified amounts shall be automatically exercised. In addition to the Rules of the Clearing Corporation, the following Exchange requirements apply with respect to expiring options. Option holders desiring to exercise or not exercise expiring options must either:

- i. take no action and allow exercise determinations to be made in accordance with the Clearing Corporation's Ex-by-Ex procedure where applicable; or
- ii. submit a "Contrary Exercise Advice" to the Exchange as specified in paragraph (d) below.

(c) Exercise cut-off time. Option holders have until 5:30 p.m. Eastern Time on the business day immediately prior to the expiration date or, in the case of Quarterly Options Series, on the expiration date, to make a final decision to exercise or not exercise an expiring option. Participants may not accept exercise instructions after 5:30 p.m. Eastern Time.

(d) Submission of the Contrary Exercise Advices. A Contrary Exercise Advice is a communication either: (a) to not exercise an option that would be automatically exercised under the Clearing Corporation's Ex-by-Ex procedure, or (b) to exercise an option that would not be automatically exercised under the Clearing Corporation's Ex-by-Ex procedure.

(i) A Contrary Exercise Advice may be submitted by a Participant by using the Exchange's Contrary Exercise Advice Form, the Clearing Corporation's ENCORE system, a Contrary Exercise Advice form of any other national securities exchange of which the firm is a Participant and where the option is listed, or such other method as the Exchange may prescribe. A Contrary Exercise Advice may be canceled by filing an "Advice Cancel" with the Exchange or resubmitted at any time up to the submission cut-off times specified below.

(ii) Deadline for CEA Submission for Customer Accounts. Participants have until 7:30 Eastern Time to submit a Contrary Exercise to the Exchange.

(iii) Deadline for CEA Submission for Non-Customer Accounts. Participants have until 7:30 Eastern Time to submit a Contrary Exercise to the Exchange if such Participant employs an electronic submission procedure with time stamp for the submission of exercise instructions by options holders. Participants are required to manually submit a Contrary Exercise Advice by 5:30 p.m. for non-customers accounts if such Participants do

not employ an electronic submission procedure with time stamp for the submission of exercise instructions by options holders.

(e) If the Clearing Corporation has waived the Ex-by-Ex procedure for an options class, Participants must either:

- i. submit to the Exchange, a Contrary Exercise Advice, in a manner specified by the Exchange, within the time limits specified in paragraph (d) above if the holder intends to exercise the option; or
- ii. take no action and allow the option to expire without being exercised.

In cases where the Ex-by-Ex procedure has been waived, the Rules of the Clearing Corporation require that Participants wishing to exercise such options must submit an affirmative Exercise Notice to the Clearing Corporation, whether or not a Contrary Exercise Advice has been filed with the Exchange.

(f) A Participant that has accepted the responsibility to indicate final exercise decisions on behalf of another Participant or non- Participant broker-dealer shall take the necessary steps to ensure that such decisions are properly indicated to the Exchange. Such Participant may establish a processing cut-off time prior to the Exchange's exercise cut-off time at which it will no longer accept final exercise decisions in expiring options from option holders for whom it indicates final exercise decisions. Each Participant that indicates final exercise decisions through another broker-dealer is responsible for ensuring that final exercise decisions for all of its proprietary (including market maker) and public customer account positions are indicated in a timely manner to such broker-dealer.

(g) Notwithstanding the foregoing, Participants may make final exercise decisions after the exercise cut-off time but prior to expiration without having submitted a Contrary Exercise Advice in the circumstances listed below. A memorandum setting forth the circumstance giving rise to instructions after the exercise cutoff time shall be maintained by the Participant and a copy thereof shall be filed with the Exchange no later than 12:00 noon Eastern Time on the first business day following the respective expiration. An exercise decision after the exercise cut-off time may be made:

- (i) in order to remedy mistakes or errors made in good faith; or
- (ii) where exceptional circumstances have restricted an option holder's ability to inform a Participant of a decision regarding exercise, or a Participant's ability to receive an option holder's decision by the cut-off time. The burden of establishing any of the above exceptions rests solely on the Participant seeking to rely on such exceptions.

(h) In the event the Exchange provides advance notice on or before 5:30 p.m. Eastern Time on the business day immediately prior to the last business day before the expiration date indicating that a modified time for the close of trading in equity options on such last business day before expiration will occur, then the deadline to make a final decision to exercise or not exercise an expiring option shall be 1 hour 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. Eastern Time deadline found in Paragraph (c) of this Section 1. However, Participants have until 7:30 Eastern Time to deliver a Contrary Exercise Advice or Advice Cancel to the Exchange for customer accounts and non-customer accounts where such Participant employs an electronic submission procedure with time stamp for the submission of exercise instructions. For non-customer accounts, Participants that do not employ an electronic procedure with time stamp for the submission of exercise instructions are required to deliver a Contrary Exercise Advice or Advice Cancel within 1 hour and 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. Eastern Time deadline found in Paragraph(d) of this Section 1.

- (i) Modification of cut-off time.
 - i. the Exchange may establish extended cut-off times for decision to exercise or not exercise an expiring option and for the submission of Contrary Exercise Advices on a case-by-case basis due to unusual circumstances. For purposes of this subparagraph (h)(i), an "unusual circumstance" includes, but is not limited to, increased market volatility; significant order imbalances; significant volume surges and/or systems capacity constraints; significant spreads between the bid and offer in underlying securities; internal system malfunctions affecting the ability to disseminate or update market quotes and/or deliver orders; or other similar occurrences.
 - ii. the Exchange with at least one (1) business day prior advance notice, by 12:00 noon on such day, may establish a reduced cut-off time for the decision to exercise or not exercise an expiring option and for the submission of Contrary Exercise Advices on a case-by-case basis due to unusual circumstances; provided, however, that under no circumstances should the exercise cut-off time and the time for submission of a Contrary Exercise Advice be before the close of trading. For purposes of this subparagraph (h)(ii), an "unusual circumstance" includes, but is not limited to, a significant news announcement concerning the underlying security of an option contract that is scheduled to be released just after the close on the business day immediately prior to expiration.

(j) Submitting or preparing an exercise instruction, contrary exercise advice or advice cancel after the applicable exercise cut-off time in any expiring options on the basis of material information released after the cut-off time is activity inconsistent with just and equitable principles of trade.

(k) The failure of any Participant to follow the procedures in this Section 1 may result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined by the Exchange.

(l) Clearing Participants must follow the procedures of the Clearing Corporation when exercising American-style cash-settled index options contracts issued or to be issued in any account at the Clearing Corporation. Options Participants must also follow the procedures set forth below with respect to American-style cash-settled index options:

- i. For all contracts exercised by the Options Participant or by any customer of the Options Participant, an "exercise advice" must be delivered by the Options Participant in such form or manner prescribed by the Exchange no later than 4:20 p.m. Eastern Time, or if trading hours are extended or modified in the applicable options class, no later than five (5) minutes after the close of trading on that day.
- ii. Subsequent to the delivery of an "exercise advice," should the Options Participant or a customer of the Options Participant determine not to exercise all or part of the advised contracts, the Options Participant must also deliver an "advice cancel" in such form or manner prescribed by the Exchange no later than 4:20 p.m. Eastern Time, or if trading hours are extended or modified in the applicable options class, no later than five (5) minutes after the close of trading on that day.

- iii. The Options Official may determine to extend the applicable deadline for the delivery of "exercise advice" and "advice cancel" notifications pursuant to this paragraph (l) if unusual circumstances are present.
- iv. No Options Participant may prepare, time stamp or submit an "exercise advice" prior to the purchase of the contracts to be exercised if the Options Participant knew or had reason to know that the contracts had not yet been purchased.
- v. The failure of any Options Participant to follow the procedures in this paragraph (l) may result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined by the Exchange.
- vi. Preparing or submitting an "exercise advice" or "advice cancel" after the applicable deadline on the basis of material information released after such deadline, in addition to constituting a violation of this Rule, is activity inconsistent with just and equitable principles of trade.
- vii. The procedures set forth in subparagraphs (i)-(ii) of this subparagraph (l) do not apply (a) on the business day prior to expiration in series expiring on a day other than a business day or (b) on the expiration day in series expiring on a business day.
- viii. Exercises of American-style, cash-settled index options (and the submission of corresponding "exercise advice" and "advice cancel" forms) shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:
 - 1) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to the rules of the Clearing Corporation while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by the Exchange, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension.
 - 2) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration.
 - 3) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 4:00 p.m. Eastern Time. In the event of such a trading halt, exercises may occur through 4:20 p.m. Eastern Time. In addition, if trading resumes following such a trading halt (pursuant to the procedure

described in Section 9 of Chapter V of these Rules (Opening the Market)), exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading. The provisions of this subparagraph 3) are subject to the authority of the Options Official to impose restrictions on transactions and exercises pursuant to Section 14 of Chapter III of these Rules (Limit on Outstanding Uncovered Short Positions).

4. The Options Official may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

Supplementary Material

.01 For purposes of this Section 1, the terms "customer account" and "non-customer account" have the same meaning as defined in the Clearing Corporation By-Laws Article I(C)(28) and Article I(N)(2), respectively

.02 Each Participant shall prepare a memorandum of every exercise instruction received showing the time when such instruction was so received. Such memoranda shall be subject to the requirements of SEC Rule 17a-4(b).

.03 Each Participant shall establish fixed procedures to insure secure time stamps in connection with their electronic systems employed for the recording of submissions to exercise or not exercise expiring options.

.04 The filing of a Contrary Exercise Advice required by this Section 1 does not serve to substitute as the effective notice to the Clearing Corporation for the exercise or non-exercise of expiring options.

Amended.

February 4, 2004.
March 28, 2006.
August 31, 2006.
July 17, 2007.
September 4, 2010.
October 20, 2010.

Sec. 2 Allocation of Exercise Notices

(a) Each Options Participant shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in such Options Participant's customers' accounts. The allocation shall be on a "first in, first out," or automated random selection basis that has been approved by BOXR, or on a manual random selection basis that has been specified by BOXR. Each Options Participant shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' account, explaining its manner of operation and the consequences of that system.

(b) Each Options Participant shall report its proposed method of allocation to BOXR and obtain BOXR's prior approval thereof, and no Options Participant shall change its method of allocation unless the change has been reported to and approved by BOXR. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved by another SRO having comparable standards pertaining to methods of allocation.

(c) Each Options Participant shall preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

Sec. 3 Delivery and Payment

(a) Delivery of the underlying security upon the exercise of an options contract, and payment of the aggregate exercise price in respect thereof, shall be in accordance with the Rules of the Clearing Corporation.

(b) As promptly as possible after the exercise of an options contract by a customer, the Options Participant shall require the customer to make full cash payment of the aggregate exercise price in the case of a call options contract, or to deposit the underlying security in the case of a put options contract, or to make the required margin deposit in respect thereof if the transaction is effected in a margin account, in accordance with the BSE Rules, the provisions of Chapter XIII of these Rules, and the applicable regulations of the Federal Reserve Board.

(c) As promptly as practicable after the assignment to a customer of an exercise notice the Options Participant shall require the customer to deposit the underlying security in the case of a call options contract if the underlying security is not carried in the customer's account, or to make full cash payment of the aggregate exercise price in the case of a put options contract, or in either case to deposit the required margin in respect thereof if the transaction is effected in a margin account, in accordance with the BSE Rules, the provisions of Chapter XIII of these Rules, and the applicable regulations of the Federal Reserve Board.

Amended

May 14, 2012.

Chapter VIII. Records, Reports and Audits

Sec. 1 Maintenance, Retention and Furnishing of Books, Records and Other Information

(a) Each Options Participant shall make, keep current and preserve such books and records as BOXR may prescribe pursuant to the Rules of the Exchange and as may be prescribed by the Exchange Act and the rules and regulations thereunder.

(b) No Options Participant shall refuse to make available to BOXR such books, records or other information as may be called for under the Rules of the Exchange or as may be requested in connection with an investigation by BOXR.

(c) All Options Participants shall prepare and make available all books and records as required by the Rules of the Exchange in English and U.S. dollars.

(See Constitution Article XIV, "Expulsion and Suspension", Section 6, "Exchange Inquiries"; BSE Rules Chapter II, "Dealings on the Exchange", Section 15, "Record of Orders from Offices to Floor"; Chapter XV, "Specialists", Section 8, "Records", Chapter XXII, "Financial Reports and Requirements", generally; Chapter XIII, "Margin Requirements," of these Rules).

Supplementary Material to Section 1

.01 In addition to the existing obligations under the Rules of the Exchange regarding the production of books and records, a Market Maker in non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, shall make available to BOXR such books, records or other information pertaining to transactions in the applicable non-U.S.-currency options, futures or options on futures on such currency, or any other derivatives on such currency, as may be requested by BOXR.

.02 In addition to the existing obligations under the Rules of the Exchange regarding the production of books and records, a Market Maker in commodity futures contracts, options on commodity futures contracts or any other derivatives based on such commodity, shall make available to BOXR such books, records or other information pertaining to transactions in the applicable physical commodity, physical commodity options, commodity futures contracts, options on commodity futures contracts, or any other derivatives on such commodity, as may be requested by BOXR.

Amended

July 7, 2008.

Sec. 2 Reports of Uncovered Short Positions

(a) Upon request of BOXR, each Options Participant shall submit a report of the total uncovered short positions in each options contract of a class dealt in on BOX showing:

- i. positions carried by such Options Participant for its own account and
- ii. positions carried by such Options Participant for the accounts of Customers;
- iii. provided that the Options Participant shall not report positions carried for the accounts of other Options Participants where such other Options

Participants report the positions themselves.

(b) Such report shall be submitted not later than the second business day following the date the request is made.

Sec. 3 Financial Reports and Audits

Each Options Participant shall submit to BOXR answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange or BOXR under Chapter XXII of the BSE Rules.

Amended

May 14, 2012.

Sec. 4 Automated Submission of Trade Data

(a) An Options Participant shall submit requested trade data elements, in such automated format as may be prescribed by BOXR from time to time, in regard to a transaction(s) that is the subject of the particular request for information.

(b) If the transaction was a proprietary transaction effected or caused to be effected by the Options Participant for any account in which such Participant, or any person associated with the Options Participant, is directly or indirectly interested, the Participant shall submit or cause to be submitted, any or all of the following information as requested by BOXR:

- i. Clearing house number or alpha symbol as used by the Options Participant submitting the data;
- ii. Clearing house number(s) or alpha symbol(s) as may be used from time to time, of the Options Participant(s) on the opposite side of the transaction;
- iii. Identifying symbol assigned to the security and where applicable for the options month and series symbols;
- iv. Date transaction was executed;
- v. Number of option contracts for each specific transaction and whether each transaction was an opening or closing purchase or sale, as well as:
 - 1) the number of shares traded or held by accounts for which options data is submitted;
 - 2) where applicable, the number of shares for each specific transaction and whether each transaction was a purchase, sale or short sale;
- vi. Transaction price;
- vii. Account number; and

viii. Market center where transaction was executed.

(c) If the transaction was effected or caused to be effected by the Options Participant for any Customer, such Options Participant shall submit or cause to be submitted any or all the following information as requested by BOXR:

- i. Data elements (i) through (viii) of paragraph (b) above;
- ii. If the transaction was effected for a Public Customer, customer name, address(es), branch office number, representative number, whether the order was discretionary, solicited or unsolicited, date the account was opened and employer name and tax identification number(s); and
- iii. If the transaction was effected for a Participant broker-dealer customer, whether the broker-dealer was acting as a principal or agent on the transaction or transactions that are the subject of BOXR's request.

(d) In addition to the above trade data elements, an Options Participant shall submit such other information in such automated format as may be prescribed by BOXR, as may from time to time be required.

(e) BOXR may grant exceptions, in such cases and for such time periods as it deems appropriate, from the requirement that the data elements prescribed in paragraphs (b) and (c) above be submitted to BOXR in an automated format.

Sec. 5 Regulatory Cooperation

(a) BOXR may enter into agreements that provide for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes, with domestic and foreign self-regulatory organizations, as well as associations and contract markets and the regulators of such markets.

(b) No Options Participant, partner, officer, director or other person associated with a Participant or other person or entity subject to the jurisdiction of the Exchange or BOXR shall refuse to appear and testify before another exchange or self-regulatory organization in connection with a regulatory investigation, examination or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation, examination or disciplinary proceeding if the Exchange or BOXR requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange or BOXR pursuant to paragraph (a) of this Section, including but not limited to Participants and affiliates of the Intermarket Surveillance Group. The requirements of this paragraph (b) shall apply regardless whether the Exchange or BOXR has itself initiated a form investigation or disciplinary proceeding. (See BX Rules 9000 Series, generally).

(c) Whenever information is requested by the Exchange or BOXR pursuant to this Section, the Options Participant or person associated with a Participant from whom the information is requested shall have the same rights and procedural protections in responding to such request as such Participant or person would have in the case of any other request for information initiated by the Exchange or BOXR pursuant to the Exchange's or BOXR's investigative powers. (See BX 9000 Series, generally).

Amended

May 14, 2012.

Sec. 6 Risk Analysis of Market Maker Accounts

(a) Each Clearing Participant that clears or guarantees the transactions of Market Makers pursuant to Chapter VI, Section 8 of these Rules (Letters of Guarantee), shall establish and maintain written procedures for assessing and monitoring the potential risks to the Participant's capital over a specified range of possible market movements of positions maintained in such Market Maker accounts and such related accounts as BOXR shall from time to time direct.

- i. Current procedures shall be filed and maintained with BOXR.
- ii. The procedures shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained and the position(s) within the organization responsible for the risk management.

(b) Each affected Participant shall at a minimum assess and monitor its potential risk of loss from options Market Maker accounts each business day as of the close of business the prior day through use of a BOXR-approved computerized risk analysis program, which shall comply with at least the minimum standards specified below and such other standards as from time to time may be prescribed by BOXR:

- i. The estimated loss to the Clearing Participant for each Market Maker account (potential account deficit) shall be determined given the impact of broad market movements in reasonable intervals over a range from negative fifteen percent (15%) to positive fifteen percent (15%).
- ii. The Participant shall calculate volatility using a method approved by BOXR, with volatility updated at least weekly. The program must have the capability of expanding volatility when projecting losses throughout the range of broad market movements.
- iii. Options prices shall be estimated through use of recognized options pricing models such as, but not limited to, Black-Scholes and Cox-Reubenstein.
- iv. At a minimum, written reports shall be generated which describe for each market scenario:
 - 1) projected loss per options class by account;
 - 2) projected total loss per options class for all accounts; and
 - 3) projected deficits per account and in aggregate.

Upon direction by BOXR, each affected Participant shall provide to BOXR such information as it may reasonably require with respect to the Participant's risk analysis for any or all of its Market Maker accounts.

Sec. 7 Anti-Money Laundering Compliance Program

Each Participant shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each Participant's anti-money laundering program must be approved, in writing, by a

member of senior management of the Participant.

The anti-money laundering programs required by this Section shall, at a minimum:

- (1) Establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;
- (2) Establish and implement policies and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;
- (3) Provide for independent testing for compliance to be conducted by Participant personnel or by a qualified outside party;
- (4) Designate a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program; and
- (5) Provide ongoing training for appropriate persons.

Chapter IX. Summary Suspensions

Reserved.

Amended.

May 14, 2012.

Chapter X. Minor Rule Violations

Sec. 1 General

The following BOX rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Chapter XXXIV (Minor Rule Violations) and Chapter XVIII, Section 4 (Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies) of the Grandfathered Rules and impose the fine set forth below. See also BX Rule 9216. The Exchange is not required to proceed under said Sections as to any rule violation and may, whenever such action is deemed appropriate, such as in the instance of intentional conduct or a pattern of violative conduct, commence a disciplinary proceeding under BX Rules 9000 Series as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period ("Period").

Amended.

April 10, 2007. May 14, 2012.

Sec. 2 Penalty for Rule Violations

(a) *Position Limit Violations.* Violations of Chapter 3, Section 7 of these Rules (Position Limit) shall be subject to the fines listed below.

Number of Violations*	Fine Amount
First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth and Each Subsequent Violation	\$5,000

* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(b) *Order Entry.* Violations of Chapter V, Section 17 of these Rules (Customer Orders and Order Flow Providers) regarding limitations on orders entered into the System by OFP Participants, as well as violations of Chapter VI, Section 6(a) - (c) of these Rules, (Market Maker Quotations) regarding restrictions on orders entered by Market Makers, will be subject to the fines listed below. Each paragraph of such sections subject to this Rule shall be treated separately for purposes of determining the number of cumulative violations.

Number of Violations Within One Period	Fine Amount
1 to 5	Letter of Caution
6 to 10	\$500
11 to 15	\$1000
16 to 20	\$2000

(c) *Quotation Parameters.* Violations of Chapter VI, Section 5(a)(vii) of these Rules regarding spread parameters for Market Maker quotations shall be subject to the fines listed below. For purposes of this Section, the spread parameters in Chapter VI, Section 5(a)(vii) of these Rules will not be violated upon a change in a bid (offer) if a Market Maker takes immediate action to adjust its offer (bid) to comply with the

maximum allowable spread. Except in unusual market conditions, immediate shall mean within five (5) seconds of a change in the Market Makers bid or offer.

Number of Violations Within One Period	Fine Amount
1 to 10	Letter of Caution
11 to 20	\$500
21 to 30	\$1000
31 to 40	\$2000

(d) *Continuous Quotes.* Violations of Chapter VI, Section 6(d) of these Rules regarding Market Maker continuous quotes shall be subject to the fines listed below. Violations of the rule that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (d), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker, all violations occurring within the Period in any of that Market Makers appointed classes are to be added together.

Number of Cumulative Violations Within One Period	Fine Amount
1	Letter of Caution
2 or more	\$300 per day

(See also, BSE Rules Chapter XXXIV, "Minor Rule Violations", Section 2, "Rule Violations"; specifically Paragraphs (a)-(c), (e), (k)-(l)).

(e) *Failure to Timely File Amendments to Form U4, Form U5 and Form BD*

Any member, and member and/or participant organization that is required to file Form U4, Form U5 or Form BD pursuant to Chapter I-B, Section 4 through Section 6 of the Boston Stock Exchange rules, or the Securities Exchange Act of 1934, and the rules promulgated thereunder, is required to amend the applicable Form U4, Form U5 or Form BD to keep such forms current at all times. Members, and/or member and participant organizations shall amend Form U4, Form U5 or Form BD not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

FINE SCHEDULE (Implemented on a running 12 month period)

1st Occurrence	\$500.00
2nd Occurrence	\$1,000.00
3rd Occurrence	\$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with BSER

(f) *Contrary Exercise Advice Violations.* Violations of Chapter VII, Section 1(c),(d),(e),(g), and (h) of these Rules (Exercise of Options Contracts) are subject to the fines listed below. Violations are based on a rolling twenty-four month period.

Amount	Individual Fine Amount	Participant Organization Fine
Initial Offense -	\$500	\$1,000
Second Offense	\$1,000	\$2,500
Subsequent Offenses -	\$2,500	\$5,000

(g) *Locked and Crossed Market Violations.* Violations of Chapter XII, Section 3 of these Rules (Locked and Crossed Markets) regarding procedures to be followed in the instance of a Locked Market or a Crossed Market, are subject to the fines listed below.

First Offense - Letter of Caution
 Second Offense - \$250
 Third Offense - \$500

(h) *Market Maker Assigned Activity Violations.* Violations of Chapter VI Section 4(e) of these Rules, requiring Market Makers to limit their execution in options classes outside of their appointed classes to twenty-five percent (25%) of the total number of contracts executed during a quarter by such Market Maker, are subject to the fines listed below.

Initial Offense - Letter of Caution
 Second Offense - \$500
 Third Offense - \$1000
 Fourth Offense - \$2500

(i) *Request for Quote Violations.* Violations of Chapter VI, Section 6(b)(ii)-(iii) (Market Maker Quotations) in which a Market Maker must respond to a Request for Quote ("RFQ") on BOX, are subject to the fines listed below.

Initial Offense - Letter of Caution
 Second Offense - \$250
 Third Offense - \$500

(j) *Trade-Through Violations.* Violations of Chapter XII, Section 2 of these Rules (Order Protection) regarding trade-throughs are subject to the fines listed below.

Initial Offense - Letter of Caution
 Second Offense - \$250
 Third Offense - \$500

Quantifiable monetary gains attributable to trade-through transactions in excess of the defined percentage may be required to be disgorged in addition to the above-noted fines.

Amended

- May 16, 2006.
- April 10, 2007.
- October 1, 2007.
- February 15, 2008.
- October 10, 2008.
- August 18, 2009.
- September 4, 2010.

Sec. 3 Acceptance, Waiver and Consent Procedures

BX Rules 9216 is the applicable procedure regarding Acceptance, Waiver and Consent. See also BX Rule 9000 Series, generally regarding disciplinary procedures.

Adopted.

April 10, 2007

Amended.

May 14, 2012.

Chapter XI. Doing Business with the Public

Sec. 1 Eligibility

An OFP may only transact business with Public Customers if such Participant also is a member of another registered national securities exchange or association with which the Exchange has entered into an agreement under Rule 17d-2 under the Exchange Act pursuant to which such other exchange or association shall be the designated examining authority for the OFP. Eligibility to transact business with the public shall be based upon an OFP's meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Exchange Act Rule 15c3-1 (Net Capital Requirements). Such approval may be withdrawn if any such requirements cease to be met.

Sec. 2 Registration of Options Principals

(a) No OFP shall be approved to transact options business with the public until those associated persons who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the supervision of options and security sales practices or a person to whom the designated general partner or executive officer (pursuant to Chapter XI, Sec. 10) or another Registered Options Principal delegates the authority to supervise options and security sales practices shall be designated as a Options Principal.

(b) In connection with their registration, Options Principals shall file an application with the Secretary on a form prescribed by the Exchange (See BSE Rules Chapter I-B, Section 4 through Section 6). Alternatively, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer (FORM U4) with FINRA's Web Central Registration Depository System ("Web CRD"), shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business, and shall further agree in the U4 filing to abide by the Rules of the Exchange and the Rules of the BSE Clearing Corporation; provided, however, that Options Principals of Participants that are members of another national securities exchange or association that has standards of approval acceptable to the Exchange may be deemed to be approved by and registered with the Exchange, so long as such Options Principals are approved by and registered with such other exchange or association. Further, any person required to complete Form U4 with FINRA's Web CRD shall promptly electronically file any required amendments to Form U4 with FINRA's Web CRD system.

(c) Termination of employment or affiliation of any Options Principal in such capacity shall be reported promptly to the Exchange together with a copy of the Uniform Termination Notice for Securities Industry Registration ("Form U-5") filed with respect thereto and a statement of the reason for such termination. (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", Section 5, "Notice of Termination").

(d) Individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4) or the Sales Supervisor Qualification Examination (Series 9/10).

(e) Individuals who are delegated responsibility pursuant to Section 10 of this Chapter for the acceptance of discretionary accounts, for approving exceptions to a participant's criteria or standards for uncovered options accounts, and for approval of communications, shall be designated as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4).

Amended.

October 1, 2007.

July 24, 2008.
February 23, 2009.
November 19, 2009.

Sec. 3 Registration of Representatives

(a) No OFP shall be approved to transact business with the public until those persons associated with it who are designated representatives have been approved by and registered with the Exchange. (BSE Rules Chapter I-B, "Business Hours", Section 3 through Section 6).

(b) Persons who perform duties for the OFP which are customarily performed by sales representatives or branch office managers shall be designated as representatives of the OFP.

(c) In connection with their registration, designated representatives shall file an application on a form prescribed by the Exchange, shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the securities business and options transactions, and shall sign an agreement to abide by the Rules of the Exchange and the Rules of the Clearing Corporation; provided, however, that designated representatives of OFPs who are Participants of another national securities exchange or association that has standards of approval comparable and acceptable to the Exchange may be deemed to be approved by and registered with the Exchange, so long as such designated representatives are approved by and registered with such other exchange or association. (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", generally).

(d) A person accepting orders from non-participant customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Registered Examination (Series 7).

Amended.

October 1, 2007.
July 24, 2008.
May 14, 2012.

Sec. 4 Termination of Registered Persons

(a) The discharge or termination of employment of any registered person, together with the reasons therefor, shall be reported by an OFP immediately following the date of termination, but in no event later than thirty (30) days following termination, to the Exchange on a Form U-5. A copy of said termination notice shall be provided concurrently to the person whose association has been terminated. (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", Section 5, "Notice of Termination").

(b) The OFP shall report to the Exchange, by means of an amendment to the Form U-5 filed pursuant to paragraph (a) above, in the event that the OFP learns of facts or circumstances causing any information set forth in the Form U-5 to become inaccurate or incomplete. Such amendment shall be filed with the Exchange and provided concurrently to the person whose association has been terminated no later than thirty (30) days after the OFP learns of the facts or circumstances giving rise to the amendment.

(c) Any filing or submission requirement under this Section shall be deemed to be satisfied if such filing or submission is made with the North American Securities Administrators Association/National Association of Securities Dealers, Inc.'s Web Central Registration Depository ("Web CRD") within the prescribed time period.

Amended.

October 1, 2007.

Sec. 5 Continuing Education for Registered Persons

(a) *Regulatory Element.* No OFP shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this paragraph (a). Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date and every three (3) years thereafter or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date shall establish the cycle of anniversary dates for purposes of this Section 5. The content of the Regulatory Element of the program shall be determined by BOXR for each registration category of persons subject to the Rule.

- i. Persons who have been continuously registered for more than ten (10) years as of July 1, 1998, are exempt from the requirements of this Section 5 relative to participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten (10) years as enumerated in subsection a(iii)(1)-(2) of this Section 5.
 - 1) However, persons delegated supervisory responsibility or authority pursuant to Section 10 of this Chapter XI (Supervision of Accounts) and registered in such supervisory capacity are exempt from participation in the Regulatory Element under this provision only if they have been continuously registered in a supervisory capacity for more than ten (10) years as of the effective date of this Section 5 and provided that such supervisory person has not been subject to any disciplinary action under subsection a(iii)(1)-(2) of this Section 5.
 - 2) In the event that a registered person who is exempt from participation in the Regulatory Element subsequently becomes the subject of a disciplinary action as enumerated in subsection a(iii)(1)-(2) of this Section 5, such person shall be required to satisfy the requirements of the Regulatory Element as if the date the disciplinary action becomes final is the person's initial registration anniversary date.
- ii. *Failure to Complete.* Unless otherwise determined by BOXR, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Section 5 shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.
- iii. *Re-Entry Into Program.* Unless otherwise determined by BOXR, a registered person will be required to re-enter the Regulatory Element and satisfy all of its requirements in the event such person:
 - 1) becomes subject to any statutory disqualification as defined in

Section 3(a)(39) of the Exchange Act,

- 2) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities SRO, or as imposed by any such regulatory organization in connection with a disciplinary proceeding, or
- 3) is ordered as a sanction in a disciplinary action to re-enter the continuing education program by any securities governmental agency or securities SRO.

Re-entry shall commence with initial participation within one hundred twenty (120) days of the registered person becoming subject to the statutory disqualification, in the case of a(iii)(1) above, or the disciplinary action becoming final, in the case of a(iii)(2) or a(iii)(3) above. The date that the disciplinary action becomes final will be deemed the person's initial registration anniversary date for purposes of this Section 5.

(b) *Firm Element.*

- i. *Persons Subject to the Firm Element.* The requirements of paragraph (b) of this Section 5 shall apply to any registered person who has direct contact with Public Customers in the conduct of the OFP's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively "covered registered persons").
- ii. *Standards.*
 - 1) Each OFP must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum each OFP shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the OFP's size, organizational structure and scope of business activities, as well as regulatory development and the performance of covered registered persons in the Regulatory Element. If an OFP's analysis determines a need for supervisory training for persons with supervisory responsibilities, such training must be included in the Participant's training plan.
 - 2) *Minimum Standards for Training Programs.* Programs used to implement an OFP's training plan must be appropriate for the business of the OFP and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the OFP: (i) general investment features and associated risk factors; (ii) suitability and sales practice considerations; and (iii) applicable regulatory requirements.
 - 3) *Administration of Continuing Education Program.* Each OFP must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and

completion of the programs by covered registered persons.

- iii. *Participation in the Firm Element.* Covered registered persons included in a Participant's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Participant.

Supplementary Material to Section 5

.01 For purposes of this Section 5, the term "registered person" means any OFP, representative or other person registered or required to be registered under the Rules, but does not include any such person whose activities are limited solely to the transaction of business on BOX with Participants or registered broker-dealers.

.02 Any registered person who has terminated association with a registered broker or dealer and who has, within two (2) years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program as such intervals that apply (second registration anniversary and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two (2) years after termination as such will be required to satisfy the program's requirements in their entirety (second registration anniversary and every three years thereafter), based on the most recent registration date.

.03 A registration that is deemed inactive for a period of two (2) calendar years pursuant to paragraph (a)(ii) of this Section 5 for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Exchange's and BOX Rules.

Amended.

May 14, 2012.

Sec. 6 Other Affiliations of Registered Persons

Except with the express written permission of BOXR, every registered person shall devote his entire time during business hours to the business of the OFP employing him, or to the business of its affiliates that are engaged in the transaction of business as a broker or dealer in securities or commodities or in such other businesses as have been approved by the OFP's designated examining authority.

Sec. 7 Discipline, Suspension, Expulsion of Registered Persons

The Exchange or BOXR may discipline, suspend or terminate the registration of any registered person for violation of the Rules of the Exchange or the Rules of the Clearing Corporation.

Amended.

May 14, 2012.

Sec. 8 Branch Offices

(a) Every OFP approved to do options business with the public under this Chapter shall file with BOXR and keep current a list of each of its branch offices showing the location of each such office

and the name of the manager of each such office.

(b) No branch office of an OFP shall transact options business with the public unless the manager of such branch office has been qualified as an Options Principal; provided, that this requirement shall not apply to branch offices in which not more than three (3) representatives are located so long as the OFP can demonstrate to the satisfaction of BOXR that the options activities of such branch offices are appropriately supervised by an Options Principal.

(c) Definition of Branch Office. — A "branch office" is any location where one or more associated persons of a participant regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(1) any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;

(2) any location that is the associated person's primary residence; provided that: (i) only one associated person, or multiple associated persons, who reside at that location and are members of the same immediate family, conduct business at the location; (ii) the location is not held out to the public as an office and the associated person does not meet with customers at the location; (iii) neither customer funds nor securities are handled at that location; (iv) the associated person is assigned to a designated branch office, and such branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; (v) the associated person's correspondence and communications with the public are subject to all supervisory provisions of the Exchange's rules; (vi) electronic communications (e.g., e-mail) are made through the participant's electronic system; (vii) all orders are entered through the designated branch office or an electronic system established by the participant that is reviewable at the branch office; (viii) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the participant; and (ix) a list of the locations is maintained by the participant;

(3) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the participant complies with the provisions of (ii) through (viii) of paragraph (2) above;

(4) an office of convenience, where the associated person occasionally and exclusively by appointment meets with customers, which is not held out to the public as a branch office (where such location is on bank premises, however, only signage required by the Interagency Statement (Statement on Retail Sales of Non-deposit Investment Products required under Banking Regulations) may be displayed);

(5) any location that is used primarily to engage in non-securities activities and from which the associated person effects no more than 25 securities transactions in any one calendar year; provided that any advertisements or sales literature identifying such location also sets forth the address and telephone number of the location from which the associated person conducting business at the non-branch locations are directly supervised;

(6) the Floor of a registered national securities exchange where a participant conducts a direct access business with public customers; or

(7) a temporary location established in response to the implementation of a business continuity plan.

(d) Notwithstanding the exclusions in subparagraphs (c) (1) - (7) above, any location that is responsible for supervising the activities of persons associated with a participant at one or more non-branch locations of such participant is considered to be a branch office.

(e) For purposes of this Rule, the term "business day" shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

(f) For purposes of this Rule, the term "associated person of a participant" is defined as a participant or employee associated with a participant.

(g) For purposes of (c)(2)(viii) above, written supervisory procedures shall include criteria for on-site for cause reviews of an associated person's primary residence. Such reviews must utilize risk-based sampling or other techniques designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

(h) For purposes of (c)(2)(viii) and (3) above, written supervisory procedures for such residences and other remote locations must be designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

(i) Factors which should be considered when developing risk-based sampling techniques to determine the appropriateness of on-site for cause reviews of selected residences and other remote locations shall include, but not be limited to, the following: (i) the firm's size; (ii) the firm's organizational structure; (iii) the scope of business activities; (iv) the number and location of offices; (v) the number of associated persons assigned to a location; (vi) the nature and complexity of products and services offered; (vii) the volume of business done; (viii) whether the location has a Series 9/10-qualified person on-site; (ix) the disciplinary history of the registered persons or associated persons, including a review of such person's customer complaints and Forms U4 and U5; and (x) the nature and extent of a registered person's or associated person's outside business activities, whether or not related to the securities business.

Amended.

July 24, 2008.

Sec. 9 Opening of Accounts

(a) *Approval Required.* No OFP shall accept an order from a Public Customer to purchase or write an options contract unless the Public Customer's account has been approved for options transactions in accordance with the provisions of this Section. (See BSE Rules Chapter VII, "Carrying of Accounts", generally).

(b) *Diligence in Opening Account.* In approving a Public Customer's account for options transactions, an OFP shall exercise due diligence to learn the essential facts as to the Public Customer and his investment objectives and financial situation, and shall make a record of such information, which shall be retained in accordance with SEC Rule 17a-4 under the Exchange Act. Based upon such information, the branch office manager or other Options Principal shall approve in writing the Public Customer's account for options transactions; provided, that if the branch office manager is not an Options Principal, his approval shall within a reasonable time be confirmed by an Options Principal. (See BSE Rules Chapter VII, "Carrying of Accounts", Chapter XIII, "Margin Requirements", of these Rules).

- i. In fulfilling its obligations under this paragraph (b) with respect to options Public Customers that are natural persons, an OFP shall seek to obtain the following information at a minimum (information shall be obtained for

all participants in a joint account):

- 1) investment objectives (e.g., safety of principal, income, growth, trading profits, speculation);
- 2) employment status (name of employer, self-employed or retired);
- 3) estimated annual income from all sources;
- 4) estimated net worth (exclusive of primary residence);
- 5) estimated liquid net worth (cash, securities, other);
- 6) marital status;
- 7) number of dependents;
- 8) age; and
- 9) investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

(See BSE Rules Chapter VII, "Carrying of Accounts", Section 2, Chapter XIII, Margin Requirements, of these Rules).

- ii. In addition to the information required in subparagraph (b)(i) above, the Public Customer's account records shall contain the following information, if applicable:
 - 1) the source or sources of background and financial information (including estimates) concerning the Public Customer;
 - 2) discretionary trading authorization, including agreement on file, name, relationship to Public Customer and experience of person holding trading authority;
 - 3) date(s) options disclosure document(s) furnished to Public Customer;
 - 4) nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions);
 - 5) name of representative;
 - 6) name of the Options Principal approving account;
 - 7) date of approval; and
 - 8) dates of verification of currency of account information.
- iii. Refusal of a Public Customer to provide any of the information called for

in this paragraph (b) shall be so noted on the Public Customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

(c) *Verification of Public Customer Background and Financial Information.* The background and financial information upon which the account of every new Public Customer that is a natural person has been approved for options trading, including all of the information required in paragraph (b)(ii) of this Section, unless the information is included in the Public Customer's account agreement, shall be sent to the Public Customer for verification or correction within fifteen (15) days after the Public Customer's account has been approved for options transactions. A copy of the background and financial information on file with the OFP shall also be sent to the Public Customer for verification within fifteen (15) days after the OFP becomes aware of any material change in the Public Customer's financial situation. Absent advice from the Public Customer to the contrary, the information will be deemed to be verified.

(d) *Agreements to Be Obtained.* Within fifteen (15) days after a Public Customer's account has been approved for options transactions, an OFP shall obtain from the Public Customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such Public Customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Chapter III, Section 7 and 9 of these Rules.

(e) *Options Disclosure Documents to Be Furnished.* At or prior to the time a Public Customer's account is approved for options transactions, an OFP shall furnish the Public Customer with one (1) or more current options disclosure documents issued by the OCC in accordance with the requirements of Section 17 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

(f) Every OFP transacting business with the public in uncovered options contracts shall develop, implement and maintain specific written procedures governing the conduct of such business that shall at least include the following:

- i. specific criteria and standards to be used in evaluating the suitability for a particular customer for uncovered short options transactions;
- ii. specific procedures for approval of accounts engaged in writing uncovered short options contracts (which for the purposes of this Section shall include combinations and any transactions that involve writing uncovered short options contracts, including written approval of such accounts by a Registered Options Principal;
- iii. designation of a specific Registered Options Principal qualified individual(s) as the person responsible for approving accounts that do not meet the specific criteria and standards for writing uncovered short options transactions and for maintaining written records of the reasons for every account so approved;
- iv. establishment of specific minimum net equity requirements for initial approval and maintenance of accounts containing uncovered options; and
- v. requirements that Public Customers approved for writing uncovered short options transactions be provided with a specific written description of the risks inherent in writing uncovered short options transactions, at or prior to the initial uncovered short options transaction pursuant to Section 17 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

Amended.

February 23, 2009.

Sec. 10 Supervision of Accounts

(a) *Duty to Supervise --Non-Participant Accounts.* The general partners or directors of each OFP that conducts a non-participant customer business shall provide for appropriate supervisory control and shall designate a general partner or executive officer, who shall be identified to the Exchange, to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations. This person, who may be the same individual designated pursuant to substantially similar New York Stock Exchange or National Association of Securities Dealers rules, shall:

1. Delegate to qualified employees responsibilities and authority for supervision and control of each office, department or business activity, and shall provide for appropriate written procedures of supervision and control.

2. Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

3. Develop and implement written policies and procedures reasonably designed to independently supervise the activities of accounts serviced by branch office managers, sales managers, regional/district sales managers or any person performing a similar supervisory function. Such supervisory reviews must be performed by a qualified Registered Options Principal who:

i. Is either senior to, or otherwise independent of, the producing manager under review. For purposes of this Rule, an "otherwise independent" person: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager's customer activity that represents more than 10% of the designated person's gross income derived from the participant over the course of a rolling twelve-month period, the participant must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

ii. If a participant is so limited in size and resources that there is no qualified Registered Options Principal senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to paragraph (a)(3)(i) of this Rule (for instance, the participant has only one office, or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a Registered Options Principal in compliance with paragraph (a)(3)(i) of this Rule to the extent practicable.

iii. A participant relying on paragraph (a)(3)(ii) of this Rule must document the factors used to determine that complete compliance with all of the provisions of paragraph (a)(3)(i) of this Rule is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of paragraph (a)(3)(i) of this Rule to the extent practicable.

iv. A participant that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraphs (a)(3)(i), (a)(3)(ii) and (a)(3)(iii) of this Rule will be deemed to have met such requirements.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 10, "Discretionary Transactions"; and Chapter VII, "Carrying of Accounts", generally).

(b) (1) Background and financial information of customers who have been approved for options transactions shall be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers shall be maintained at both the branch office supervising the accounts and the principal supervisory office having jurisdiction over that branch for the most recent six-month period. With respect to the record retention responsibility of principal supervisory offices, customer information and account statements may be maintained at a location off premises so long as the records are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts shall be maintained at a place easily accessible both to the branch office servicing the customer's account and to the principal supervisory office having jurisdiction over that branch office.

(2) Upon the written instructions of a customer, a participant may hold mail for a customer who will not be at his or her usual address for the period of his or her absence, but (a) not to exceed two months if the participant is advised that such customer will be on vacation or traveling or (b) not to exceed three months if the customer is going abroad.

(3) Before any customer order is executed, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a participant or a person(s) designated by the designated general partner or executive officer (pursuant to this Section 10). Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the participant. The essential facts relied upon by the person approving the change must be documented in writing and preserved for a period of not less than three years, the first two years in an easily accessible place, as the term "easily accessible place" is used in SEC Rule 17a-4.

(4) For purposes of paragraph (b)(3), a person(s) designated by the designated general partner or executive officer (pursuant to this Section 10) must be a Registered Options Principal.

(c) Internal Controls.

(1) Participants must develop and maintain adequate controls over each of its business activities. Such controls must provide for the establishment of procedures for verification and testing of those business activities. An ongoing analysis, based upon appropriate criteria, may be employed to assess and prioritize those business activities requiring independent verification and testing. A review of each participant's efforts with respect to internal controls, including a summary of tests conducted and

significant exceptions identified, must be included in the annual report required by paragraph (g) of this Rule.

(2) A participant that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (c)(1) of this Rule will be deemed to have met such requirements.

(d) Annual Branch Office Inspections.

1. Each branch office that supervises one or more non-branch locations must be inspected no less often than once each calendar year unless:

(i) it has been demonstrated to the satisfaction of the Exchange that because of proximity, special reporting or supervisory practice, other arrangements may satisfy this Rule's requirements for a particular branch office; or

(ii) based upon the written policies and procedures of such participant providing for a systematic risk-based surveillance system, the participant submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to paragraph (e) of this Rule.

2. Every branch office, without exception, must be inspected at least once every three calendar-years. All required inspections must be conducted by a person who is independent of the direct supervision and control of the branch office in question (i.e., not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). Written reports reflecting the results of such inspections are to be maintained with the participant for the longer of three years or until the next branch office inspection.

3. A participant that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (d)(1) and (d)(2) of this Rule as well as to related requirements in paragraphs (e) and (f) of this Rule will be deemed to have met such requirements.

(e) Risk -Based Surveillance and Branch Office Identification.

1. Any participant seeking an exemption, pursuant to Section 10(d)(1)(ii) of this Chapter, from the annual branch office inspection requirement must submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices. Such policies and procedures should reflect, among other factors, the participant's business model and product mix. Such policies and procedures must also, at a minimum, provide for:

(i) The inspection of branches where developments during the year require a reconsideration of such branch's exemption;

(ii) A requirement that no less than half of the branch offices inspected each year on a cycle basis be done on an unannounced basis; and

(iii) A system to enable employees to report compliance issues on a confidential basis outside of the branch office chain of command.

2. For purposes of paragraph (e)(1) of this Rule, the risk-based factors to be considered should include, but not necessarily be limited to, the following:

(i) Number of Registered Representatives;

(ii) A significant increase in the number of Registered Representatives;

(iii) Number of customers and volume of transactions;

(iv) A significant increase in branch office revenues;

(v) Incidence of concentrated securities positions in customer's accounts;

(vi) Aggregate customer assets held;

(vii) Nature of the business conducted and the sales practice risk to investors associated with the products sold, and product mix (e.g. options, equities, mutual funds, annuities, etc.);

(viii) Numbers of accounts serviced on a discretionary basis;

(ix) Compliance and regulatory history of the branch, including:

(A) Registered Representatives subject to special supervision by the participant, self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission in years other than the previous or current year;

(B) Complaints, arbitrations, internal discipline, or prior inspection findings; and

(C) Persons subject to recent disciplinary actions by self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission.

(x) Operational factors, such as the number of errors and account designation changes per Registered Representative;

(xi) Incidence of accommodation mailing addresses (e.g., post office boxes and "care of" accounts);

(xii) Whether the branch office permits checks to be picked up by customers or hand delivery of checks to customers;

(xiii) Experience, function (producing or non-producing) and compensation structure of branch office manager;

(xiv) Branch offices recently opened or acquired; and

(xv) Changes in branch location, status or management personnel.

3. Notwithstanding any policies or procedures implemented pursuant to this Rule, branch offices that meet any of the following criteria must be inspected no less often than once each calendar year:

(i) Offices with one or more Registered Representatives subject to special supervision as required by a self-regulatory authority or state regulatory authority during the current or immediately preceding year.

(ii) Offices with 25 or more registered individuals;

(iii) Offices in the top 20% of production or customer assets for the participant organization;

(iv) Any branch office not inspected within the previous two calendar years; and

(v) Any branch office designated as exercising supervision over another branch office.

(f) Criteria for Inspection Programs. An annual branch office inspection program must include, but is not limited to, testing and independent verification of internal controls related to the following areas:

1. Safeguarding of customer funds and securities;

2. Maintaining books and records;

3. Supervision of customer accounts serviced by branch office managers;

4. Transmittal of funds between customers and Registered Representatives and between customers and third parties;

5. Validation of customer address changes; and

6. Validation of changes in customer account information.

(g) Written Report. By April 1 of each year, each participant that conducts a non-participant customer business shall submit to the Exchange a written report on the participant's supervision and compliance effort during the preceding year and on the adequacy of the participant's ongoing compliance processes and procedures. Each participant that conducts a public customer options business shall also specifically include its options compliance program in the report. The report shall include, but not be limited to, the following:

1. A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations.

2. Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the preceding year's efforts of this nature.

3. Discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in each of the following areas: (i) antifraud and trading practices; (ii) investment banking activities; (iii) sales practices; (iv) books and records; (v) finance and operations; (vi) supervision; (vii) internal controls, and (viii) anti-money laundering. If any of these areas do not apply to the participant organization, the report shall so state.

4. For each participant, the designation of a general partner or principal executive officer as Chief Compliance Officer (which designation shall be updated on Schedule A of Form BD).

5. A certification signed by the participant's Chief Executive Officer (or equivalent), that:

(i) The participant has in place processes to:

(A) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,

(B) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and

(C) test the effectiveness of such policies and procedures on a regular basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

(ii) the Chief Executive Officer (or equivalent officer) conducted one or more meetings with the organization's Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the organization's prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

(iii) the processes described in paragraph (g)(5)(i) of this Rule, are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the organization may deem necessary to make this certification, and submitted to the organization's board of directors and audit committee (if such committee exists) on or before April 1st of each year.

(iv) the Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(5)(iii) of this Rule and such other employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

(6) A participant that specifically includes its options compliance program in a report that complies with substantially similar requirements of the New York Stock Exchange or the National Association of Securities Dealers will be deemed to have met the requirements of this Section 10(g) and Section 10(h).

(h) Reports to Control Persons. By April 1 of each year, each participant shall submit a copy of the report that Section 10(g) of this Chapter requires the participant to prepare to its one or more control persons or, if the participant has no control person, to the audit committee of its board of directors or its equivalent committee or group. In the case of a control person that is an organization (a "controlling organization"), the participant shall submit the report to the general counsel of the controlling organization and to the audit committee of the controlling organization's board of directors or its equivalent committee or group. For the purpose of this paragraph, "control person" means a person who controls the participant organization within the meaning of "control" as defined in Chapter I, Section 2 of the Grandfathered Rules of the Exchange.

(i) Each participant that conducts a non-participant customer business shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-participant customer accounts, and all orders in such accounts. Such written procedures shall specifically identify the titles and positions of individuals who have been delegated authority and responsibility for an identified segment of the participant organization's business, including option compliance functions. The procedures shall also include the registration status and location of all such supervisory and compliance personnel. Each participant shall also develop and implement specific written procedures concerning the manner of supervision of customer accounts maintaining uncovered short option positions, and specifically providing for frequent supervisory review of such accounts.

(j) Each participant shall maintain at the principal supervisory office having jurisdiction over the office servicing the customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each customer's options account on a timely basis to determine (i) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved; (ii) the size and frequency of options transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any options class or classes and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

(k) Documentation evidencing the annual written report required by paragraph (g) of this rule, must be maintained in a place that is easily accessible and shall be provided to the Exchange upon request.

(See BSE Rules Chapter VII, "Carrying of Accounts", generally).

Amended.

July 24, 2008.

February 23, 2009.

November 19, 2009.

Sec. 11 Suitability of Recommendations

(a) Every OFP, Options Principal or representative who recommends to a Public Customer the purchase or sale (writing) of any options contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such Public Customer on the basis of the information furnished by such Public Customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such OFP, Options Principal or representative. (See BSE Rules Chapter XXI, "Advertising and Market Letters", Sections 7 and 8, generally).

(b) No OFP, Options Principal or representative shall recommend to a Public Customer an opening transaction in any options contract unless the person making the recommendation has a reasonable basis for believing at the time of making the recommendation that the Public Customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the options contract. (See BSE Rules Chapter XXI, "Advertising and Market Letters", Sections 7 and 8, generally).

Sec. 12 Discretionary Accounts

(a) *Authorization and Approval Required.* No OFP shall exercise any discretionary power with respect to trading in options contracts in a Public Customer's account unless such Public Customer has given prior written authorization and the account has been accepted in writing by a Registered Options Principal. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 10, "Discretionary Transactions").

- i. Each participant shall designate specific Registered Options Principal qualified individuals pursuant to BOX Rule Chapter XI, Sec. 10 (who is an individual other than the Registered Options Principal who accepted the account) shall review the acceptance of each discretionary account to determine that the Registered Options Principal accepting the account had a reasonable basis for believing that the Public Customer was able to understand and bear the risks of the strategies or transactions proposed, and the individual shall maintain a record of the basis for his determination.
- ii. Every discretionary order shall be identified as discretionary on the order at the time of its entry into BOX market.
- iii. Discretionary accounts shall receive frequent appropriate supervisory review by a Registered Options Principal qualified person specifically delegated such responsibilities under BOX Rule, Chapter XI, Sec. 10 who is not exercising the discretionary authority.

(b) *Record of Transactions.* A record shall be made of every options transaction for an account with respect to which an OFP is vested with any discretionary power, such record to include the name of the Public Customer, options class and series, number of contracts, premium, and date and time when such transaction took place. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 10,

"Discretionary Transactions").

(c) *Excessive Transactions Prohibited.* No OFP shall effect with or for any Public Customer's account with respect to which such Participant is vested with any discretionary power any transactions of purchase or sale of options contracts that are excessive in size or frequency in view of the financial resources and character of such account. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 8, "Excessive Trading by Members").

(d) *Discretion as to Price or Time Excepted.* This rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined below, pursuant to valid Good-Till-Cancelled instructions issued on a "not held" basis. Any exercise of time and price discretion must be reflected on the order ticket. As used in this paragraph (d) the term "institutional account" shall mean the account of: (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

(e) *Options Programs.* Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the Public Customer shall be furnished with a written explanation of the nature and risks of such programs.

(f) Any participant that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

Amended.

July 24, 2008.
February 23, 2009.

Sec. 13 Confirmation to Public Customers

(a) Every OFP shall promptly furnish to each Public Customer a written confirmation of each transaction in options contracts that shows the underlying security, type of options, expiration month, exercise price, number of options contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale, whether the transaction was an opening or a closing transaction and whether a principal or agency transaction.

(b) The confirmation shall, by appropriate symbols, distinguish between BOX Transactions and other transactions in options contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

Amended.

February 23, 2009.
March 11, 2011.

Sec. 14 Statement of Accounts to Public Customers

(a) Every OFP shall send to its Public Customers a statement of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations.

(b) With respect to options Public Customers having a general (margin) account, the Public Customer statement shall also provide the mark-to-market price and market value of each options position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. For purposes of this paragraph (b), general (margin) account equity shall be computed by subtracting the total of the short security values and any debit balance from the total of the long security values and any credit balance.

(c) The Public Customer statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed options transactions has been included in confirmations of such transactions previously furnished to the Public Customer, and that such information will be made available to the Public Customer promptly upon request.

(d) Public Customer statements shall bear a legend requesting that the Public Customer promptly advise the Participant of any material change in the Public Customer's investment objectives or financial situation.

(e) Public Customer statements shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

Sec. 15 Statements of Financial Condition to Public Customers

Every OFP shall send to each of its Public Customers statements of the Participant's financial condition as required by SEC Rule 17a-5 under the Exchange Act.

Sec. 16 Addressing of Communications to Public Customers

No OFP shall address any communications to a Public Customer in care of any other person unless either: (1) the Public Customer, within the preceding twelve (12) months, has instructed the OFP in writing to send communications in care of such other persons, or (2) duplicate copies are sent to the Public Customer at some other address designated in writing by him.

Sec. 17 Delivery of Current Options Disclosure Documents and Prospectus

(a) *Options Disclosure Documents.* Every OFP shall deliver a current options disclosure document issued by the OCC to each Public Customer at or prior to the time such Public Customer's account is approved for options transactions. Where a Public Customer is a broker or dealer, the OFP shall take reasonable steps to assure that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by the broker or dealer, to enable it to comply with the requirements of this Section 17.

- i. The term "current options disclosure document" means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Exchange

Act.

- ii. A copy of each amendment to an options disclosure document shall be furnished to each Public Customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such Public Customer. BOXR will advise OFPs when an options disclosure document is amended.

(b) *Prospectus*. Every Participant shall furnish a copy of the current prospectus of the Clearing Corporation to each Public Customer who requests one. The term "current prospectus of Clearing Corporation" means the prospectus portion of the most recent Form S-20, which prospectus portion then meets the delivery requirements of Rule 153b under the Securities Act of 1933, as amended (the "Securities Act").

(c) The written description of risks required by this Section 17 shall be in a format prescribed by the Exchange or in a format developed by the Participant, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

(d) Below is a sample risk description for use by OFPs to satisfy the requirements of paragraph (c) of this Section 17:

Special Statement for Uncovered Options Writers.

There are special risks associated with uncovered options writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all Public Customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.

2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

3. Uncovered options writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.

4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.

6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

Sec. 18 Restrictions on Pledge and Lending of Public Customers' Securities

(a) No OFP shall lend, either to itself or to others, securities carried for the account of any Public Customer, unless such OFP shall first have obtained a separate written authorization from such Public Customer permitting the lending of the securities. (See BSE Rules Chapter VII, "Carrying of Accounts", Section 3, "Improper Use of Customer Securities").

(b) Regardless of any agreement between an OFP and a Public Customer authorizing the OFP to lend or pledge such securities, no OFP shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the Public Customer to such OFP, except such lending as may be specifically authorized under paragraph (c) of this Section 18. (See BSE Rules Chapter VII, "Carrying of Accounts", Sections 3-5, generally).

(c) No OFP shall lend securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be loaned in view of the indebtedness of the Public Customer, unless such OFP first obtains from such Public Customer a separate written authorization designating the particular securities to be loaned. (See BSE Rules Chapter VII, "Carrying of Accounts", Sections 3-5, generally).

(d) No OFP shall hold securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be pledged in view of the indebtedness of the Public Customer, unless such securities are segregated and identified by a method that clearly indicates the interest of such Public Customer in those securities. (See BSE Rules Chapter VII, "Carrying of Accounts", Sections 3-5, generally).

Sec. 19 Transactions of Certain Public Customers

(a) No OFP shall execute any transaction in securities or carry a position in any security in which:

- i. an officer or employee of the Exchange, BOXR, BOX or any national securities exchange that is a participant of the Clearing Corporation, or an officer or employee of a corporation in which the Exchange, or such other exchange owns the majority of the capital stock, is directly or indirectly interested, without the prior written consent of the Exchange; or
- ii. a partner, officer, director, principal shareholder or employee of another OFP is directly or indirectly interested, without the consent of such other OFP.

(b) Where the required consent has been granted, duplicate reports of the transaction and position shall promptly be sent to the Exchange or OFP, as the case may be.

Sec. 20 Prohibition Against Guarantees

No OFP or person associated with a Participant shall guarantee a Public Customer against loss in his account or in any transaction effected with or for such Public Customer.

Amended.

March 11, 2011.

Sec. 21 Sharing in Accounts; Extent Permissible

(a) Except as provided in paragraph (c), no Participant or person associated with a Participant shall share directly or indirectly in the profits or losses in any account of a customer carried by the Participant or any other member; provided, however, that a Participant or person associated with a Participant may share in the profits or losses in such an account if:

- i. such person associated with a Participant obtains prior written authorization from the Participant employing the associated person;
- ii. such Participant or person associated with a Participant obtains prior written authorization from the customer; and
- iii. such Participant or person associated with a Participant shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the Participant or person associated with a Participant.

(b) Exempt from the direct proportionate share limitation of paragraph (a)(iii) are accounts of the immediate family of such Participant or person associated with a Participant. For purposes of this Rule, the term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Participant or person associated with a Participant otherwise contributes directly or indirectly.

(c) Notwithstanding the prohibition of paragraph (a), a member or person associated with a member that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:

- i. such person associated with a Participant seeking such compensation obtains prior written authorization from the Participant employing the associated person:
- ii. such member or person associated with a Participant seeking such compensation obtains prior written authorization from the customer; and
- iii. all of the conditions in Rule 205-3 of the Investment Advisers Act (as the same may be amended from time to time) are satisfied.

Amended.

March 11, 2011.

Sec. 22 Assuming Losses

No OFP shall assume for its own account any position established for a Public Customer in a security traded on the Exchange after a loss to the Public Customer has been established or ascertained, unless the position was created by the OFP's mistake or unless approval of BOXR has first been obtained.

Sec. 23 Transfer of Accounts

(a) When a Public Customer whose securities account is carried by an OFP (the "Carrying Participant") wants to transfer the entire account to another OFP (the "Receiving Participant") and gives written notice of that fact to the Receiving Participant, both Participants must expedite and coordinate activities with respect to the transfer. For purposes of this Section 23, the term "securities account" shall be

deemed to include any and all of the account's money market fund positions or the redemption value thereof.

(b) Upon receipt from the Public Customer of a signed broker-to-broker transfer instruction to receive such Public Customer's securities account, the Receiving Participant will immediately submit such instruction to the Carrying Participant. The Carrying Participant must, within five (5) business days following receipt of such instruction:

- i. validate and return the transfer instruction (with an attachment reflecting all positions and money balances as shown on its books) to the Receiving Participant, or
- ii. take exception to the transfer instruction for reasons other than securities positions or money balance discrepancies and advise the Receiving Participant of the exception taken.

(c) The Carrying Participant and the Receiving Participant must promptly resolve any exceptions taken to the transfer instruction.

(d) Within five (5) business days following the validation of a transfer instruction, the Carrying Participant must complete the transfer of the Public Customer's securities account to the Receiving Participant. The Carrying Participant and the Receiving Participant must establish fail to receive and fail to deliver contracts at then current market values upon their respective books of account against the long/short positions (including options) in the Public Customer's securities account that have not been physically delivered/received and the Receiving/Carrying Participant must debit/credit the related money account. The Public Customer's securities account shall thereupon be deemed transferred.

(e) Any fail contracts resulting from this account transfer procedure must be closed out within ten (10) business days after their establishment.

(f) Any discrepancies relating to positions or money balances that exist or occur after transfer of a Public Customer's securities account must be resolved promptly.

(g) When both the Carrying Participant and the Receiving Participant are participants in a clearing corporation having automated Public Customer securities account transfer capabilities, the account transfer procedure, including the establishing and closing out of fail contracts, must be accomplished in accordance with the provisions of this Section 23 and pursuant to the Rules of and through the clearing corporation.

(h) BOXR may exempt from the provisions of this Section 23, either unconditionally or on specified terms and conditions:

- i. any Participant or type of Participants, or
- ii. any type of account, security or financial instrument.

(i) Unless an exemption has been granted pursuant to paragraph (h) of this Section 23, BOXR may impose upon a Participant a fee of up to \$100 per securities account for each day such Participant fails to adhere to the time frames or procedures required by this Section 23.

(j) Transfer instructions and reports required by this Section 23 shall be in such form as may be prescribed by BOXR.

Sec. 24 Options Communications

- (a) *Definitions.* For purposes of this Section 24, the following definitions shall apply:
- i. **Advertisements.** The term “advertisements” shall include material concerning options, other than an independently prepared reprint and institutional sales material, that is published, or used in any electronic or other public media, including any website, newspaper, magazine or other periodical, radio, television, telephone or tape recording, video tape display, motion picture, billboards, signs or telephone directories (other than routine listings).
 - ii. **Sales Literature.** The term “sales literature” shall include any written or electronic communication concerning options other than an advertisement, independently prepared reprint, institutional sales material and correspondence that is generally available to customers or the public including circulars, research reports, performance reports or summaries, worksheets, form letters, telemarketing scripts, seminar texts, reprints (that are not independently prepared reprints) or excerpts of any other advertisements, sales literature or published article and press release concerning a Participant’s products or services.
 - iii. **Correspondence.** The term “correspondence” shall include any written letter or electronic mail message or market letter distributed by a Participant to: (A) one or more of its existing retail customers; and (B) fewer than 25 prospective retail customers within any 30 calendar-day period.
 - iv. **Institutional Sales Material.** The term “institutional sales material” shall include any communication concerning options that is distributed or made available only to institutional investors. The term institutional investor shall mean any qualified investor as defined in Section 3(a)(54) of the Securities Exchange Act of 1934.
 - v. **Public Appearances.** The term “public appearance” shall include any participation in a seminar, forum (including an interactive electronic forum), radio, television or print media interview, or other public speaking activity, or the writing of a print media article, concerning options.
 - vi. **Independently Prepared Reprints.** The term “independently prepared reprints” shall include any reprint or excerpt of an article issued by a publisher concerning options, provided that: the publisher is not an affiliate of the Participant using the reprint or any underwriter or issuer of a security mentioned in the reprint or excerpt that the Participant is promoting; neither the Participant using the reprint or excerpt nor any underwriter or issuer of a security mentioned in the reprint or excerpt has commissioned the reprint or excerpted article; and the Participant using the reprint or excerpt has not materially altered its contents except as necessary to make the reprint or excerpt consistent with applicable regulatory standards or to correct factual errors.

(b) *Approval by Registered Options Principal.*

- i. All advertisements, sales literature (except completed worksheets), and independently prepared reprints issued by an OFP pertaining to options shall be approved in advance by the Registered Options Principal designated by the Participant’s written supervisory procedures.
- ii. Correspondence need not be approved by a Registered Options Principal prior to use, unless such correspondence is distributed to 25 or more existing retail customers within any 30 calendar-day period and makes any financial or investment recommendation or otherwise promotes a product or service of the

Participant. All correspondence is subject to the supervision and review requirements of Section 10 of this Chapter.

- iii. Institutional sales material relating to options need not be approved by a Registered Options Principal prior to use, but is subject to the supervision and review requirements as set forth in the written supervisory procedures of the Participant.
- iv. Copies of the options communications shall be retained by the Participant in accordance with Rule 17a-4 under the Securities Exchange Act of 1934. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein shall be retained by the Participant and kept in the form and for the time periods required for options communications by Rule 17a-4.

(c) *BOXR Approval Required.* In addition to the approval required by paragraph (b) of this Section 24, all advertisements, sales literature and independently prepared reprints of an OFP pertaining to standardized options that is not accompanied or preceded by the applicable current options disclosure document ("ODD") shall be submitted to BOXR at least ten (10) calendar days prior to use (or such shorter period as BOXR may allow in particular instances) for approval, and if changed or expressly disapproved by BOXR, shall be withheld from circulation until any changes specified by BOXR have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, BOXR approval. The requirements of this paragraph shall not be applicable to:

- i. options communications submitted to another SRO having comparable standards pertaining to such communications, and
- ii. communications in which the only reference to options is contained in a listing of the services of an OFP.

(d) *General Rule.* No OFP or associated person shall utilize any options communication which:

- i. contains any untrue statement or omission of a material fact or is otherwise false or misleading;
- ii. contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events that are unwarranted or that are not clearly labeled as forecasts;
- iii. contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the materials;
- iv. contains statements suggesting the certain availability of a secondary market for options;
- v. Fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies. Any statement referring to the potential opportunities presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided;

- vi. Fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary;
- vii. Fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics, or other technical data, will be supplied upon request.

Paragraphs (vi) and (vii) shall not apply to institutional sales material as defined in this Section 24.

(e) *Standards Applicable to Options Communications*

- i. Unless preceded or accompanied by the ODD, options communications shall:
 - 1. Be limited to general descriptions of the options being discussed;
 - 2. Contain contact information for obtaining a copy of the ODD;
 - 3. Not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities.
- ii. Options communications used prior to ODD delivery may:
 - 1. Contain a brief description of options, including a statement that identifies registered clearing agencies for options. The text may also contain a brief description of the general attributes and method of operation of the exchanges on which options are traded, including a discussion of how an option is priced;
 - 2. Include any statement required by any state law or administrative authority;
 - 3. Include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics, provided such material is not misleading.

(f) The requirement of Section 24(e)(i)(2) of this Chapter XI to include contact information for obtaining a copy of the ODD may be satisfied by providing a name and address or one or more telephone numbers from which the current options disclosure document may be obtained; directing existing clients to contact their registered representative; or including a response card through which a current options disclosure document may be obtained. An internet address may also be used; however, such an address must be accompanied by either a telephone number or mailing address for use by those investors who do not have access to the internet.

(g) *Projections.*

- i. Options communications may contain projected performance figures (including projected annualized rates of return), provided that:
 - 1) all such communications are accompanied or preceded by the ODD;
 - 2) no suggestion of certainty of future performance is made;
 - 3) parameters relating to such performance figures are clearly established (e.g., to indicate the exercise price of an options contract, the purchase price of the underlying stock and the options contract's market price, premium, anticipated dividends, etc);

- 4) all relevant costs, including commissions, fees and interest charges (if applicable with regard to margin transactions) are disclosed;
- 5) such projections are plausible and intended as a source of reference or a comparative device to be used in the development of a recommendation;
- 6) all material assumptions made in such calculations are clearly identified (e.g., "assume option expires," "assume option unexercised," "assume option exercised," etc.);
- 7) the risks involved in the proposed transactions are also discussed; and
- 8) in communications relating to annualized rates of return, such returns are not based upon any less than a sixty (60) day experience, any formulas used in making calculations are clearly displayed and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

(h) Historical Performance: Options communications may feature records and statistics that portray the performance of past recommendations or of actual transactions, provided that:

- i. all such communications are accompanied or preceded by the ODD;
- ii. any such portrayal is done in a balanced manner and consists of records or statistics that are confined to a specific "universe" that can be fully isolated and circumscribed and that covers at least the most recent twelve (12) month period;
- iii. such communications include the date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics in lieu of the complete record, there may be included in the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request
- iv. all relevant costs, including commissions, fees and interest charges (as applicable) are disclosed;
- v. whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed;
- vi. an indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid;
- vii. such communications state that the results presented should not and cannot be viewed as an indicator of future performance; and
- viii. an Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the

report.

(i) Options Programs. In communications regarding an options program (i.e., an investment plan employing the systematic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.

Amended.

November 19, 2009.

March 11, 2011.

Sec. 25 Brokers' Blanket Bond

(a) Every OFP approved to transact business with the public under these Rules and every Clearing Participant shall carry Brokers' Blanket Bonds covering officers and employees of the OFP in such form and in such amounts as the Exchange may require. (See BSE Rules Chapter XXII-A, "Blanket and Fidelity Bonds").

(b) All OFPs subject to paragraph (a) of this Section 25 shall maintain Brokers' Blanket Bonds as follows:

- i. Maintain a Brokers' Blanket Bond similar to the standard form established by the Surety Association of America, covering officers and employees which provides against loss and has agreements covering at least the following:
 - 1) Fidelity;
 - 2) On Premises;
 - 3) In Transit;
 - 4) Misplacement;
 - 5) Forgery and Alteration (including check forgery);
 - 6) Securities Loss (including securities forgery);
 - 7) Fraudulent Trading; and
 - 8) A Cancellation Rider providing that the insurance carrier will promptly notify BOXR of cancellation, termination or substantial modification of the Bond.

(See BSE Rules Chapter XXII-A, "Blanket and Fidelity Bonds").

- ii. In determining the initial minimum coverage, the OFP is to use the highest required net capital during the twelve (12) month period immediately preceding the issuance of the Brokers' Blanket Bond. Thereafter, a review for adequacy of coverage shall be made at least annually as of the anniversary date of issuance of the subject Bond, and the minimum requirement for the next twelve (12) months shall be established by reference to the highest net capital in the preceding twelve (12) months. Any necessary adjustments shall be made not more

than thirty (30) days following the anniversary.

(c) The minimum required coverage for fraudulent trading shall be the greater of \$25,000 or fifty percent (50%) of the coverage required in paragraph (b)(ii) up to a maximum of \$500,000.

(d) The minimum required coverage for securities forgery shall be the greater of \$25,000 or twenty-five percent (25%) of the coverage required in paragraph (b)(ii) up to a maximum of \$250,000.

(e) A deductible provision of up to \$5,000 or ten percent (10%) of the minimum coverage requirement, whichever is greater, may be included in the Bond.

- i. An OFP may choose to maintain coverage in excess of the minimum requirements as set forth above in paragraph (b)(ii) of this Section, and in such case, a deductible provision of up to \$5,000 or ten percent (10%) of the amount of the Blanket Bond coverage, whichever is greater, may be included in the Bond purchased. However, the excess of this greater deductible amount over the maximum permissible deductible amounts as described in this paragraph (e) must be subtracted from the OFP's net worth in the calculation of the OFP's net capital under SEC Rule 15c3-1.
- ii. Each OFP shall report the cancellation, termination or substantial modification of the Bond to BOXR within ten (10) business days of such occurrences.

(f) OFPs with no employees shall be exempt from this Section.

(g) OFPs subject to a bonding rule of another registered national securities exchange, the SEC, or a registered national securities association that imposes requirements that are equal to or greater than the requirements imposed by this Section shall be deemed to be in compliance with the provisions of this Section.

(See BSE Rules Chapter XXII-A, "Blanket and Fidelity Bonds").

Sec. 26 Public Customer Complaints

(a) Every OFP conducting a non-Participant Public Customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved.

(b) The term "options-related complaint" shall mean any written statement by a Public Customer or person acting on behalf of a Public Customer alleging a grievance arising out of or in connection with listed options.

(c) The central file shall be located at the principal place of business of the Participant or such other principal office as shall be designated by the OFP.

- i. Each options-related complaint received by a branch office of an OFP shall be forwarded to the office in which the separate, central file is located not later than thirty (30) days after receipt by the branch office.
- ii. A copy of every options-related complaint shall be maintained at the branch office that is the subject of a complaint.

(d) At a minimum, the central file shall include:

- i. identification of complainant;

- ii. date complaint was received;
- iii. identification of the representative servicing the account, if applicable;
- iv. a general description of the subject of the complaint; and
- v. a record of what action, if any, has been taken by the Participant with respect to the complaint.

Sec. 27 Telephone Solicitation

(a) No OFP or associated person shall make an outbound telephone call to any person's residence for the purpose of soliciting the purchase of securities or related services ("telemarketing" or "cold-calling") at any time other than between 8 a.m. and 9 p.m. local time at the called person's location, without that person's prior consent.

(b) No OFP or associated person shall make an outbound telephone call to any person for the purpose of telemarketing without disclosing promptly and in a clear and conspicuous manner to the called person the following information:

- i. the identity of the caller and the OFP firm;
- ii. the telephone number or address at which the caller may be contacted; and
- iii. that the purpose of the call is to solicit the purchase of securities or related services.

(c) The prohibitions of paragraphs (a) and (b) do not apply to telephone calls by an associated person of an OFP (whether acting alone or at the direction of another associated person) who controls or has been assigned to a Participant's existing Public Customer account for the purpose of maintaining and servicing that account, provided that the call is to:

- i. an existing Public Customer who, within the preceding twelve (12) months, has made a securities transaction in or has deposited funds or securities into an account, that was under the control of or assigned to that associated person at the time of the transaction or deposit;
- ii. an existing Public Customer whose account has earned interest or dividend income during the preceding twelve (12) months, and who previously has made a securities transaction in or has deposited funds or securities into an account, that was under the control of or assigned to the associated person at the time of the transaction or deposit; or
- iii. a broker or dealer.

(d) For purposes of paragraph (c) above, the term "existing Public Customer" means a Public Customer for whom the broker or dealer, or a clearing broker or dealer on its behalf, carries on account. The scope of this Section 27 is limited to the telemarketing calls described herein. The terms of this Section 27 do not impose, expressly or by implication, any additional requirements on Participants with respect to the relationship between a Participant and a Public Customer or between an associated person and a Public Customer.

(e) Each OFP shall make and maintain a centralized list of persons who have informed the OFP, or any employee thereof, that they do not wish to receive telephone solicitations, and shall refrain from engaging in telephone solicitations of persons named on such list.

(f) Each OFP or associated person engaged in telemarketing shall have a Public Customer's express written authorization in order to obtain or submit for payment a check, draft, or other form of negotiable instrument drawn on a Public Customer's checking, savings, share or similar account. Written authorization may include the Public Customer's signature on the negotiable instrument. The authorization must be retained for at least three (3) years. This provision does not require maintenance of copies of negotiable instruments signed by Public Customers.

(g) OFPs and associated persons that engage in telemarketing also are subject to the requirements of the rules of the Federal Communications Commission relating to telemarketing practices and the rights of telephone consumers.

Chapter XII. Order Protection; Locked and Crossed Markets

Sec. 1 Definitions

The following terms shall have the meaning specified in this Section 1 solely for the purpose of this Chapter XII:

- (a) "Away Exchange" means a national securities exchange that trades listed options, other than the Exchange.
- (b) "Best Bid" and "Best Offer" mean the highest priced Bid and the lowest priced Offer.
- (c) "Bid" or "Offer" means the Bid price or the Offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.
- (d) "Broker/Dealer" means an individual or organization registered with the SEC in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.
- (e) "Complex Trade" means: (i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight (8) option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.
- (f) "Crossed Market" means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.
- (g) "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange is not a party to the Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.
- (h) "Intermarket Sweep Order ("ISO")" means a Limit Order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a Limit order to sell, or any Protected Offer, in the case of a Limit order to buy, for the options series with a price that is superior to the limit price of the ISO.
- (i) "Locked Market" means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.

- (j) "NBBO" means the national best Bid and Offer in an options series as calculated by an Eligible Exchange.
- (k) "Non-Firm" means, with respect to Quotations, that members of an Eligible Exchange are relieved of their obligation to be firm for their Quotations pursuant to Rule 602 under the Exchange Act.
- (l) "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.
- (m) "Plan Participant" means an Eligible Exchange that is a party to the Plan.
- (n) "Plan" means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.
- (o) "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that:
 - (1) Is disseminated pursuant to the OPRA Plan; and
 - (2) Is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.
- (p) "Public Customer" means an individual or organization that is not a Broker/Dealer.
- (q) "Quotation" means a Bid or Offer.
- (r) "Trade-Through" means a transaction in an option series at a price that is lower than a Protected Bid or higher than a Protected Offer.

Amended.

October 19, 2004.
 September 13, 2005.
 October 24, 2005.
 January 19, 2007.
 November 7, 2007.
 August 18, 2009.
 October 16, 2009.

Sec. 2 Order Protection

As a party to the Plan, the Exchange has agreed to comply with, and enforce compliance by BOX Options Participants with, the Plan. In this regard, the following shall apply:

- (a) *Avoidance of Trade-Throughs.* Except as provided in paragraph (b) below, Options Participants shall not effect Trade-Throughs.
- (b) *Exceptions to Trade-Through Liability.* The provisions of paragraph (a) pertaining to the satisfaction of Trade-Throughs shall not apply under the following circumstances:
 - (1) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, BOX may bypass those Protected Quotations by:

(i) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and

(ii) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass the Protected Quotations of an Eligible Exchange is made pursuant to this subparagraph, BOX must promptly document the reasons supporting such determination.

- (2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;
- (3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;
- (4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO, or the transaction that constitutes the Trade-Through is effected by BOX while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;
- (5) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best Bid or Best Offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;
- (6) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;
- (7) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;
- (8) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, an Options Participant had guaranteed an execution at no worse than a specified price (a "stopped order"), where:
 - (i) the stopped order was for the account of a Public Customer;
 - (ii) the Public Customer agreed to the specified price on an order-by-order basis; and
 - (iii) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;
- (9) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or
- (10) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

Supplementary Material to Section 2

.01 A BOX Options Participant may submit an Intermarket Sweep Order only if it has simultaneously routed one or more additional Intermarket Sweep Orders to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the Intermarket Sweep Order.

Amendments.

June 17, 2004.
July 7, 2004.
October 24, 2005.
March 27, 2007.
November 16, 2007.
December 5, 2007.
August 18, 2009.

Sec. 3 Locked and Crossed Markets

(a) *Prohibition.* Except for Quotations that fall within the provisions of paragraph (b) of this Section 3, Options Participants shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any Quotations that lock or cross a Protected Quotation.

(b) *Exceptions.*

- (1) The locking or crossing Quotation was displayed at a time when BOX was experiencing a failure, material delay, or malfunction of its systems or equipment;
- (2) The locking or crossing Quotation was displayed at a time when there is a Crossed Market;
- (3) The Options Participant simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer; or
- (4) With respect to a locking Quotation, the order entered on the Eligible Exchange that will lock a Protected Bid or Protected Offer, is:
 - i. not a Public Customer order, and the Eligible Exchange can determine via identification available pursuant to the OPRA Plan that such Protected Bid or Protected Offer does not represent, in whole or in part, a Public Customer order; or
 - ii. a Public Customer order, and the Eligible Exchange can determine via identification available pursuant to the OPRA Plan that such Protected Bid or Protected Offer does not represent, in whole or in part, a Public Customer order, and, on a case-by-case basis, the Public Customer specifically authorizes the Participant to lock such Protected Bid or Protected Offer.

Amendments.

June 15, 2004.
July 12, 2004.
January 31, 2005.
September 23, 2005.
March 27, 2007.
December 5, 2007.
August 18, 2009.

Sec. 4 Reserved.

Amended.

September 13, 2005.

August 18, 2009.

July 24, 2010.

Sec. 5 Order Routing to Away Exchanges

- (a) Only orders that are specifically designated by Options Participants as eligible for routing will be routed to an Away Exchange ("Eligible Orders"). However, Market-on-Opening Orders, any Improvement Auction orders or any order identified with the condition "Fill and Kill" shall not be eligible for routing.
- (b) In order to avoid a Trade-Through or a locked or crossed market, if BOX cannot execute or book an Eligible Order, then it will route the Eligible Order to an Away Exchange on behalf of the Options Participant who submitted the Eligible Order through a third-party broker dealer that is a member of the Away Exchange. The Eligible Order shall be routed as follows:
 - (i) The full quantity of an Eligible Order shall be routed to one or more Away Exchange(s) as Immediate or Cancel ("IOC") limit order(s) priced at the current NBBO. IOC limit order(s) will be routed to one or more Away Exchange(s) with the best Protected Bid or Protected Offer until fully executed or the limit price is reached. If the Eligible Order routed away is not executed in its entirety at the Away Exchange(s) and its limit price is reached, then it will be returned to BOX and the remainder will be treated as a new order.
 - (ii) The Eligible Order that is routed away shall remain outside BOX for a period of time and may be executed in whole or in part subject to the applicable trading rules of the relevant Away Exchange. While an Eligible Order remains outside BOX, it shall have no time priority, relative to other orders received from Options Participants at the same price which may be executed against orders in the BOX Book. Requests from Options Participants to cancel their Eligible Orders while the order is routed away to an Away Exchange and remains outside BOX shall be processed, subject to the applicable trading rules of the relevant Away Exchange.

Supplementary Material:

.01 As described above, BOX will route orders to Away Exchange(s) under certain circumstances ("Routing Services"). BOX will provide its Routing Services pursuant to the terms of an agreement between BOX and each non-affiliated third-party broker-dealer that provides Routing Services ("Routing Broker") ("BOX Routing Agreement"). In connection with such Routing Services the following shall apply:

- (a) BOX will provide its Routing Services in compliance with these rules and with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.
- (b) As a provider of Routing Services, BOX would enter into a Routing Agreement for the necessary routing technology to be used in connection with its own systems and accordingly would control the logic that determines when, how, and where orders are routed to Away Exchanges. The Routing Broker cannot change the routing logic.

- (c) BOX will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between BOX and the Routing Broker, and any other entity, including any affiliate of the Routing Broker, and, to the extent the Routing Broker reasonably receives confidential and proprietary information, that adequately restrict the use of such information by the Routing Broker to legitimate business purposes necessary for routing orders at the direction of BOX; and, if the Routing Broker or any of its affiliates engages in any other business activities other than providing routing services to BOX, between the segment of the Routing Broker or affiliate that provides the other business activities and the segment of the Routing Broker that provides the routing services.
- (d) BOX may not use a Routing Broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.
- (e) The BOX Routing Agreement will include terms and conditions that enable BOX to comply with this Supplementary Material .01.

.02 Any Eligible Order entered on BOX routed to an Away Exchange via a Routing Broker that results in an execution shall be binding on the Options Participant that entered such Eligible Order.

Amended.

October 16, 2009.

January 15, 2010.

February 8, 2010.

Chapter XIII Margin Requirements

Sec. 1 General Rule

No Participant or associated person may effect a transaction or carry an account for a Customer, whether a Participant or non- Participant of BOX, without proper and adequate margin in accordance with this Chapter XIII and Regulation T.

Sec. 2 Time Margin Must be Obtained

The amount of margin required by this Chapter XIII shall be obtained as promptly as possible and in any event within a reasonable time.

Sec. 3 Margin Requirements

(a) A Participant or associated person must be bound by the initial and maintenance margin requirements of either the Chicago Board Options Exchange ("CBOE") or the New York Stock Exchange ("NYSE") as the same may be in effect from time to time.

(b) Such election shall be made in writing by a notice filed with BOXR.

(c) Upon the filing of such election, a Participant or associated person shall be bound to comply with the margin rules of the CBOE or the NYSE, as applicable, as though said rules were part of these Rules.

Sec. 4 Margin Required is Minimum

(a) The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby: but nothing in these Rules shall be construed to prevent a Participant or associated person from requiring margin in an amount greater than that specified.

(b) BOXR may at any time impose higher margin requirements with respect to such positions when it deems such higher margin requirements to be advisable.

Amended.

August 31, 2006.

Sec. 5 Joint Back Office Participants

(a) *Requirements for Joint Back Office Participants.* Every Participant or associated person that maintains a joint back office ("JBO") arrangement with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System that is not an NYSE member and that has elected instead to be bound by CBOE margin requirements shall comply with the requirements prescribed below:

- i. Each JBO participant must be registered as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934 and subject to the capital requirements prescribed by Rule 15c3-1 therein; and shall not be eligible to operate under the provisions of SEC Rule 15c3-1(b)(i).
- ii. Each JBO participant must meet and maintain a minimum account equity requirement of \$1,000,000 with each clearing broker-dealer where a JBO

account is carried. If equity is below \$1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.

- iii. Each JBO participant must meet and maintain the ownership standards established by the clearing broker-dealer; and
- iv. Each JBO participant must employ (or have access to) a qualified Series 27 principal.

(b) *Requirements for Clearing Participants Carrying the Accounts of JBO Participants.* Every Clearing Participant carrying JBO accounts in accordance with Regulation T, Section 220.7 of the Federal Reserve Board is subject to the requirements outlined below:

- i. Each Participant which carries JBO accounts shall not allow its (a) tentative net capital to fall below \$25 million; or in the alternative its (b) net capital to fall below \$7 million for a period in excess of three (3) consecutive business days, provided that the broker-dealer has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of gross haircuts calculated for all options market maker and JBO participant accounts, without regard to related account equity or clearing firm net capital charges, is attributable to options market maker transactions. In addition, the firm operating pursuant to (b) must include the gross deductions calculated for all JBO participant accounts in the clearing firm's ratio of gross options market maker deductions to adjusted net capital in accordance with the provisions of SEC Rule 15c3-1.
- ii. Each Participant which maintains JBO accounts shall require and maintain equity of \$1,000,000 for each participant, over all related accounts. If equity is below \$1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.
- iii. Each Participant which maintains JBO accounts shall adjust its net worth daily by deducting any deficiency between a JBO Participant's account equity and the proprietary haircut calculated pursuant to SEC Rule 15c3-1 for the positions maintained in such account.
- iv. Each Participant which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.
- v. The Participant must develop risk analysis standards which are acceptable to the BOXR. At minimum these standards must comply with

the requirements of Chapter VIII, Section 6 of these Rules.

- vi. Each Participant which maintains JBO accounts must notify its Designated Examining Authority ("DEA"), in writing, of its intention to carry such accounts.
- vii. If at any time a Clearing Participant operating pursuant to paragraphs i(a) or (b) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such clearing member shall immediately notify BOXR of such deficiency by telegraphic or facsimile notice; and be subject to the prohibitions against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment, and repayment of subordination agreements set forth in paragraph (b)(1) of SEC Rule 15c3-1d, as if such broker or dealer's net capital were below the minimum standards specified by each of these paragraphs.

● ● ● *Supplementary Material: ...*

.01 JBO participants shall not be considered self-clearing for any purpose other than the extension of credit under Chapter XIII of these Rules.

Chapter XIV. INDEX RULES

Sec. 1 Application of Index Rules

The Sections in this Chapter are applicable only to index options (options on indices of securities as defined below). The Sections in Chapters I through XIII are also applicable to the options provided for in this Chapter, unless such Sections are specifically replaced or are supplemented by Sections in this Chapter. Where the Sections in this Chapter indicate that particular indices or requirements with respect to particular indices will be "Specified," BOXR shall file a proposed rule change with the Commission to specify such indices or requirements.

Adopted.

August 31, 2006.

Sec. 2 Definitions

(a) The term "aggregate exercise price" means the exercise price of the options contract times the index multiplier.

(b) The term "American-style index option" means an option on an industry or market index that can be exercised on any business day prior to expiration.

(c) The term "A.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Section 10(a)(5) of this Chapter.

(d) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the current index value times the index multiplier.

(e) The term "current index value" with respect to a particular index options contract means the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by BOX. The current index value with respect to a reduced-value long term options contract is one-tenth of the current index value of the related index option. The "closing index value" shall be the last index value reported on a business day.

(f) The term "exercise price" means the specified price per unit at which the current index value may be purchased or sold upon the exercise of the option.

(g) The term "European-style index option" means an option on an industry or market index that can be exercised only on the last business day prior to the day it expires.

(h) The term "index multiplier" means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

(i) The term "industry index" and "narrow-based index" mean an index designed to be representative of a particular industry or a group of related industries.

(j) The term "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

(k) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the current index value times the index multiplier.

(l) The term "Quarterly Options Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

(m) The term "reporting authority" with respect to a particular index means the institution or reporting service designated by BOXR as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on BOX shall be Specified (as provided in Section 1 of this Chapter) in the Supplementary Material to this Section 2.

(n) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on BOX in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

(o) The term "underlying security" or "underlying securities" with respect to an index options contract means any of the securities that are the basis for the calculation of the index.

Amended:

July 14, 2010.

Supplementary Material to Section 2

01. The reporting authorities designated by the Exchange in respect of each index underlying an index options contract traded on the Exchange are as provided below.

Index	Reporting Authority
Nasdaq 100 Index	The Nasdaq Stock Market
Mini Nasdaq 100 Index	The Nasdaq Stock Market

Adopted.

August 31, 2006.

Amended.

July 17, 2007.

February 6, 2012.

Sec. 3 Designation of an Index

(a) The component securities of an index underlying a broad-based index option contract need not meet the requirements of Section 3 of Chapter IV of these Rules (Criteria for Underlying Securities). Except as set forth in subparagraph (b) below, the listing of a class of index options on an industry index requires the filing of a proposed rule change to be approved by the SEC under Section 19(b) of the Exchange Act.

(b) The Exchange may trade options on a broad-based index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

- (1) The index is broad-based, as defined in Section 2(j) of this Chapter;
- (2) Options on the index are designated as A.M.-settled;
- (3) The index is capitalization-weighted, modified capitalization-weighted, price-weighted, or equal dollar-weighted;
- (4) The index consists of 50 or more component securities;
- (5) Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least \$75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least \$100 million;
- (6) Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Section 3 of Chapter IV applicable to individual underlying securities;
- (7) Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;
- (8) No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;
- (9) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act;
- (10) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;
- (11) The current index value is widely disseminated at least once every fifteen (15) seconds by OPRA, CTA/CQ, NIDS or one or more major market data vendors during the time options on the index are traded on the Exchange;
- (12) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the

Exchange's current ISCA allocation and the number of new messages per second expected to be generated by options on such index;

(13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;

(15) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(c) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (b) above:

(1) The requirements set forth in subparagraphs (b)(1) – (b)(3) and (b)(9) – (b)(15) must continue to be satisfied. The requirements set forth in subparagraphs (b)(5) – (b)(8) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the SEC under Section 19(b)(2) of the Exchange Act.

Adopted.

August 31, 2006.

Sec. 4 Dissemination of Information

(a) BOX shall disseminate, or shall assure that the current index value is disseminated, after the close of business and from time-to-time on days on which transactions in index options are made on BOX.

(b) BOX shall maintain, in files available to the public, information identifying the stocks whose prices are the basis for calculation of the index and the method used to determine the current index value.

Adopted.

August 31, 2006.

Sec. 5 Position Limits for Broad-Based Index Options

(a) Section 7 of Chapter III of these Rules (Position Limits) generally shall govern position limits for broad-based index options, as modified by this Section 5. There may be no position limit for certain Specified (as provided in Section 1 of this Chapter) broad-based index

options contracts. Except as otherwise indicated below, the position limit for a broad-based index option shall be 25,000 contracts on the same side of the market. Reduced-value options on broad-based security indices for which full-value options haven no position and exercise limits will similarly have no position and exercise limits. All other broad-based index options contracts shall be subject to a contract limitation fixed by BOXR, which shall not be larger than limits provided in the chart below.

Broad-Based Underlying Index	Standard Limit (on the same side of the market)	Restrictions
Nasdaq 100 Index	None	None
Mini Nasdaq 100 Index	None	None

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For such purposes, ten reduced-value contracts shall equal one contract.

(d) Positions in Quarterly Options Series shall be aggregated with positions in options contracts on the same index.

Adopted.

August 31, 2006.

Amended.

July 17, 2007.

December 3, 2007.

February 6, 2012

Sec. 6 Position Limits for Industry Index Options

(a) (1) Section 7 of Chapter III of these Rules (Position Limits) generally shall govern position limits for industry index options, as modified by this Section 6. Options contracts on an industry index shall, subject to the procedures specified in subparagraph (3) of this rule, be subject to the following position limits:

(i) 18,000 contracts if BOXR determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (a), that any single underlying stock accounted, on average, for thirty percent (30%) or more of the index value during the thirty (30)-day period immediately preceding the review; or

(ii) 24,000 contracts if BOXR determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (a), that any single underlying stock accounted, on average, for twenty percent (20%) or more of the index value or that any five (5) underlying stocks together accounted, on average, for more than fifty percent (50%) of the index value, but that no single stock in the group accounted, on average, for thirty percent (30%) or more of the index value, during the thirty (30)-day period immediately preceding the review; or

(iii) 31,500 contracts if BOXR determines that the conditions specified above which would require the establishment of a lower limit have not occurred.

(2) BOXR shall make the determinations required by subparagraph (1) of this paragraph (a) with respect to options on each industry index at the commencement of trading of such options on BOX and thereafter review the determination semi-annually on January 1 and July 1.

(3) If BOXR determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index is lower than the maximum position limit permitted by the criteria set forth in paragraph (1) of this paragraph (a), BOX may effect an appropriate position limit increase immediately. If BOXR determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index exceeds the maximum position limit permitted by the criteria set forth in subparagraph (1) of this paragraph (a), BOXR shall reduce the position limit applicable to such options to a level consistent with such criteria; provided, however, that such a reduction shall not become effective until after the expiration date of the most distantly expiring options series relating to the industry index that is open for trading on the date of the review; and provided further that such a reduction shall not become effective if BOXR determines, at the next semi-annual review, that the existing position limit applicable to such options is consistent with the criteria set forth in subparagraph (1) of this paragraph (a).

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value index options. For such purposes, ten (10) reduced-value options shall equal one (1) full-value contract.

(d) Positions in Quarterly Options Series shall be aggregated with positions in options contracts on the same index.

Adopted.

August 31, 2006.

Amended.

July 17, 2007.

Sec. 7 Exemptions from Position Limits

(a) **Broad-based Index Hedge Exemption.** The broad-based index hedge exemption is in addition to the other exemptions available under BOX Rules, interpretations and policies. The following procedures and criteria must be satisfied to qualify for a broad-based index hedge exemption:

(1) The account in which the exempt options positions are held ("hedge exemption account") must have received prior BOXR approval for the hedge exemption specifying the maximum number of contracts that may be exempt under this Rule. The hedge exemption account must have provided all information required on BOXR-approved forms and must have kept such information current. BOXR approval may be granted on the basis of verbal representations, in which event the hedge exemption account shall within two business days, or such other time period designated by BOXR, furnish BOXR with appropriate forms and documentation substantiating the basis for the exemption. The hedge exemption account may apply from time to time for an increase in the maximum number of contracts exempt from the position limits.

(2) A hedge exemption account that is not carried by an Options Participant must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(3) The hedge exemption account maintains a qualified portfolio, or will effect transactions necessary to obtain a qualified portfolio concurrent with or at or about the same time as the execution of the exempt options positions, of:

(i) a net long or short position in common stocks in at least four industry groups and contains at least twenty (20) stocks, none of which accounts for more than fifteen percent (15%) of the value of the portfolio or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio; or

(ii) a net long or short position in index futures contracts or in options on index futures contracts, or long or short positions in index options or index warrants, for which the underlying index is included in the same margin or cross-margin product group cleared at the Clearing Corporation as the index options class to which the hedge exemption applies.

To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity.

(4) The exemption applies to positions in broad-based index options dealt in on BOX and is applicable to the unhedged value of the qualified portfolio. The unhedged value will be determined as follows:

(i) the values of the net long or short positions of all qualifying products in the portfolio are totaled;

(ii) for positions in excess of the standard limit, the underlying market value (A) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (B) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and

(iii) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows: the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(5) Positions in broad-based index options that are traded on BOX are exempt from the standard limits as specified below.

Broad-Based Index Option Type	Broad-Based Index Hedge Exemption (is in addition to standard limit)
Broad-based indices other than for those that do not have any position limits	75,000

(6) Only the following qualified hedging transactions and positions are eligible for purposes of hedging a qualified portfolio (i.e. stocks, futures, options and warrants) pursuant to this Section:

(i) Long put(s) used to hedge the holdings of a qualified portfolio;

(ii) Long call(s) used to hedge a short position in a qualified portfolio;

(iii) Short call(s) used to hedge the holdings of a qualified portfolio;

and

(iv) Short put(s) used to hedge a short position in a qualified portfolio.

The following strategies may be effected only in conjunction with a qualified stock portfolio for non-P.M. settled, European style index options only:

(v) A short call position accompanied by long put(s), where the short call(s) expires with the long put(s), and the strike price of the short call(s) equals

or exceeds the strike price of the long put(s) (a "collar"). Neither side of the collar transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Section 7 of Chapter III of these Rules (Position Limits) and this Section 7, a collar position will be treated as one contract;

(vi) A long put position coupled with a short put position overlying the same broad-based index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s) (a "debit put spread position"); and

(vii) A short call position accompanied by a debit put spread position, where the short call(s) expires with the puts and the strike price of the short call(s) equals or exceeds the strike price of the long put(s). Neither side of the short call, long put transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Section 7 of Chapter III of these Rules (Position Limits), and this Section 7, the short call and long put positions will be treated as one contract.

(7) The hedge exemption account shall:

(i) liquidate and establish options, stock positions, their equivalent or other qualified portfolio products in an orderly fashion; not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate a stock position or its equivalent with an equivalent index options position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option;

(ii) liquidate any options prior to or contemporaneously with a decrease in the hedged value of the qualified portfolio which options would thereby be rendered excessive; and

(iii) promptly notify BOXR of any material change in the qualified portfolio which materially affects the unhedged value of the qualified portfolio.

(8) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

(9) The hedge exemption account shall promptly provide to BOXR any information requested concerning the qualified portfolio.

(10) Positions included in a qualified portfolio that serve to secure an index hedge exemption may not also be used to secure any other position limit exemption granted by BOXR or any other self regulatory organization or futures contract market.

(11) Any Options Participant that maintains a broad-based index options position in such Options Participant's own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Section 7 of Chapter III of these Rules (Position Limits) and this Section 7 by the Options Participant.

(12) Violation of any of the provisions of this Rule, absent reasonable justification or excuse, shall result in withdrawal of the index hedge exemption and may form the basis for subsequent denial of an application for an index hedge exemption hereunder.

(13) Each Options Participant (other than a BOX Market Maker) that maintains a broad-based index option position on the same side of the market in excess of 100,000 contracts in NDX for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form required by BOXR. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 MNX options equal 1 NDX full-value contract). BOXR may impose other reporting requirements.

(14) Whenever BOXR determines that additional margin is warranted in light of the risks associated with an under-hedged options position in Specified (as provided in Section 1 of this Chapter) broad-based indices, BOXR may impose additional margin upon the account maintaining such under-hedged position pursuant to its authority under Section 4 of Chapter XIII of these Rules (Margin Required is Minimum). The clearing firm carrying the account also will be subject to capital charges under Rule 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(b) Industry Index Hedge Exemption. The industry (narrow-based) index hedge exemption is in addition to the other exemptions available under BOX Rules, interpretations and policies, and may not exceed twice the standard limit established under Section 6 of this Chapter. Industry index options positions may be exempt from established position limits for each options contract "hedged" by an equivalent dollar amount of the underlying component securities or securities convertible into such components: provided that, in applying such hedge, each options position to be exempted is hedged by a position in at least seventy-five percent (75%) of the number of component securities underlying the index. In addition, the underlying value of the options position may not exceed the value of the underlying portfolio. The value of the underlying portfolio is: (1) the total market value of the net stock position; and (2) for positions in excess of the standard limit, subtract the underlying market value of: (i) any offsetting calls and puts in the respective index option; (ii) any offsetting positions in related stock index futures or options; and (iii) any economically equivalent positions (assuming no other hedges for these contracts exist). The following procedures and criteria must be satisfied to qualify for an industry index hedge exemption:

(1) The hedge exemption account must have received prior BOXR approval for the hedge exemption specifying the maximum number of contracts that may be exempt under this Interpretation. The hedge exemption account must have provided all information required on BOXR-approved forms and must have kept such information current. BOXR approval may be granted on the basis of verbal representations, in which event the hedge exemption account shall within two business days, or such other time period designated by BOXR, furnish BOXR with appropriate forms and documentation substantiating the basis for the exemption. The hedge exemption account may apply from time to time for an increase in the maximum number of contracts exempt from the position limits.

(2) A hedge exemption account that is not carried by an Options Participant must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(3) The hedge exemption account: shall liquidate and establish options, stock positions, or economically equivalent positions in an orderly fashion; shall not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and shall not initiate or liquidate a stock position or its equivalent with an equivalent index options position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option. The hedge exemption account shall liquidate any options prior to or contemporaneously with a decrease in the hedged value of the portfolio which options would thereby be rendered excessive. The hedge exemption account shall promptly notify BOXR of any change in the portfolio which materially affects the unhedged value of the portfolio.

(4) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

(5) The hedge exemption account shall promptly provide to BOXR any information requested concerning the portfolio.

(6) Positions included in a portfolio that serve to secure an index hedge exemption may not also be used to secure any other position limit exemption granted by BOXR or any other self regulatory organization or futures contract market.

(7) Any Options Participant that maintains an industry index options position in such Option Participant's own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Section 7 of Chapter III of these Rules (Position Limits) and this Section 7 by the Options Participant.

(8) Violation of any of the provisions of this Section 7, absent reasonable justification or excuse, shall result in withdrawal of the index hedge exemption and may

form the basis for subsequent denial of an application for an index hedge exemption hereunder.

(c) *Exemptions Granted by Other Exchanges.* An Options Participant may rely upon any available exemptions from applicable position limits granted from time to time by another options exchange for any options contract traded on BOX provided that such an Options Participant:

- i. provides BOXR with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for the Exchange to verify the validity of that exemption with the issuing options exchange, and
- ii. fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to the Options Participant's trading on BOX.

Adopted.

August 31, 2006.

Amended.

December 3, 2007.

December 1, 2009.

February 6, 2012.

Sec. 8 Exercise Limits

(a) In determining compliance with Section 9 of Chapter III of these Rules (Exercise Limits), exercise limits for index options contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Section 5 or Section 6 of this Chapter. There may be no exercise limits for Specified (as provided in Section 1 of this Chapter) broad-based index options.

(b) For a market-maker granted an exemption to position limits pursuant to Section 8(c) of Chapter III of these Rules (Exemptions from Position Limits), the number of contracts that can be exercised over a five business day period shall equal the market-maker's exempted position.

(c) In determining compliance with exercise limits applicable to stock index options, options contracts on a stock index group shall not be aggregated with options contracts on an underlying stock or stocks included in such group, options contracts on one stock index group shall not be aggregated with options contracts on any other stock index group.

(d) With respect to index options contracts for which an exemption has been granted in accordance with the provisions of Section 7(a) of this Chapter, the exercise limit shall be equal to the amount of the exemption.

Adopted.

August 31, 2006.

Sec. 9 Trading Sessions

(a) **Days and Hours of Business.** Except as otherwise provided in this Rule or under unusual conditions as may be determined by the Options Official, transactions in index options may be effected on BOX between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to options on foreign indexes, the Options Official shall determine the days and hours of business.

(b) **Opening.** The opening for index options shall be held at or as soon as practicable after 9:30 a.m. Eastern time. The Options Official may delay the commencement of the opening in an index option whenever in the judgment of that official such action is appropriate in the interests of a fair and orderly market. Among the factors that may be considered in making these determinations are: (1) unusual conditions or circumstances in other markets; (2) an influx of orders that has adversely affected the ability of the Market Makers in that index options to provide and to maintain fair and orderly markets; (3) activation of opening price limits in stock index futures on one or more futures exchanges; (4) activation of daily price limits in stock index futures on one or more futures exchanges; and (5) the extent to which either there has been a delay in opening or trading is not occurring in stocks underlying the index.

(c) **Instituting Halts and Suspensions.** Trading on BOX in any index option shall be halted or suspended whenever trading in underlying securities whose weighted value represents more than twenty percent (20%), in the case of a broad based index, and ten percent (10%) for all other indices, of the index value is halted or suspended. The Options Official also may halt trading in an index option when, in his or her judgment, such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the facts that may be considered are the following:

(1) whether all trading has been halted or suspended in the market that is the primary market for a plurality of the underlying stocks;

(2) whether the current calculation of the index derived from the current market prices of the stocks is not available;

(3) the extent to which the opening has been completed or other factors regarding the status of the opening; and

(4) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, including, but not limited to, the activation of price limits on futures exchanges.

(d) **Resumption of Trading Following a Halt or Suspension.** Trading in options of a class or series that has been the subject of a halt or suspension by BOXR may resume if the Options Official determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are

whether the conditions that led to the halt or suspension are no longer present, and the extent to which trading is occurring in stocks underlying the index. To resume trading, an opening shall be held in each class of index options as provided in Section 9 of Chapter V of these Rules (Opening the Market).

(e) **Circuit Breakers.** Section 12 of Chapter V of these Rules (Trading Halts Due to Extraordinary Market Volatility) applies to index options trading with respect to the initiation of a marketwide trading halt commonly known as a "circuit breaker."

(f) **Special Provisions for Foreign Indices.** When the hours of trading of the underlying primary securities market for an index option do not overlap or coincide with those of BOX, all of the provisions as described in paragraphs (c), (d) and (e) above shall not apply except for (c)(4).

(g) **Pricing When Primary Market Does Not Open.** When the primary market for a security underlying the current index value of an index option does not open for trading on a given day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, based on the opening price of that security on the next day that its primary market is open for trading. This procedure shall not be used if the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

Adopted.

August 31, 2006.

Amended.

September 18, 2009.

Sec. 10 Terms of Index Options Contracts

(a) **General.**

(1) **Meaning of Premium Bids and Offers.** Bids and offers shall be expressed in terms of dollars and cents per unit of the index.

(2) **Exercise Prices.** BOX shall determine fixed-point intervals of exercise prices for call and put options.

(3) **Expiration Months.** Index options contracts may expire at three (3)-month intervals or in consecutive months. BOX may list up to six (6) expiration months at any one time, but will not list index options that expire more than twelve (12) months out. Notwithstanding the preceding restriction, the Exchange may list up to seven (7) expiration months at any one time for any broad-based security index option contracts (e.g., NDX) upon which any exchange calculates a constant three-month volatility index.

(4) "European-Style Exercise." The following European-style index options, some of which may be A.M.-settled as provided in paragraph (a)(5), are approved for trading on BOX:

- (i) Nasdaq 100 Index.
- (ii) Mini Nasdaq 100 Index.

(5) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day preceding the last day of trading in the underlying securities prior to expiration. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

- (i) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Section 9(g) of this Chapter, unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation; and
- (ii) In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security.

The following A.M.-settled index options are approved for trading on BOX:

- (i) Nasdaq 100 Index
 - (ii) Mini Nasdaq 100 Index
- (b) Long-Term Index Options Series.

(1) Notwithstanding the provisions of Paragraph (a)(3), above, BOX may list long-term index options series that expire from twelve (12) to sixty (60) months from the date of issuance.

- (i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than twelve (12) months.

(ii) When a new Index long term options series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

(2) Reduced-Value Long Term Options Series.

(i) Reduced-value long term options series may be approved for trading on Specified (as provided in Section 1 of this Chapter) indices.

(ii) Expiration Mnth. Reduced-value long term options series may expire at six-month intervals. When a new expiration month is listed, series may be near or bracketing the current index value. Additional series may be added when the value of the underlying index increases or decreases by ten (10) to fifteen (15) percent.

(c) **Procedures for Adding and Deleting Strike Prices.** The procedures for adding and deleting strike prices for index options are provided in Section 6 of Chapter IV of these Rules (Series of Options Contracts Open for Trading), as amended by the following:

(1) The interval between strike prices will be no less than \$5.00: provided, that in the case of the following classes of index options, the interval between strike prices will be no less than \$2.50:

(i) Nasdaq 100 Index, if the strike price is less than \$200.

(ii) Mini Nasdaq 100 Index, if the strike price is less than \$200.

(2) New series of index options contracts may be added up to the fifth business day prior to expiration.

(3) When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading. In the case of all classes of index options, the term "reasonably related to the current value of the underlying index" shall have the meaning set forth in Paragraph (c)(4) below.

(4) Notwithstanding any other provision of this paragraph (c), BOX may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on BOX. The exercise price of each series of index options opened for trading on BOX shall be reasonably related to the

current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on BOX. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. BOX may also open for trading additional series of index options that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision.

(5) In addition to the strike price intervals permitted under other provisions of this paragraph (c), BOX may also list series at \$1 strike price intervals for Mini-Nasdaq-100 Index ("MNX" or "Mini-NDX") options, subject to following conditions:

(i) Initial Series. BOX may list series at \$1 strike price intervals for Mini-NDX options, and will list at least two \$1 strike prices above and two \$1 strike prices below the current value of the MNX at about the time a series is opened for trading on BOX. BOX shall list \$1 strike prices for Mini-NDX options that are within 5 points of the closing value of the MNX on the preceding day.

(ii) Additional Series. Additional series of the same class of Mini-NDX options may be opened for trading on BOX when BOX deems it necessary to maintain an orderly market, to meet customer demand or when the underlying MNX moves substantially from the initial strike price or prices. To the extent that any additional \$1 strike prices are listed by BOX, such additional \$1 strike prices shall be within thirty percent (30%) above or below the closing value of the MNX. BOX may also open additional \$1 strike prices that are more than 30% above or below the current MNX value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, BOX may list up to sixty (60) additional series at \$1 strike price intervals per expiration month for each series in Mini-NDX options.

(iii) BOX shall not list LEAPS on Mini-NDX options at intervals less than \$2.50. BOX may not list strike prices with \$1 intervals within \$0.50 of an existing \$2.50 strike price in the same series.

(iv) (A) Delisting Policy. With respect to Mini-NDX options added pursuant to the above paragraphs, BOX will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of the MNX, and delist series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(B) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in

Mini-NDX option series eligible for delisting shall be granted.

(C) In connection with the above referenced delisting policy, if BOX identifies series for delisting, BOX shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Mini-NDX options.

(d) **Index Level on the Last Day of Trading.** The reported level of the underlying index that is calculated by the reporting authority on the last day of trading in the underlying securities prior to expiration for purposes of determining the current index value at the expiration of an A.M.-settled index option may differ from the level of the index that is separately calculated and reported by the reporting authority and that reflects trading activity subsequent to the opening of trading in any of the underlying securities.

(e) **Index Values for Settlement.** The Rules of the Clearing Corporation specify that, unless the BOX Rules provide otherwise, the current index value used to settle the exercise of an index options contract shall be the closing index for the day on which the index options contract is exercised in accordance with the Rules of the Clearing Corporation or, if such day is not a business day, for the most recent business day.

(f) **Index Level at Expiration.** With respect to any securities index on which options are traded on BOX, the source of the prices of component securities used to calculate the current index level at expiration is determined by the reporting authority for that index.

Amended.

August 30, 2010.
February 6, 2012.

Supplementary Material to Section 10

.01 Quarterly Options Series Program: Notwithstanding the restriction in Chapter XIV Section 10(a)(3), BOX may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). BOX may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds. In addition BOX may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) BOX may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year. For example, if BOX is trading Quarterly Options Series in the month of May 2009, it will list series that expire at the end of the second, third and fourth quarters of 2009, as well as the first and fourth quarters of 2010. Following the second quarter 2009 expiration, BOX will add series that expire at the end of the second quarter of 2010.

(b) Quarterly Options Series shall be P.M. settled.

(c) The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index at about the time that a Quarterly Options Series is opened for trading on

the Exchange. BOX shall list strike prices for Quarterly Options Series that are reasonably related to the current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on BOX. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. BOX may open for trading additional Quarterly Options Series of the same class when BOX deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. BOX may also open for trading additional Quarterly Options Series that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision. The Exchange may open additional strike prices of a Quarterly Options Series that are above the value of the underlying index provided that the total number of strike prices above the value of the underlying is no greater than five. The Exchange may open additional strike prices of a Quarterly Options Series that are below the value of the underlying index provided that the total number of strike prices below the value of the underlying index is no greater than five. The opening of any new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(d) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

.02 Short Term Option Series Program: Notwithstanding the restriction in Chapter XIV Section 10(a)(3), BOX may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on the Friday of the following business week that is a business day ("Short Term Option Expiration Date"). If BOX is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if BOX is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(a) BOX may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 30-option class restriction, BOX also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each index option class eligible for participation in the Short Term Option Series Program, BOX may open up to thirty (30) Short Term Option Series on index options for each expiration date in that class. BOX may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) No Short Term Option Series on an index option class may expire in the same week during which any monthly option series on the same index class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same index class.

(c) BOX may open up to 20 initial series for each option class that participates in the Short Term Options Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying index at about the time that the Short Term Option Series are initially opened for trading on BOX (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security or calculated index value). Any strike prices listed by BOX shall be within thirty percent (30%) above or below the current value of the underlying index.

(d) BOX may open up to 10 additional series for each option class that participates in the Short Term Options Series when deemed necessary to maintain an orderly market, to meet customer demand or when the current value of the underlying index moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by BOX shall be within thirty percent (30%) above or below the current value of the underlying index. BOX may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same index option class that expire in accordance with the normal monthly expiration cycle.

.03 Notwithstanding the requirements set forth in this Section 10 and any Supplementary Material thereto, BOX may list additional expiration months on options classes opened for trading on BOX if such expiration months are opened for trading on at least one other registered national securities exchange.

Adopted.

August 31, 2006.

Amended.

July 17, 2007.
March 12, 2008.
July 9, 2008.
December 15, 2008.
July 9, 2009.
July 14, 2010.
March 1, 2011.
May 23, 2011.
January 17, 2012.
March 29, 2012.

Sec. 11 Debit Put Spread Cash Account Transactions

Debit put spread positions in European-style, broad-based index options traded on BOX (hereinafter "debit put spreads") may be maintained in a cash account as defined by Federal Reserve Board Regulation T Section 220.8 by a Public Customer, provided that the following procedures and criteria are met:

(a) The customer has received BOXR approval to maintain debit put spreads in a cash account carried by an Options Participant. A customer so approved is hereinafter referred to as a "spread exemption customer."

(b) The spread exemption customer has provided all information required on BOXR-approved forms and has kept such information current.

(c) The customer holds a net long position in each of the stocks of a portfolio that has been previously established or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio. The debit put spread position must be carried in an account with a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(d) The stock portfolio or its equivalent is composed of net long positions in common stocks in at least four industry groups and contains at least twenty (20) stocks, none of which accounts for more than fifteen percent (15%) of the value of the portfolio (hereinafter "qualified portfolio"). To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity in the stocks.

(e) The exemption applies to European-style broad-based index options dealt in on BOX to the extent the underlying value of such options position does not exceed the unhedged value of the qualified portfolio. The unhedged value would be determined as follows: (1) the values of the net long or short positions of all qualifying products in the portfolio are totaled; (2) for positions in excess of the standard limit, the underlying market value (A) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (B) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and (3) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows--the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(f) A debit put spread in BOX-traded broad-based index options with European-style exercises is defined as a long put position coupled with a short put position overlying the same broad-based index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s). A debit put spread will be permitted in the cash account as long as it is continuously associated with a qualified portfolio of securities with a current market value at least equal to the underlying aggregate index value of the long side of the debit put spread.

(g) The qualified portfolio must be maintained with either an Options Participant, another broker-dealer, a bank, or securities depository.

(h) The spread exemption customer shall agree promptly to provide BOXR any information requested concerning the dollar value and composition of the customer's stock portfolio, and the current debit put spread positions.

(1) The spread exemption customer shall agree to and any Options Participant carrying an account for the customer shall:

(i) comply with all BOX Rules and regulations;

(ii) liquidate any debit put spreads prior to or contemporaneously with a decrease in the market value of the qualified portfolio, which debit put spreads would thereby be rendered excessive; and

(iii) promptly notify BOXR of any change in the qualified portfolio or the debit put spread position which causes the debit put spreads maintained in the cash account to be rendered excessive.

(i) If any Options Participant carrying a cash account for a spread exemption customer with a debit put spread position dealt in on BOX has a reason to believe that as a result of an opening options transaction the customer would violate this spread exemption, and such opening transaction occurs, then the Options Participant has violated this Section 11.

(j) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the spread exemption and may form the basis for subsequent denial of an application for a spread exemption hereunder.

Adopted.

August 31, 2006.

Sec. 12 Disclaimers

(a) Applicability of Disclaimers. The disclaimers in paragraph (b) below shall apply to the reporting authorities identified in the Supplemental Material to Section 2 of this Chapter.

(b) Disclaimer. No reporting authority, and no affiliate of a reporting authority (each such reporting authority, its affiliates, and any other entity identified in this Rule are referred to collectively as a "Reporting Authority"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of an index it publishes, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any options contract based thereon or for any other purpose. The Reporting Authority shall obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the Reporting Authority does not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The Reporting Authority hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such index, any opening, intra-day, or closing value therefor, any data included therein or relating thereto, or any options contract based thereon. The Reporting Authority shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any options contract based thereon, or arising out of any errors or delays in calculating or disseminating such index.

Adopted.

August 31, 2006.

Sec. 13 Exercise of American-style Index Options

No Options Participant may prepare, time stamp or submit an exercise instruction for an American-style index options series if the Options Participant knows or has reason to know that the exercise instruction calls for the exercise of more contracts than the then "net long position" of the account for which the exercise instruction is to be tendered. For purposes of this Rule: (i) the term "net long position" shall mean the net position of the account in such option at the opening of business of the day of such exercise instruction, plus the total number of such options purchased that day in opening purchase transactions up to the time of exercise, less the total number of such options sold that day in closing sale transactions up to the time of exercise; (ii) the "account" shall be the individual account of the particular customer, market-maker or "non-customer" (as that term is defined in the By-Laws of the Clearing Corporation) who wishes to exercise; and (iii) every transaction in an options series effected by a market-maker in a market-maker's account shall be deemed to be a closing transaction in respect of the market-maker's then positions in such options series. No Options Participant may adjust the designation of an "opening transaction" in any such option to a "closing transaction" except to remedy mistakes or errors made in good faith.

Adopted.

August 31, 2006.

Appendix

As BOX was a facility of the Exchange, BOX Options Participants were to adhere to the BOX Rules and Rules of the Exchange which were in effect, while BOX was a facility of the Exchange. This Appendix lists the Exchange Rules that applied to the trading of securities on BOX and to also provide that Rules regarding Disciplining of Members and Arbitration procedures are now governed by BX Rules 9000 Series and 10000 Series.. In addition, the following is intended to assist former BOX Options Participants in assessing where a section of the Exchange Rules was supplemented by a specific BOX Rule. Where an applicable Exchange Rule was supplemented by a BOX Rule, that fact is so indicated.

Existing Grandfathered BSE Rule	Supplemented	by BOX
Rule		
Incorporated Constitution Provision		
Article IX Membership		
Section:		
6. Investigation and acceptance by Exchange	Ch. II, Sec. 1(c)	

Rules of the Board of Governors or BSE Rules

CHAPTER I Definitions

Section:

1. Exchange Board of Governors

2. Member, Membership, Member-Firm, etc. Ch. III, Sec. 7(e)

3. Orders

CHAPTER I-B Business Hours

Section:

1. Primary Session Ch. V, Secs. 3(b), 3(c), 10(a)

2. Dealings on Floor --Hours

3. Dealings on Floor --Persons Ch. XI, Sec. 3(a)

CHAPTER II Dealings on the Exchange

Section:

2. Recording of sales

3. Bids and Offers Binding	Ch. V, Secs. 7, 21
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6. Bids and Offers for Stocks	Ch. V, Secs. 14(b), 16(a)(i)
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7. Dissemination of Quotations	Ch. VI, Secs. 6(c), 6(c)(5)
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8. Excessive Trading by Members	Ch. XI, Sec. 12(c)
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9. Trading for Joint Account	
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10. Discretionary Transactions	Ch. XI, Secs. 10(a), 12(a), 12(d)
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11. Trading While Acting as a Broker as to Market Orders	
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12. Successive Transactions	
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13. Trading Against Privileges	
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14. Unbusinesslike Dealing	
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15. Record of Orders from Offices to Floor	Ch. II, Sec. 2(e); Ch. VIII, Sec. 1(a)
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19. Wide Market	
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20. Undisclosed Compensation	
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21. Fictitious Transactions	
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25. Violation of Securities Exchange Act of 1934	
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26-31. Anti-Manipulative Provisions

Ch. III, Sec. 3; Ch.
V, Sec.
1(b)(vi)

36. Specialist Member Organizations Affiliated with an
Approved Person

Ch. II,
Sec. 2(e);
Ch. VI, Secs.
10(a),
10(c)-(e)

37. ITSFEA procedures

Ch. III, Sec. 4

40. Limit Order Display Rule

CHAPTER III Comparisons-Liability on Contracts

Section:

1. Reporting Transactions

2. Penalty for Neglect

3. Errors in Comparison

4. Failures to Compare

5. Substitution of Principals

7. Book-Entry Settlement

8. Depository Eligibility Rule

CHAPTER IV Contracts on Time-Deposits

Section:

1. Interest Thereon

2. Falling Due on Holidays

3. Deposits Required

4. Failure to Make Deposit

5. Deposits --Where Made

CHAPTER VI Failure to Fulfill Contracts

Ch. V, Secs. 24(a), (b)

Section:

1. Closing Contracts

2. Notice of Closing Contracts

3. Procedure --Notice of Intention to Buy or Sell

4. How Default May be Cured

5-6. Notices as to Closed Contract

7-8. Orders Must be in Writing

9-10. Penalties for Defaults

13. Payment of Loan of Money

**CHAPTER VII Carrying of Accounts- Customers'
Securities- Give-Up Orders**

Ch. XI,
Secs. 9(a),
10, 10(a)

Section:

1. Adequate Margin Required

2. Improper Margin Transactions Prohibited

Ch. XI, Secs. 9(b), (c),

3. Improper Use of Customer's Securities

Ch. XI, Secs. 18(a)-(d)

4. "Give-Ups"

Ch. V, Sec. 22, Ch. XI,
Secs. 18(b)-(d)

5. Securities to be Available to Customer

Ch. XI, Secs. 18(b)-(d)

**CHAPTER VIII Minimum Amount of Margin on Transactions
Made During the Course of a Single Day in Accounts of
Members, Allied-Members and Member-Organizations**

Section:

1. Members' and Allied-Members' Accounts

2. Member-Organization Accounts

CHAPTER XV Specialists

Section:

1. Registration Ch. VI., Secs. 1, 3, 5(c), (a)

2. Responsibilities Ch. VI, Secs. 5 (a), (b), (e),
7(a)

3. Code of Acceptable Business Practices for
Specialists

4. Precedence to Orders in the Book

5. Preference on Competitive Basis

7. Joint Accounts Ch. VI, Sec. 7(c)

8. Records Ch. VIII, Sec. 1(a)

12. Restriction on Transactions by Issuing Company

13. Suspension of Registration

14. Claims and Reports Against Specialists

CHAPTER XVII Members Dealing for Own Account

CHAPTER XVIII Conduct

Section:

1. Penalties	
2. False and Sensational Reports	
3. Other Penalties	
4. Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies	
5. Failure to Respond to Exchange Inquiries	Ch. V, Sec. 1(b)(vii)

CHAPTER XIX Wire Connections

Section:

1. Registration with Exchange --Notice of Discontinuance	
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<u>CHAPTER XX</u> Employees for the Solicitation of Business	Ch. XI, Sec. 3(c)
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Section:

1. Nominal Employment Forbidden	Ch. II, Sec. 4(b)
2. Prior Approval Required	Ch. II, Sec. 4(b)
3. Types of Registration	
4. Exchange May Disapprove	Ch. II, Sec. 3(a)

5. Notice of Termination Ch. XI, Secs. 2(c), 4(a)

6. Gratuities

CHAPTER XXI Advertising and Market Letters Ch. XI, Secs. 24,
24(a), 24(b),
24(d)

Section:

1. False or Misleading Material

2. Definitions

3. Review by Exchange

4. Radio and Television Broadcasts

5. Responsibility of Exchange

6. Contents of Material-Limitations

7. Recommendations Ch. XI, Secs. 11(a), (b)

8. Testimonials and Statements Ch. XI, Secs. 11(a), (b)

CHAPTER XXII Financial Reports and Requirements Ch. VIII,
--Aggregate Indebtedness --Net Capital Member's and Secs. 1(a),
Member-Organization's Statement of Financial Condition 1(b)

Section:

1. Member's and Member-Organization's Statement of Financial Condition	Ch. II, Secs. 2(d), (e)
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2. Capital and Equity Requirements	Ch. II, Secs. 2(d), (e)
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CHAPTER XXII-A Blanket and Fidelity Bonds	Ch. XI, Sec 25(a), 25(c)
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CHAPTER XXIV Portfolio Depository Receipts

Section:

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1. Applicability
-
2. Definitions
-
3. Disclosure
-
4. Designation of an Index or Portfolio
-
5. Initial and Continued Listing and/or Trading
-
6. Limitation on Exchange Liability
-
7. Nasdaq-100 Index
-

CHAPTER XXIV-A Trust Issued Receipts

Section:

1. Applicability

2. Definitions

3. Disclosure

4. Designation

5. Initial and Continued Listing and/or Trading

CHAPTER XXIV-B Index Fund Shares

Section:

1. Applicability

2. Definitions

3. Disclosure

4. Designation

5. Initial and Continued Listing and/or Trading

CHAPTER XXX Disciplining of Members

Ch. VIII,
Secs. 5(b), (c)

See BX Rules 9000 Series (Code of Procedure)

CHAPTER XXXII Arbitration
See BX Rules 10000 Series (Code of Arbitration Procedure)

CHAPTER XXXIII BEACON --Routing Network

Section:

7. BEACON Liability

Ch. V, Sec. 26

CHAPTER XXXIV Minor Rule Violations

Section:

1. General

2. Rule Violations

CHAPTER XXXV Trading in Nasdaq Securities

28. Short Sales

Ch. VI, Sec. 11
