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BOX OPTIONS EXCHANGE LLC

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GENERAL PROVISIONS**Rule 100 Definitions**

- (a) With respect to these Rules, the following terms shall have the meanings specified in this Rule 100. A term defined elsewhere in these Rules shall have the same meaning with respect to this Rule 100 Series, unless otherwise defined below.
- (1) The term "**Affiliate**" means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise with respect to such Person. A Person is presumed to control any other Person, if that Person: (i) is a director, general partner, or officer exercising executive responsibility (or having similar status or performing similar functions); (ii) directly or indirectly has the right to vote 25 percent or more of a class of voting security or has the power to sell or direct the sale of 25 percent or more of a class of voting securities of the Person; or (iii) in the case of a partnership, has contributed, or has the right to receive upon dissolution, 25 percent or more of the capital of the partnership.
 - (2) The term "**aggregate exercise price**" means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.
 - (3) The term "**American-style option**" means an options contract that, subject to the provisions of Rule 9000 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.
 - (4) The term "**associated person**" or "**person associated with a Participant**" means any partner, officer, director, or branch manager of such Options Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such Options Participant or any employee of such Options Participant, except that any person associated with a Participant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of these Rules.

- (5) The term "**bid**" means a limit order to buy one or more options contracts.
- (6) The term "**Board**" means the Board of Directors of BOX Options Exchange LLC.
- (7) The term "**BOX**" means BOX Market LLC, an options trading facility of the Exchange under 3(a)(2) of the Exchange Act.
- (8) The term "**BOX Transaction**" means a transaction involving an options contract that is effected on or through BOX or its facilities or systems.
- (9) 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 number of shares of the underlying security covered by the options contract.
- (10) The term "**Central Order Book**" or "**BOX Book**" means the electronic book of orders maintained by the BOX Trading Host.
- (11) The term "**class of options**" means all options contracts of the same type and style covering the same underlying security.
- (12) The term "**Clearing Corporation**" or "**OCC**" means The Options Clearing Corporation.
- (13) The term "**Clearing Participant**" means an Options Participant that is self-clearing or an Options Participant that clears BOX Transactions for other Options Participants of BOX.
- (14) The term "**closing purchase transaction**" means a BOX Transaction that reduces or eliminates a short position in an options contract.
- (15) The term "**closing writing transaction**" means a BOX Transaction that reduces or eliminates a long position in an options contract.
- (16) The term "**covered short position**" means (i) an options position where the obligation of the writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options

contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

- (17) The term "**Customer**" means either a Public Customer or a broker-dealer.
- (18) The term "**Customer Order**" means an agency order for the account of either a Public Customer, as defined herein, or a broker-dealer.
- (19) The term "**Directed Order**" means any Customer Order to buy or sell which has been directed to a particular Market Maker by an OFP.
- (20) The term "**discretion**" means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.
- (21) The term "**European-style option**" means an options contract that, subject to the provisions of Rule 9000 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.
- (22) The term "**Exchange**" means BOX Options Exchange LLC.
- (23) The term "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, or Rules thereunder.
- (24) The term "**Exchange Official**" means an officer of the Exchange, vested by the Board with certain authority to supervise options trading on BOX.
- (25) The term "**exercise price**" means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.
- (26) The terms "**he,**" "**him**" or "**his**" shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.
- (27) The term "**index option**" means, as the context requires, either an options contract that is an option on an index of equity securities prices or a contract on a tradable instrument which tracks such prices.
- (28) The term "**individual equity option**" means an options contract which is an option on an equity security.
- (29) The term "**long position**" means a person's interest as the holder of one or more options contracts.

- (30) The term "**Market Maker**" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in the Rule 8000 Series. All Market Makers are designated as specialists on the Exchange for all purposes under the Exchange Act or Rules thereunder.
- (31) The term "**Market Operations Center**" or "**MOC**" means the BOX Market Operations Center, which provides market support for Options Participants during the trading day.
- (32) The term "**Market Regulation Center**" or "**MRC**" means the Exchange's United States based facilities in which, pursuant to procedures established by the Board, Exchange Officials and personnel shall monitor, conduct surveillance of, and regulate the conduct of options business on BOX, in order to ensure the maintenance of a fair and orderly market.
- (33) The term "**NBBO**" means the national best bid or offer as calculated by BOX based on market information received by BOX from OPRA.
- (34) The term "**offer**" means a limit order to sell one or more options contracts.
- (35) The term "**opening purchase transaction**" means a BOX Transaction that creates or increases a long position in an options contract.
- (36) The term "**opening writing transaction**" means a BOX Transaction that creates or increases a short position in an options contract.
- (37) The term "**options contract**" means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.
- (38) The term "**options market close**" or "**market close**" means the time specified by BOX for the cessation of trading in contracts on BOX for options on that market day.
- (39) The term "**options market open**" or "**market open**" means the time specified by BOX for the commencement of trading in contracts on BOX for options on that market day.
- (40) The term "**Options Participant**" or "**Participant**" means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in options trading on BOX as an "Order Flow Provider" or "Market Maker".

- (41) The term "**Options Principal**" means persons associated with a Participant, enumerated in subparagraphs (i) through (v) hereafter, who are actively engaged in the management of the Options Participant's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a Participant for any of these functions. Designated Options Principals shall include:
- (i) Sole Proprietors;
 - (ii) Officers;
 - (iii) Partners;
 - (iv) Branch Manager; and
 - (v) Directors of Corporations.
- (42) The term "**Options Participation Agreement**" means the agreement to be executed by Options Participants to qualify to participate on BOX.
- (43) The term "**OPRA**" means the Options Price Reporting Authority.
- (44) The term "**order**" means a firm commitment to buy or sell options contracts as defined in Rule 7110 (Order Entry).
- (45) The terms "**Order Flow Provider**" or "**OFFP**" mean those Options Participants representing as agent Customer Orders on BOX and those non-Market Maker Participants conducting proprietary trading.
- (46) The term "**outstanding**" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.
- (47) The term "**person**" means any natural person, company, government, or political subdivision, agency, or instrumentality of a government.
- (48) The term "**pre-opening**" means the period immediately prior to the market open on BOX, beginning at a time specified by BOX, during which Options Participants may log on to the Trading Host and submit, amend and withdraw orders, but no trading can occur.
- (49) The term "**primary market**" means the principal market in which an underlying security is traded.
- (50) The term "**Professional**" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Participants.

- (51) The term "**Public Customer**" means a person that is not a broker or dealer in securities.
- (52) The term "**Public Customer Order**" means an order for the account of a Public Customer.
- (53) 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 and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.
- (54) 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.
- (55) The term "**quote**" or "**quotation**" means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.
- (56) The term "**Representative**" means persons associated with a Participant, including assistant officers other than principals, who are engaged in the investment banking or securities business for the Participant including the functions of supervision, solicitation, or conduct of business in securities or who are engaged in the training of persons associated with a Participant for any of these functions.
- (57) The term "**Request for Quote**" or "**RFQ**" shall mean a message that may be issued by an Options Participant in order to signal an interest in an options series and request response from other Participants. The RFQ contains only the series symbol and quantity and is broadcast to all Participants.
- (58) The term "**Rules**" means the Exchange By-Laws, the Exchange LLC Agreement, and these Rules of the Exchange.
- (59) The term "**Rules of the Clearing Corporation**" or "**Rules of the OCC**" means the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.
- (60) The term "**SEC**" or "**Commission**" means the United States Securities and Exchange Commission.

- (61) The term "**series of options**" means all options contracts of the same class of options having the same exercise price and expiration date.
- (62) The term "**session end**" means the period immediately following Market Close, ending at a time specified by BOX, during which Options Participants may withdraw any "good-till-canceled" orders that they do not wish to remain in the market for the following market day.
- (63) The term "**short position**" means a person's interest as the writer of one or more options contracts.
- (64) 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.
- (65) The term "**SRO**" means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.
- (66) The term "**Trading Host**" means the automated trading system used by BOX for the trading of options contracts.
- (67) The term "**type of option**" means the classification of an options contract as either a put or a call.
- (68) The term "**uncovered**" means a short position in an options contract that is not covered.
- (69) The term "**underlying security**" means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

1000

ORGANIZATION & ADMINISTRATION

Rule 1000 Establishment of Committees

The Chief Executive Officer, with the approval of the Board, shall appoint any committee members that are not Directors to committees established by the Board in the By-laws, or established by the Chief Executive Officer pursuant to authority delegated to him by the Board.

Rule 1010 Removal of Committee Members

The Chief Executive Officer may, with the approval of the Board, remove any committee member that is not a Director for refusal, neglect, or inability to discharge such committee member's duties.

Rule 1020 Committee Procedures

Except as otherwise provided in the Rules or resolution of the Board, each committee shall determine its own time and manner of conducting its meetings, and the vote of a majority of the members of a committee present at a meeting at which a quorum is present shall be the act of the committee. Each committee shall have the power to adopt a charter and other written policies and procedures for such committee. Committees may take action without a meeting if a consent in writing setting forth the action to be taken is signed by all of the members of the committee.

Rule 1030 General Duties and Powers of Committees

Each committee shall administer the provisions of the Rules pertaining to matters within its jurisdiction. In addition to any powers and duties specifically granted in the Rules, each committee shall have such other powers and duties as may be delegated to it by the Board. Each committee is subject to the control and supervision of the Board.

Rule 1040 Divisions of the Exchange

The divisions of the Exchange shall include the Regulatory Division and such other divisions as the Chief Executive Officer, with the approval of the Board, may establish. The Chief Executive Officer shall appoint a head of every division and may designate departments within each division, except that the appointment of the Chief Regulatory Officer shall require the approval of the Regulatory Oversight Committee.

Rule 1050 Regulatory Fees or Charges

In addition to the dues and charges specified in this Rule 1000 Series, the Board may, from time to time, fix and impose other fees, assessments or charges to be paid to the Exchange by Options Participants or by Classes of Options Participants with respect to applications, registrations, approvals, use of Exchange facilities, or other services or privileges granted, including but not limited to the following *Regulatory Oversight Service Fees*:

- (a) Options Participants that are subject to Rule 15c3-3 under the Exchange Act (the “Net Capital Rule”) and for which the Exchange has been assigned as the designated examining authority (“DEA”) pursuant to Rule 17d-1 under the Exchange Act shall be required to pay a fee to be determined by the Board.
- (b) Options Participants, whether or not they are members of another registered national securities exchange or securities association with which the Exchange has executed an agreement under Rule 17d-2 under the Exchange Act to allocate responsibility for examining Options Participants for compliance with and enforcement of certain regulatory requirements, shall be required to pay a fee to be determined by the Board.

Rule 1060 Exchange's Cost of Defending Legal Proceedings

- (a) Any Options Participant or person associated with an Options Participant who fails to prevail in a lawsuit or other legal proceeding instituted by such person against the Exchange or any of its Directors, officers, committee members, employees or agents, and related to the business of the Exchange, shall pay to the Exchange all reasonable expenses, including attorneys’ fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed fifty thousand dollars (\$50,000).
- (b) Paragraph (a) of this Rule shall not apply to disciplinary actions by the Exchange, to administrative appeals of Exchange actions or in any specific instance where the Board has granted a waiver of this provision.

2000

PARTICIPATION

Rule 2000 Rights, Privileges, and Duties of Options Participants

Unless otherwise provided in these Rules or the By-Laws of the Exchange, each Options Participant Member shall have the rights, privileges and duties of any other Options Participant.

Rule 2010 Obligations of Options Participants, BOX, and the Exchange

In addition to all other obligations imposed by BOX, the Exchange in its By-Laws or these Rules, all Options Participants, as a condition of effecting approved securities transactions on the Exchange's trading facilities, shall agree to be regulated by the Exchange and shall recognize that the Exchange is obligated to undertake to enforce compliance with the provisions of the Exchange Rules, its By-Laws, its interpretations and policies and with the provisions of the Act and regulations thereunder, and that, subject to orders and rules of the Commission, the Exchange is required to discipline Participants and persons associated with Participants for violations of the provisions of the Exchange Rules, its By-Laws, its interpretations and policies and the Act and regulations thereunder, by expulsion, suspension, limitation of activities, functions, and operations, fines, censure, being suspended or barred from being associated with a Participant, or any other fitting sanction.

Rule 2020 Participant Eligibility and Registration

- (a) Except as hereinafter provided, any broker or dealer registered pursuant to Section 15 of the Act, that is and remains a member of another registered national securities exchange or association, or any person associated with such a registered broker or dealer, shall be eligible to be and to remain an Options Participant. Participation may be granted to a sole proprietor, partnership, corporation, limited liability company, or other organization or individual that has been approved by the Exchange.
- (b) Representative Registration Requirements
 - (1) Except as provided in paragraph (g), below, all Representatives shall be registered with the Exchange. Before their registration can become effective, they shall pass the applicable qualification examination as determined by the Exchange. A Participant shall not maintain a registration with the Exchange for any person: (i) who is not a Representative, or (ii) where the sole purpose is to avoid the examination requirement prescribed below. A Participant shall not make application for the registration of any Representative where there is no intent to employ such person in the Participant's securities business.
 - (2) Limited Representative – Proprietary Trader
 - (i) Each person associated with a Participant who is included within the definition of Representative may register with the Exchange as a Limited Representative—Proprietary Trader if:

- (A) his activities in the investment banking or securities business are limited solely to proprietary trading; and
 - (B) he passes an appropriate Qualification Examination for Limited Representative—Proprietary Trader. The appropriate Qualification Examination is the Series 56; and
 - (C) he is an associated person of a proprietary trading firm as defined in Rule 2020(e)(2).
- (ii) A person qualified solely as a Limited Representative—Proprietary Trader shall not be qualified to function as a Representative in any area not described in paragraph (b)(2)(i) hereof.
- (3) Any Representative whose registration has been revoked or whose most recent registration has been terminated for a period of two (2) years or longer immediately preceding the date of receipt by the Exchange of a new application shall be required to pass a new qualification examination as determined by the Exchange.
- (c) All Principals Must Be Registered.
 - (1) All Representatives who are to function as Principals on the Exchange shall be registered as Principals with the Exchange consistent with paragraph (e) below. Before their registration can become effective, they shall pass the applicable qualification examination for Principals as determined by the Exchange. A Participant shall not maintain a principal registration with the Exchange for any person: (i) who is no longer functioning as a Principal, or (ii) where the sole purpose is to avoid the examination requirement prescribed below.
 - (2) Limited Principal - Proprietary Trader
 - (i) Each person associated with a Participant who is included within the definition of Options Principal may register with the Exchange as a Limited Principal — Proprietary Trader if:
 - (A) his or her supervisory responsibilities in the investment banking and options securities business are limited solely to the activities of a Participant that involve proprietary trading;
 - (B) he or she is registered pursuant to Exchange Rules as a Limited Representative - Proprietary Trader; and
 - (C) he or she is qualified to be so registered by passing the Series 24 examination.

- (3) A person registered as a Limited Principal – Proprietary Trader shall NOT be qualified to function in a Principal capacity with responsibility over any area of business activity not described in paragraph (c)(2) above.
 - (4) A Participant shall not make application for the registration of any person as Principal where there is no intent to employ such person in the Participant's securities business. Any person whose registration has been revoked or whose most recent registration as a Principal has been terminated for a period of two years or longer immediately preceding the date of receipt by the Exchange of a new application shall be required to pass a new qualification examination for Principals as determined by the Exchange.
- (d) Application for Principal Status
- (1) An Representative whose duties are changed so as to require registration as a Principal shall be allowed a period of 90 calendar days following such change to pass the appropriate qualification examination for Principals as determined by the Exchange. Upon elevation, the Participant shall submit to the Exchange an amended Uniform Application for Securities Industry Registration or Transfer (“Form U-4”) and the applicable fees. In no event may a person function as a Principal beyond the initial 90 calendar day period following the change in his or her duties without having successfully passed the appropriate qualification examination.
 - (2) Any person not presently associated with a Participant as an Representative seeking registration as a Principal shall submit the appropriate application for registration and any required registration and examination fees. Such person shall be allowed a period of 90 days after all applicable prerequisites are fulfilled to pass the appropriate qualification examination for Principals as determined by the Exchange. In no event may a person previously unregistered in any capacity applying for principal status function as a Principal until fully qualified.
- (e) Requirement of Two Registered Principal for Participants.
- (1) All Participants, except a sole proprietorship or a proprietary trading firm with 25 or fewer Representatives (“Limited Size Proprietary Trading Firm”), shall have at least two officers or partners who are registered as a Principal with respect to the Participants options securities business and, at a minimum, one such Principal shall be the Participant’s chief compliance officer. A Limited Size Proprietary Trading Firm is required to register at least one Principal with the Exchange. In addition, the Exchange may waive the two Principal requirement in situations that indicate conclusively that only one Principal associated with the Participant should be required. This requirement applies to persons seeking admission as Participants and existing Participants.
 - (2) For purposes of paragraph (1) above, a “proprietary trading firm” shall mean a Participant that trades its own capital, that does not have customers, and that is not a member of the Financial Industry Regulatory Authority. In addition,

to qualify for this definition, the funds used by a proprietary trading firm must be exclusively firm funds, all trading must be in the firm's accounts, and traders must be owners of, employees of, or contractors to the firm.

- (f) Each Participant subject to Exchange Act Rule 15c3-1 shall designate a Financial/Operations Principal. The duties of a Financial/Operations Principal shall include taking appropriate actions to assure that the Participant complies with applicable financial and operational requirements under Exchange Rules and the Exchange Act, including but not limited to those requirements relating to the submission of financial reports and the maintenance of books and records. Each Financial/Operations Principal is required to successfully complete the Financial and Operations Principal Examination ("Series 27"). The Exchange uses Form U4 as part of its procedure for registration and oversight of Participant personnel. A Financial/Operations Principal of a Participant may be a full-time employee of the Participant or may be a part-time employee or independent contractor of the Participant. The Exchange may waive the requirements of this paragraph (f) if a Participant has satisfied the financial and operational requirements of its designated examining authority applicable to registration.
- (g) Persons Exempt from Registration. The following persons associated with a Participant are not required to be registered with the Exchange:
 - (1) persons associated with a Participant whose functions are solely and exclusively clerical or ministerial; and
 - (2) persons associated with a Participant who are not actively engaged in the options securities business.

Rule 2030 Application Process and Waive-In

For a temporary period beginning on the date the Exchange is approved by the SEC as a national securities exchange and ending 90 days after such date, an applicant that is an active member of FINRA or a registered national securities exchange and is a current or former BOX Options Participant shall have the option to:

- (a) apply to become an Options Participant, and
- (b) apply to automatically register with the Exchange all of its associated persons
 - (1) whose registrations are active at the time the Exchange is approved as a national securities exchange, and
 - (2) who are registered in categories recognized by the Exchange,

by submitting a waive-in application form as prescribed by the Exchange, including an agreement or agreements conforming with Rule 2050(a)(1) through (a)(5). The Exchange may request additional documentation in addition to the waive-in application form in order to determine that a waive-in applicant meets the qualification standards set forth in Rule 2040.

Rule 2040 Restrictions

- (a) No person may become an Options Participant or continue as an Options Participant in any capacity on the Exchange where:

- (1) such person is other than a natural person and is not a registered broker or dealer;
 - (2) such person is a natural person who is not either a registered broker or dealer or associated with a registered broker or dealer;
 - (3) such person is subject to a statutory disqualification, except that a person may become a Participant or continue as a Participant where, pursuant to Rules 19d-1, 19d-2, 19d-3 and 19h-1 of the Act, the Commission has issued an order providing relief from such a disqualification and permitting such a person to become a Participant; or
 - (4) such person is not a member of another registered national securities exchange or association.
- (b) No natural person or registered broker or dealer shall be admitted as, or be entitled to continue as, a Participant or an associated person of a Participant, unless such natural person or broker or dealer meets the standards of training, experience and competence as the Exchange may prescribe. Each Participant shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person applying for registration with the Exchange as an associated person of such Participant.
- (c) No registered broker or dealer shall be admitted as, or be entitled to continue as, a Participant if such broker or dealer:
- (1) fails to comply with either the financial responsibility requirements established by Rule 15c3-1 under the Act, or such other financial responsibility and operational capability requirements as may be established by the Exchange Rules;
 - (2) fails to adhere to the Exchange Rules relating to the maintenance of books and records or those rules of other self-regulatory organizations of which such broker or dealer is or was a Participant;
 - (3) fails to demonstrate to the Exchange adequate systems capability, capacity, integrity and security necessary to conduct business on BOX;
 - (4) does not clear transactions executed on BOX through a registered clearing agency using a continuous net settlement system;
 - (5) is subject to any unsatisfied liens, judgments or unsubordinated creditor claims of a material nature, which, in the absence of a reasonable explanation therefor, remain outstanding for more than six months;
 - (6) has been subject to any bankruptcy proceeding, receivership or arrangement for the benefit of creditors within the past three years; or

- (7) has engaged in an established pattern of failure to pay just debts or has defaulted, without a reasonable explanation, on an obligation to a self-regulatory organization, or any member of a self-regulatory organization.
- (d) No person shall be admitted as an Options Participant or as an associated person of a Participant where it appears that such person has engaged, and there is a reasonable likelihood that such person again may engage, in acts or practices inconsistent with just and equitable principles of trade.
- (e) No person shall become an associated person of a Participant unless such person agrees:
 - (1) to supply the Exchange with such information with respect to such person's relationships and dealings with the Participant as may be specified by the Exchange;
 - (2) to permit examination of such person's books and records by the Exchange to verify the accuracy of any information so supplied; and
 - (3) to be regulated by the Exchange and to recognize that the Exchange is obligated to undertake to enforce compliance with the provisions of the Exchange Rules, the By-Laws, the interpretations and policies of the Exchange and the provisions of the Act and the regulations thereunder.

IM-2040-1

The Exchange requires the successful completion of a written proficiency examination to enable it to examine and verify that prospective Options Participants and associated persons of Participants have adequate training, experience and competence to comply with the Exchange Rules and policies of the Exchange.

IM-2040-2

If the Exchange requires the completion of such proficiency examinations, the Exchange may, in exceptional cases and where good cause is shown, waive such proficiency examinations as are required by the Exchange upon written request of the applicant and accept other standards as evidence of an applicant's qualifications. Advanced age, physical infirmity or experience in fields ancillary to the securities business will not individually or themselves constitute sufficient grounds to waive a proficiency examination.

IM-2040-3

- (a) The Exchange requires the General Securities Representative Examination ("Series 7") or equivalent foreign examination module approved by the Exchange as defined in IM-2040-5, below, in qualifying persons seeking registration as general securities representatives, including as Representatives on behalf of Participants. The Exchange uses the Form U-4 as part of its procedure for registration and oversight of persons associated with Participants.

- (1) Except as provided below, every initial and transfer electronic Form U-4 filing and any amendments to the disclosure information on Form U-4 shall be based on a manually signed Form U-4 provided to the Participant or applicant for participation by the person on whose behalf the Form U-4 is being filed. A Participant may file electronically amendments to the disclosure information on Form U-4 without obtaining the subject associated person's manual signature on the form, provided that the Participant shall use reasonable efforts to:
 - (i) provide the associated person with a copy of the amended disclosure information prior to filing; and
 - (ii) obtain the associated person's written acknowledgment (which may be electronic) prior to filing that the information has been received and reviewed.
- (2) In the event a Participant is not able to obtain an associated person's manual signature or written acknowledgement of amended disclosure information on Form U4 prior to filing of such information, the Participant is obligated to file the disclosure information as to which it has knowledge. The Participant shall use reasonable efforts to provide the associated person with a copy of the amended disclosure information that was filed.
- (3) An Options Participant may file electronically amendments to administrative data on Form U-4 without obtaining the subject associated person's signature on the form. The Participant shall use reasonable efforts to provide the associated person with a copy of the amended administrative information that was filed.
- (4) Initial filings and amendments of the Uniform Termination Notice for Securities Industry Registration ("Form U-5") Filings shall be submitted electronically.

IM-2040-4

The Exchange requires the Regulatory Element of the Continuing Education Requirement for all persons engaged or to be engaged in the options securities business of a Participant who are to function as Principals or Representatives of Members.

IM-2040-5

- (a) The Exchange considers an "equivalent foreign examination module" to include:
 - (1) those requirements that enable a person to be authorized or approved to conduct business in accordance with the requirements of the Financial Services Regulatory Authority and passing the Modified General Securities Representative Qualification Examination; or
 - (2) those requirements that enable a person to be registered and in good standing as a representative with any Canada stock exchange, or with a securities regulator of any Canadian Province or Territory, or with the Investment Dealers Association of

Canada, and completion of the training course of the Canadian Securities Institute, and passing the Canada Module of the General Securities Registered Representative Examination.

- (b) Continuing Education Requirements. No Participant shall permit any Representative or Principal to continue to, and no Representative or Principal shall continue to, perform his or her respective duties on behalf of such Participant unless such person has complied with the requirements of this IM-2040-5. Each Representative or Principal shall complete the Regulatory Element of the Continuing Education requirement (the "Regulatory Element") on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within 120 days after the respective registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element shall be determined by the Exchange and shall be appropriate to either the registered representative or principal status of persons subject to this IM-2040-5.
- (c) Failure to Complete. Unless otherwise determined by the Exchange, any Representatives or Principals who have not completed the Regulatory Element within the prescribed time frames will have their registrations deemed inactive until such time as such requirements have been satisfied. Any person whose registration has been deemed inactive under this Interpretation shall cease all activities as a Representative or Principal and is prohibited from performing any duties and functioning in any capacity requiring registration. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification.
- (d) Requirements of the applicable provisions of these Rules. The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the Regulatory Element.
- (e) Disciplinary Actions.
 - (1) Unless otherwise determined by the Exchange, a registered person will be required to re-satisfy the Regulatory Element in the event such person:
 - (i) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Act;
 - (ii) is 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 self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or
 - (iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or self-regulatory organization.

- (2) The retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (e)(1)(i) above, or the disciplinary action becoming final, in the case of (e)(1)(ii) and (e)(1)(iii) above. The date of the disciplinary action shall be treated as such person's new base date with the Exchange.
- (f) Reassociation in a Registered Capacity. Any registered person who has terminated association with a Participant and who has, within two years of the date of termination, become reassociated in a registered capacity with a Participant shall satisfy the Regulatory Element at such intervals that may apply (second 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.

IM-2040-6

Registration Procedures. Persons associated with a Participant registering with the Exchange shall electronically file a Form U4 with FINRA's Web Central Registration Depository ("Web CRD") System by appropriately checking the Exchange as a requested registration on the electronic Form U4 filing. Any person required to complete Form U4 shall promptly electronically file any required amendments to Form U4 with the Web CRD System.

IM-2040-7

Termination of Employment.

- (a) The discharge or termination of employment of any person registered with the Exchange, together with the reasons therefor, shall be electronically reported to the Web CRD System, by a Participant immediately following the date of termination, but in no event later than thirty (30) days following termination on a Uniform Termination Notice for Securities Industry Registration ("Form U5"). A copy of said termination notice shall be provided concurrently to the person whose association has been terminated.
- (b) The Participant shall electronically report to the Web CRD System, by means of an amendment to the Form U5 filed pursuant to paragraph (a) above, in the event that the Participant learns of facts or circumstances causing any information set forth in the notice to become inaccurate or incomplete. Such amendment shall be provided concurrently to the person whose association has been terminated no later than thirty (30) days after the Participant learns of the facts or circumstances giving rise to the amendment.

Rule 2050 Application Procedures for Options Participants or to become an Associated Person of a Participant

- (a) Applications for status as an Options Participant shall be made to the Exchange and shall contain the following:
- (1) An agreement to abide by, comply with, and adhere to the provisions of the Exchange LLC Agreement, its By-Laws, the Exchange Rules, the policies, interpretations and guidelines of the Exchange and all orders and decisions of the Exchange's Board and penalties imposed by the Board, and any duly authorized committee; provided,

however, that such agreement shall not be construed as a waiver by the applicant of any right to appeal as provided in the Act.

- (2) An agreement to pay such dues, assessments, and other charges in the manner and amount as shall from time to time be fixed by the Exchange.
 - (3) An agreement that the Exchange and its officers, employees and members of its Board and of any committee shall not be liable, except for willful malfeasance, to the applicant or to any other person, for any action taken by such director, officer or member in his official capacity, or by any employee of the Exchange while acting within the scope of his employment, in connection with the administration or enforcement of any of the provisions of the Certificate of Incorporation, By-Laws, Exchange Rules, policies, interpretations or guidelines of the Exchange or any penalty imposed by the Exchange, its Board or any duly authorized committee.
 - (4) An agreement that, in cases where the applicant fails to prevail in a lawsuit or administrative adjudicative proceeding instituted by the applicant against the Exchange or any of its officers, directors, committee members, employees or agents, to pay the Exchange or any of its officers, directors, committee members, employees or agents, all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed Fifty Thousand Dollars (\$50,000.00); provided, however, that such payment obligation shall not apply to internal disciplinary actions by the Exchange or administrative appeals.
 - (5) An agreement to maintain and make available to the Exchange, its authorized employees and its Board or committee members such books and records as may be required to be maintained by the Commission or the Exchange Rules.
 - (6) Such other reasonable information with respect to the applicant as the Exchange may require.
- (b) Applications for association with a Participant shall be made on Form U-4 and shall be electronically filed through FINRA's Web CRD System.
 - (c) If the Exchange is satisfied that the applicant is qualified to be an Options Participant pursuant to the provisions of this Rule 2000 Series, the Exchange shall promptly notify, in writing, the applicant of such determination, and the applicant shall be an Options Participant.
 - (d) If the Exchange is not satisfied that the applicant is qualified to be an Options Participant pursuant to the provisions of this Rule 2000 Series, the Exchange shall promptly notify the applicant of the grounds for denying the applicant. The Board on its own motion may reverse the determination that the applicant is not qualified. If a majority of the Board specifically determines to reverse the determination to deny the application, the Board shall promptly notify Exchange staff, who shall promptly notify the applicant of the Board's decision and shall grant the applicant status as an Options Participant. An applicant who has been denied status as an Options Participant may appeal such decision under the Rule 13000 Series of the Exchange Rules governing adverse action.

- (e) In considering applications for Options Participants, the Exchange shall adhere to the following procedures:
 - (1) Where an application is granted, the Exchange shall promptly notify the applicant.
 - (2) The applicant shall be afforded an opportunity to be heard on the denial of the application to be a Participant pursuant to the Rule 13000 Series of the Exchange Rules governing adverse action.
- (f) Except where, pursuant to Section 17(d) of the Act, the Exchange has been relieved of its responsibility to review and act upon applications for associated persons of a Participant, the procedure set forth in this Rule 2000 Series shall govern the processing of any such applications.
- (g) Each applicant shall file with the Exchange a list and descriptive identification of those persons associated with the applicant who are its executive officers, directors, principal shareholders, and general partners. Such persons shall file with the Exchange a Uniform Application for Securities Industry Registration or Transfer (“Form U4”). Applicants approved as an Options Participant of the Exchange must keep such information current with the Exchange.

Rule 2060 Revocation of Options Participant Status or Association with a Participant

Options Participants or associated persons of Participants may effect approved options securities transactions on BOX trading facilities only so long as they possess all the qualifications set forth in the Exchange Rules. Except where, pursuant to Section 17(d) of the Act, the Exchange has been relieved of its responsibility to monitor the continued qualifications of a Participant or an associated person of a Participant, when the Exchange has reason to believe that a Participant or associated person of a Participant fails to meet such qualifications, the Exchange may act to revoke such person’s Options Participant status or association. Such action shall be instituted under, and governed by, the Exchange Rule 11000 Series and Rule 12000 Series and may be appealed under the Rule 13000 Series of the Exchange Rules governing adverse action. In connection with any revocation of rights as a Participant or voluntary termination of rights as a Participant pursuant to Rule 2070, the Options Participant status in the Exchange shall be cancelled.

Rule 2070 Voluntary Termination of Rights as an Options Participant

An Options Participant may voluntarily terminate its rights as a Participant only by a written resignation addressed to the Exchange’s Secretary or another officer designated by the Exchange. Such resignation shall not take effect until 30 days after all of the following conditions have been satisfied: (i) receipt of such written resignation; (ii) all indebtedness due the Exchange shall have been paid in full; (iii) any Exchange investigation or disciplinary action brought against the Participant has reached a final disposition; and (iv) any examination of such Participant in process is completed and all exceptions noted have been reasonably resolved; provided, however, that the Board may declare a resignation effective at any time.

Rule 2080 Dues, Assessments and Other Charges

The Exchange, or BOX may prescribe such reasonable assessments, dues or other charges as they may, in their discretion, deem appropriate. Such assessments and charges shall be equitably allocated among Options Participants, issuers and other persons using the Exchange's facilities.

Rule 2090 Affiliation between Exchange and an Options Participant

Without prior approval of the Commission, the Exchange, or any facility of the Exchange, or any entity with which the Exchange or any facility of the Exchange is affiliated shall not, directly or indirectly, acquire or maintain an ownership interest in an Options Participant. In addition, without the prior approval of the Commission, an Options Participant shall not be or become an Affiliate of the Exchange, or any facility of the Exchange, or any entity with which the Exchange or any facility of the Exchange is affiliated. In addition, nothing in this Rule shall prohibit any Options Participant or its Affiliate from being or becoming an Affiliate of the Exchange, or any facility of the Exchange, or an Affiliate of any Affiliate of the Exchange or any facility of the Exchange solely by reason of any officer, director, manager, managing member, partner or Affiliate of such Options Participant: (i) being or becoming an Exchange Director (as defined in the By-Laws) pursuant to the By-Laws; or (ii) acquiring or holding an equity interest in the Exchange that is permitted by the Limited Liability Company Agreement of the Exchange.

3000

BUSINESS CONDUCT

Rule 3000 Just and Equitable Principles of Trade

- (a) No Options Participant shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Options Participants shall have the same duties and obligations as Options Participants under this Rule 3000 Series.
- (b) It may be considered conduct inconsistent with just and equitable principles of trade for any Participant or person associated with a Participant who has knowledge of all material terms and conditions of:
 - (1) an order and a solicited order,
 - (2) an order being facilitated or submitted to the Price Improvement Period, or
 - (3) orders being crossed;

the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option for the same underlying security as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until:

- (i) the terms and conditions of the order and any changes in the terms and conditions of the order of which the Participant or person associated with the Participant has knowledge are disclosed to the trading crowd, or
- (ii) the trade can no longer reasonably be considered imminent in view of the passage of time since the order was received.

The terms of an order are "disclosed" to the trading crowd on BOX when the order is entered into the BOX Book, the Price Improvement Period, as defined in Rule 7150, or Facilitation or Solicitation Auctions, as defined in Rule 7270. For purposes of this Paragraph (b), an order to buy or sell a "related instrument" means, in reference to an index option, an order to buy or sell securities comprising 10% or more of the component securities in the index or an order to buy or sell a futures contract on an economically equivalent index.

IM-3000-1

It will be a violation of Rule 3000 for an Options Participant to have a relationship with a third party regarding the disclosure of agency orders. Specifically, an Options Participant may not

disclose to a third party information regarding agency orders represented by the Options Participant prior to submitting such orders to BOX to allow such third party to attempt to execute against the Options Participant's agency orders. An Options Participant's disclosing information regarding agency orders prior to the execution of such orders on the Exchange, would provide an inappropriate informational advantage to the third party in violation of Rule 3000. For purposes of this IM-3000-1, a third party includes any other person or entity, including Affiliates of the Options Participant. Nothing in this paragraph is intended to prohibit an Options Participant from soliciting interest to execute against an order it represents as agent (a "solicited order"), the execution of which is governed by Rule 7140 and IM-7140-2.

Rule 3010 Adherence to Law

No Options Participant shall engage in conduct in violation of the Rules, the Exchange Act or Rules thereunder, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Options Participant shall supervise persons associated with the Participant to assure compliance therewith.

Rule 3020 Sharing of Offices and Wire Connections

No Options Participant, without the prior written consent of the Exchange, shall establish or maintain wire connections or office sharing arrangements with other Options Participants or with non-member broker-dealers. Options Participants shall promptly give notice to the Exchange of the discontinuance of any such prior approved arrangements and the reasons therefore.

Rule 3030 Reserved

Rule 3040 False Statements

No Options Participant, person associated with an Options Participant or applicant to become an Options Participant shall make any false statements or misrepresentations in any application, report or other communication to the Exchange, and no Options Participant or person associated with an Options Participant shall make any false statement or misrepresentation to the Clearing Corporation with respect to the reporting or clearance of any Exchange Transaction, or adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or transferring the position to another account.

Rule 3050 Manipulation

- (a) No Options Participant shall effect or induce the purchase, sale or exercise of any security for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such security or in the underlying security, or for the purpose of unduly or improperly influencing the market price of such security or of the underlying security or for the purpose of making a price which does not reflect the true state of the market in such security or in the underlying security.

- (b) No Options Participant or any other person or organization subject to the jurisdiction of the Exchange shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. For the purposes of this paragraph but without limitation:
- (1) any pool, syndicate or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any security by means of options or otherwise and for the purpose of making a profit thereby, shall be deemed to be a manipulative operation;
 - (2) the soliciting of subscriptions to any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation; and
 - (3) the carrying on margin of either a “long” or a “short” position in securities for, or the advancing of credit through loans of money or of securities to, any such pool syndicate or joint account shall be deemed to be financing a manipulative operation.

Rule 3060 Gratuities

No Options Participant shall give any compensation or gratuity in any one year in excess of \$50.00 to any employee of the Exchange or in excess of \$100.00 to any employee of any other Options Participant or of any non-member broker, dealer, bank or institution without the prior consent of the employer and of the Exchange.

Rule 3070 Conduct and Compliance with the Rules

- (a) Each Options Participant shall be responsible for ensuring that all arrangements made and systems used in connection with business conducted on BOX, and the transaction of such business itself, comply with the Options Participant's and associated persons' obligations under the Rules, the Rules of the Clearing Corporation and any other relevant laws, rules, interpretations and obligations. In accordance with the Rules and in connection with business conducted on BOX, each Options Participant shall:
- (1) have adequate arrangements to ensure that all staff involved in the conduct of business on BOX are suitable, adequately trained and properly supervised;
 - (2) be responsible for the acts and conduct of each associated person,
 - (3) establish its trading arrangements such that each Participant is able to meet the requirements set out in Rule 3000 and that all other relevant obligations contained in the Rules are complied with;

- (4) implement suitable security measures such that only those individuals explicitly authorized by the Options Participant to trade may gain access to passwords and security keys; and
- (5) ensure that any trading access granted to individuals (whether employees of the Options Participant or otherwise), for example by way of order routing systems, is adequately controlled and supervised, including appropriate checks before any orders are submitted to the Trading Host.

Rule 3080 Rumors

No Options Participant or person associated with an Options Participant shall circulate, in any manner, rumors of a character which might affect market conditions in any security; provided, however, that this Rule shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed. (*See* Rule 3050).

Rule 3090 Prevention of the Misuse of Material Nonpublic Information

- (a) Every Options Participant shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of the Participant's business, to prevent the misuse of material nonpublic information by such Participant or persons associated with such Participant in violation of the federal securities laws or the rules thereunder, and these Rules.
- (b) Misuse of material nonpublic information includes, but is not limited to:
 - (1) trading in any securities issued by a corporation, partnership, or a trust or similar entities, or in any related securities or related options or other derivative securities, or in any related 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, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, while in possession of material nonpublic information concerning that issuer;
 - (2) trading in an underlying security or related options or other derivative securities, or in any related non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, or any other derivatives based on such currency, while in possession of material nonpublic information concerning imminent transactions in the above; and
 - (3) disclosing to another person any material nonpublic information involving a corporation, partnership, or Funds or a trust or similar entities whose shares are publicly traded or disclosing an imminent transaction in an underlying security or related securities or in the underlying non-U.S. currency or any related non-U.S. currency options, futures or options on

futures on such currency, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, or any other derivatives based on such currency for the purpose of facilitating the possible misuse of such material nonpublic information.

- (c) Each Options Participant shall establish, maintain and enforce the following policies and procedures as appropriate for the nature of each Options Participant's business:
 - (1) all associated persons must be advised in writing of the prohibition against the misuse of material nonpublic information.
 - (2) signed attestations from the Options Participant and all associated persons affirming their awareness of, and agreement to abide by, the aforementioned prohibitions must be maintained for at least three (3) years, the first two (2) years in an easily accessible place.
 - (3) records of all brokerage accounts maintained by the Options Participant and all associated persons must be acquired and maintained for at least three (3) years, the first two (2) years in an easily accessible place, and such brokerage accounts must be reviewed periodically by the Options Participant for the purpose of detecting the possible misuse of material nonpublic information.
 - (4) any business dealings the Options Participant may have with any corporation whose securities are publicly traded, or any other circumstances that may result in the Options Participant receiving, in the ordinary course of business, material nonpublic information concerning any such corporation, must be identified and documented.
- (d) Options Participants that are required, pursuant to Rules 10020 and 10030 (Financial Reports & Audits) to file Form X-17A-5 under the Exchange Act or rules thereunder, with the Exchange on an annual basis only, shall, contemporaneously with those submissions, file attestations signed by such Options Participants stating that the procedures mandated by this Rule have been established, enforced and maintained.
- (e) Any Options Participant or associated person who becomes aware of any possible misuse of material nonpublic information must promptly notify the Exchange.

Rule 3100 Disciplinary Action by Other Organizations

Every Options Participant shall promptly notify the Exchange in writing of any disciplinary action, including the basis therefore, taken by any national securities exchange or registered securities association, clearing corporation, commodity futures market or government regulatory body against the Options Participant or its associated persons who are directly involved in derivatives trading, and shall similarly notify the Exchange of any disciplinary action taken by the Options Participant itself against any of its associated persons who are directly involved in derivatives trading involving suspension, termination, the withholding of commissions or imposition of fines in excess of \$2,500, or any other significant limitation on activities.

Rule 3110 Other Restrictions on Participants

Whenever the Exchange shall find that an Options Participant has failed to perform on its contracts or is insolvent or is in such financial or operational condition or is otherwise conducting business in such a manner that it cannot safely conduct business with Customers, creditors or the Exchange, the Exchange may summarily suspend the Options Participant in accordance with the Rule 11000 Series (Summary Suspension) or may impose such conditions and restrictions upon the Options Participant as the Exchange considers reasonably necessary for the protection of the Exchange, BOX, and the Customers of such Options Participant.

Rule 3120 Position Limits

- (a) Except with the prior permission of an Exchange Official or his designee, to be confirmed in writing, no Options Participant shall make, for any account in which it has an interest or for the account of any Customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its Customer would, acting alone or in concert with others, directly or indirectly:
 - (1) control (as defined in paragraph (f) below) an aggregate position in an options contract traded on BOX in excess of 25,000 or 50,000 or 75,000 or 200,000 or 250,000 options contracts (whether long or short), of the put type and the call type on the same side of the market respecting the same underlying security, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other number of options contracts as may be fixed from time to time by BOX as the position limit for one or more classes or series of options; or
 - (2) exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on BOX, when the Options Participant is not a member of the other exchange on which the transaction was effected.
- (b) Should an Options Participant have reason to believe that a position in any account in which it has an interest or for the account of any Customer of such

Options Participant is in excess of the applicable limit, such Options Participant shall promptly take the action necessary to bring the position into compliance.

- (c) Reasonable notice shall be given of each new position limit fixed by the Exchange.
- (d) Limits shall be determined in the following manner:
 - (1) A 25,000 option contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit.
 - (2) To be eligible for the 50,000 option contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least twenty (20) million shares, or the most recent six (6) month trading volume of the underlying security must have totaled at least fifteen (15) million shares and the underlying security must have at least forty (40) million shares currently outstanding.
 - (3) To be eligible for the 75,000 option contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least forty (40) million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least thirty (30) million shares and the underlying security must have at least 120 million shares currently outstanding.
 - (4) To be eligible for the 200,000 option contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least eighty (80) million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least sixty (60) million shares and the underlying security must have at least 240 million shares currently outstanding.
 - (5) To be eligible for the 250,000 option contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six-month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.
- (e) Every six (6) months, the Exchange will review the status of underlying securities to determine which limit should apply. A higher limit will be effective on the date set by the Exchange, while any change to a lower limit will take effect after the last expiration then trading, unless the requirement for the same or a higher limit is met at the time of the intervening six (6) month review. If, however, subsequent to a six (6) month review, an increase in volume and/or outstanding shares would make a stock eligible for a higher position limit prior to the next

review, the Exchange in its discretion may immediately increase such position limit.

- (f) Control exists under this Rule 3120 when it is determined by the Exchange that an individual or entity makes investment decisions for an account or accounts, or materially influences directly or indirectly the actions of any person who makes investment decisions.
- (1) Control will be presumed in the following circumstances, and will be presumed to continue until determined otherwise pursuant to paragraph (f)(2) below:
- (i) among all parties to a joint account who have authority to act on behalf of the account;
 - (ii) among all general partners to a partnership account;
 - (iii) when an individual or entity holds an ownership interest of ten percent (10%) or more in an entity (ownership interest of less than ten percent (10%) will not preclude aggregation), or shares in ten percent (10%) or more of profits and losses of an account;
 - (iv) when accounts have common directors or management;
 - (v) where a person has the authority to execute transactions in an account.
- (2) Control, presumed by one or more of the above findings or circumstances, can be rebutted by proving to the Exchange that the factor does not exist or by showing other factors which negate the presumption of control. The rebuttal proof must be submitted by affidavit and/or such other documentary evidence as may be appropriate in the circumstances. The Exchange also will consider the following factors in determining if aggregation of accounts is required:
- (i) similar patterns of trading activity among separate entities;
 - (ii) the sharing of kindred business purposes and interests;
 - (iii) whether there is common supervision of the entities which extends beyond assuring adherence to each entity's investment objectives and/or restrictions.
- (3) Initial determinations under this paragraph (f) shall be made by the staff of the MOC. The initial determination may be reviewed by an Exchange Official or his designee, based upon a report by the MOC. An Options Participant or Customer directly affected by such a determination may ask an Exchange Official or his designee to reconsider, but may not request any

other review or appeal except in the context of a disciplinary proceeding. The decision to grant non-aggregation under this paragraph (f) shall not be retroactive.

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Whenever the Exchange determines that a higher margin requirement is warranted in light of the risks associated with an under-hedged options position, the Exchange may impose additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Rule 10130(b). The Clearing Participant carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.

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The position limits under Rule 3120 applicable to options on shares or other securities that represent interest in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Section 5020 of these Rules shall be the same as the position limits applicable to equity options under this Rule 3120, and any Interpretive Material thereunder, except that the position limits under this section applicable to option contracts on the securities listed in the below chart are as follows:

Security Underlying Option	Position Limit
The DIAMONDS Trust (DIA)	300,000 contracts
The Standard and Poor's Depository Receipts Trust (SPY)	900,000 contracts
The iShares Russell 2000 Index Fund (IWM)	500,000 contracts
The PowerShares QQQ Trust (QQQQ)	900,000 contracts

Rule 3130 Exemptions from Position Limits

- (a) **Exemption 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 Options Participant (1) provides the Exchange 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 Exchange, and (2) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemptions with respect to its trading on BOX.

- (b) *Equity Hedge Exemption.* The following qualified hedging transactions and positions described in paragraphs (1) through (5) below shall be exempt from established position and exercise limits as prescribed under Rule 3120(d) (Position Limits) above. The equity hedge exemption is in addition to the standard limit and other exemptions available under the Exchange Rules. Hedge transactions and positions established pursuant to paragraphs 6) and (7) below are subject to a position limit equal to five (5) times the standard limit established under Rule 3120(d) (Position Limits) above:
- (1) Where each option contract is "hedged" or "covered" by 100 shares of the underlying security or securities convertible into such underlying security, or, in the case of an adjusted option contract, the same number of shares represented by the adjusted contract:
 - (i) long call and short stock;
 - (ii) short call and long stock;
 - (iii) long put and long stock;
 - (iv) short put and short stock.
 - (2) A long call position accompanied by a short put position, where the long call expires with the short put, and the strike price of the long call and short put is equal, and where each long call and short put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock ("reverse conversion").
 - (3) A short call position accompanied by a long put position where the short call expires with the long put, and the strike prices of the short call and long put are equal, and where each short call and long put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock ("conversion").
 - (4) A short call position accompanied by a long put position where the short call expires with the long put, and the strike price of the short call equals or exceeds the strike price of the long put, and where each short call and long put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the short call, long put position can be in-the-money at the time the position is established ("collar").
 - (5) A long call position accompanied by a short put position where the long call expires with the short put and the strike price of the long call equals or exceeds the short put and where each long call and short put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the long call, short put position can be in-the-money at the time the position is established ("reverse collar").

- (6) A long call position accompanied by a short put position with the same strike prices and a short call position accompanied by a long put position with a different strike prices ("box spread").
 - (7) A listed option position hedged on a one-for-one basis with an over-the-counter ("OTC") option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.
 - (8) For those strategies described under (2), (3), (4), and (5) above, one component of the option strategy can be an OTC option contract guaranteed or endorsed by the firm maintaining the proprietary position or carrying the Customer account.
 - (9) An OTC option contract is defined as an option contract that is not listed on a national securities exchange or cleared at the OCC.
- (c) *Delta-Based Equity Hedge Exemption.* The Delta-Based Equity Hedge Exemption is in addition to the standard limit and other exemptions available under these Rules, interpretations, and policies. An equity option position of a Participant or non-Participant Affiliate of a Participant that is delta neutral shall be exempt from established position limits as prescribed under Section (d) of Rule 3120 (Position Limits) above, subject to the following:
- (i) The term "delta neutral" refers to an equity options position that is hedged, in accordance with a permitted pricing model, by a position in the underlying security or one or more instruments relating to the underlying security, for the purpose of offsetting the risk that the value of the option position will change with incremental changes in the price of the security underlying the option position.
 - (ii) An equity option position that is not delta neutral shall be subject to position limits in accordance with Section (d) of Rule 3120 (Position Limits), subject to the availability of other position limit exemptions. Only the option contract equivalent of the net delta of such position shall be subject to the appropriate position limit. The "options contract equivalent of the net delta" is the net delta divided by the number of shares underlying the option contract. The term "net delta" means, at any time, the number of shares (either long or short) required to offset the risk that the value of an equity option position will change with incremental changes in the price of the security underlying the option position, as determined in accordance with a permitted pricing model.
 - (iii) A "permitted pricing model" means –

- 1) A pricing model maintained and operated by the Clearing Corporation ("OCC Model");
- 2) A pricing model maintained and used by a Participant subject to consolidated supervision by the Commission pursuant to Appendix E of Commission Rule 15c3-1, or by an Affiliate that is part of such Participant's consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with the requirements of Appendices E or G, as applicable, to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital or capital allowances for market risk thereunder, provided that the Participant or Affiliate of a Participant relying on this exemption in connection with the use of such model is an entity that is part of such Participant's consolidated supervised holding company group;
- 3) A pricing model maintained and used by a financial holding company or a company treated as a financial holding company under the Bank Holding Company Act of 1956, or by an Affiliate that is part of either such company's consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with:
 - (a) the requirements of the Board of Governors of the Federal Reserve System, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Board of Governors of the Federal Reserve System, provided that the Participant or Affiliate of a Participant relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group; or
 - (b) the standards published by the Basel Committee on banking Supervision, as amended from time to time and as implemented by such company's principal regulator, in connection with the calculation of risk-based deductions or adjustments to or allowances for the market risk capital requirements of such principal regulator applicable to such company - where "principal regulator" means a member of the Basel Committee on Banking Supervision that is the home country consolidated supervisor of such company - provided that the Participant or Affiliate of a Participant relying on this exemption in connection with the use of

such model is an entity that is part of such company's consolidated supervised holding company group;

- 4) A pricing model maintained and used by an OTC derivatives dealer registered with the SEC pursuant to SEC Rule 15c3-1(a)(5) in accordance with its internal risk management control system and consistent with the requirements of Appendix F to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital for market risk thereunder, provided that only such OTC derivatives dealer and no other affiliated entity (including a Participant) may rely on this subparagraph (c)(iii)(4); or
- 5) A pricing model used by a national bank under the National Bank Act maintained and used in accordance with its internal risk management control system and consistent with the requirements of the Office of the Comptroller of the Currency, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Office of the Comptroller of the Currency, provided that only such national bank and no other affiliated entity (including a Participant) may rely on this subparagraph (iii)(5).

(iv) Effect on Aggregation of Accounts

- 1) Participants and non-Participant Affiliates who rely on this exemption must ensure that the permitted pricing model is applied to all positions in or relating to the security underlying the relevant option position that are owned or controlled by such Participant or non-Participant Affiliate.
- 2) Notwithstanding subparagraph (iv)(1), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in or relating to the security underlying the option position held by an affiliated entity or by another trading unit within the same entity, provided that:
 - (a) the entity demonstrates to the Exchange's satisfaction that no control relationship, as defined in Section (f) of Rule 3120, exists between such Affiliates or trading units*; And
 - (b) the entity has provided the Exchange written notice in advance that it intends to be considered separate and distinct from any Affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

* Note: The Exchange will set forth by Regulatory Circular the conditions under which it will deem no control relationship to exist between Affiliates and between separate and distinct trading units within the same entity.

3) Notwithstanding subparagraph (iv)(1) or (iv)(2), a Participant or non-Participant Affiliate who relies on this exemption shall designate, by prior written notice to the Exchange, each trading unit or entity whose option positions are required under these Rules to be aggregated with the option positions of such Participant or non-Participant Affiliate that is relying on this exemption for purposes of compliance with the Exchange position limits or exercise limits. In any such case:

(a) the permitted pricing model shall be applied, for purposes of calculating such Participant's or Affiliate's net delta, only to the positions in or relating to the security underlying any relevant option position owned and controlled by those entities and trading units who are relying on this exemption; and

(b) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the non-exempt option positions of all other entities and trading units whose options positions are required under these Rules to be aggregated with the option positions of such Participant or Affiliate.

(v) Obligations of Participants and Affiliates

1) A Participant that relies on this exemption for a proprietary equity options position:

(a) must provide a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (iii) above; and

(b) by such reliance authorizes any other person carrying for such Participant an account including, or with whom such Participant has entered into, a position in or relating to a security underlying the relevant option position to provide to the Exchange or the Clearing Corporation such information regarding such account or position as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption.

- 2) The equity option positions of a non-Participant relying on this exemption must be carried by a Participant with which it is affiliated.
- 3) A Participant carrying an account that includes an equity option position for a non-Participant Affiliate that intends to rely on this exemption must obtain from such non-Participant:
 - (a) a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (iii) above; and
 - (b) a written statement confirming that such non-Participant Affiliate:
 1. is relying on this exemption;
 2. will use only a permitted pricing model for purposes of calculating the net delta of its option positions for purposes of this exemption;
 3. will promptly notify the Participant if it ceases to rely on this exemption;
 4. authorizes the Participant to provide to the Exchange or the Clearing Corporation such information regarding positions of the non-Participant Affiliate as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption; and
 5. if the non-Participant Affiliate is using the OCC Model, has duly executed and delivered to the Exchange such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(vi) Reporting

- 1) Each Participant that holds or carries an account that relies on this exemption shall report, in accordance with Rule 3150, all equity option positions (including those that are delta neutral) that are reportable thereunder. Each such Participant on its own behalf or on behalf of a designated aggregation unit pursuant to Rule

3130(c)(iv) above shall also report, in accordance with Rule 3150, for each such account that holds an equity option position subject to this exemption in excess of the levels specified in Rule 3120, the net delta and the options contract equivalent of the net delta of such position.

(vii) Records

- 1) Each Participant relying on this exemption shall: (i) retain, and undertake reasonable efforts to ensure that any non-Participant Affiliate of the Participant relying on this exemption retains a list of the options, securities and other instruments underlying each option position net delta calculation reported to the Exchange hereunder, and (ii) produce such information to the Exchange upon request.

(d) *Market Maker Exemption.* The provisions set forth below apply only to Market Makers seeking an exemption to the standard position limits in all options traded on BOX for the purpose of assuring that there is sufficient depth and liquidity in the marketplace, and not for the purpose of conferring a right upon the Market Maker applying for an exemption.

- (1) In light of the procedural safeguards, the purpose of this exemption process, and the prohibition against the granting of retroactive exemptions, decisions granting or denying exemptions are not subject to review under the Rule 12000 Series.
- (2) An exemption may be granted for the purpose of maintaining a fair and orderly market in the options on a given underlying security.
- (3) Generally, an exemption will be granted only to a Market Maker who has requested an exemption, who is appointed to the options class in which the exemption is requested pursuant to Rule 8030 (Appointment of Market Makers), whose positions are near the current position limit and who is significant in terms of daily volume. The positions must generally be within ten percent (10%) of the limits contained in Rule 3120 (Position Limits) for equity options and twenty percent (20%) of those limits for broad-based index options.
- (4) If an exemption is granted, it will be effective at the time the decision is communicated, and retroactive exemptions will not be granted.
- (5) The size and length of an exemption will be determined on a case by case basis; however, an exemption usually will be granted until the nearest expiration. The exemption may specify the extent to which the resulting position may be carried in options in one or more expiration cycles.

- (6) Procedures for Market Makers nearing the limits due to general market conditions:
 - (i) A request for an exemption from the established position and exercise limits must be in writing and must state the specific reasons why an exemption should be granted.
 - (ii) The request should be submitted to the Exchange no later than 1:00 p.m. for same-day review.
 - (iii) Review of the request will be conducted informally, *i.e.*, the Exchange may receive information in such manner as is most effective, in its discretion, to ascertain whether an exemption is necessary to maintain depth and liquidity in the market.
 - (iv) The Exchange will communicate the exemption decision to the requesting Market Maker and his or its Clearing Participant as soon as possible, generally on the day following review.
 - (iv) Requests for instant exemptions may be made for extraordinary situations, such as when there is an order imbalance or a Market Maker is near the limits intraday. Following immediate review of the situation, the Exchange will decide whether an exemption is warranted.

- (e) *Firm Facilitation Exemption.* To the extent that the following procedures and criteria are satisfied, an Options Participant may receive and maintain for its proprietary account an exemption ("facilitation exemption") from the applicable standard position limit in non-multiply-listed options traded on BOX for the purpose of facilitating: (i) orders for its own Public Customer (one that will have the resulting position carried with the firm); or (ii) orders received from or on behalf of a Public Customer for execution only against the Options Participant firm's proprietary account.
 - (1) The Options Participant must receive approval from the Exchange prior to executing facilitating trades.
 - (2) The facilitation exemption shall be granted to the Options Participant owning or controlling the account in which the exempt options positions are held. For purposes of this paragraph (e), control shall be determined in accordance with the provision of Rule 3120(f).
 - (3) Exchange approval may be given on the basis of verbal representations; however, the Options Participant must, within a period of time to be designated by the Exchange, furnish the appropriate forms and documentation substantiating the basis for the exemption. The approval of the facilitation exemption will specify the maximum number of contracts that may be exempt under this paragraph (d). In no event may the

aggregate exempted position under this paragraph (d) exceed twice the applicable standard limit.

- (4) The facilitation exemption is in addition to the standard limit and other exemptions available under these Rules. An Options Participant so approved is hereinafter referred to as a "facilitation firm."
- (5) The facilitation firm must provide all information required by BOX on approved forms and keep such information current. The facilitation firm shall promptly provide to BOX any information or documents requested concerning the exempted options positions and the positions hedging them.
- (6) Regarding the execution of its Public Customer Order and its own facilitating order, a facilitation firm shall make neither order contingent on "fill or kill" instructions.
- (7) To remain qualified, a facilitation firm must, within five (5) business days after the execution of a facilitation exemption order, hedge all exempt options positions that have not previously been liquidated, and furnish BOX with documentation reflecting the resulting hedging positions.
- (8) The facilitation firm shall:
 - (i) liquidate and establish its Public Customer's and its own options and stock positions or their equivalent in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate its Public Customer's or its own 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) promptly notify BOX of any material change in the exempted options position or the hedge; and
 - (iii) not increase the exempted options position once it is closed unless approval is received again pursuant to a reapplication under this paragraph (d).
- (9) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the facilitation exemption and may form the basis for subsequent denial of an application for a facilitation exemption hereunder.

Rule 3140 Exercise Limits

- (a) Except with the prior permission of an Exchange Official or his designee, to be confirmed in writing, no Options Participant shall exercise, for any account in

which it has an interest or for the account of any Customer, a long position in any options contract where such Options Participant or Customer, acting alone or in concert with others, directly or indirectly, has or will have:

- (1) exercised within any five (5) consecutive business days aggregate long positions in any class of options traded on BOX in excess of 25,000 or 50,000 or 75,000 or 200,000 or 250,000 options contracts, or such other number of options contract as may be fixed from time to time by BOX as the exercise limit for that class of options; or
 - (2) exceeded the applicable exercise limit fixed from time to time by another exchange for an options class not traded on BOX, when the Participant is not a member of the other exchange which lists the options class.
- (b) Reasonable notice shall be given of each new exercise limit fixed by the Exchange by posting notice thereof by the Exchange.
- (c) Limits shall be determined in the manner described in Rule 3120 (Position Limits). For an Options Participant that has been granted an exemption to position limits pursuant Rule 3130(c) (Exemption to Position Limits), the number of contracts which can be exercised over a five (5) business day period shall equal the Options Participant's exempted position.

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The exercise limits established under Rule 3140, in respect to options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Rule 5020 shall be equivalent to the position limits prescribed for such options in IM-3120-2, subject to any exemptions granted in respect to such position limits.

Rule 3150 Reports Related to Position Limits

- (a) Each Options Participant shall file with the Exchange the name, address and social security or tax identification number of any Customer, as well as any Options Participant, any general or special partner of the Options Participant, any officer or director of the Options Participant or any participant, as such, in any joint, group or syndicate account with the Options Participant or with any partner, officer or director thereof, who, on the previous business day held aggregate long or short positions of 200 or more options contracts of any single class of options traded on BOX. The report shall indicate for each such class of options contracts the number of options contracts comprising each such position and, in case of short positions, whether covered or uncovered.
- (b) Options Participants that maintain an end of day position in excess of 10,000 non-FLEX equity options contracts on the same side of the market on behalf of its own account or for the account of a Customer, shall report whether such position is hedged and provide documentation as to how such position is hedged. This

report is required at the time the subject account exceeds the 10,000 contract threshold and thereafter, for Customer accounts, when the position increases by 2,500 contracts and for proprietary accounts when the position increases by 5,000 contracts.

- (c) In addition to the reports required by paragraph (a) and (b) of this Rule, each Options Participant shall report promptly to BOX any instance in which the Options Participant has reason to believe that a person included in paragraph (a), acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established pursuant to Rule 3120 (Position Limits).

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For purposes of calculating the aggregate long or short position under paragraph (a) above, Options Participants shall combine (a) long positions in put options with short positions in call options, and (b) short positions in put options with long positions in call options.

Rule 3160 Liquidation Positions

- (a) Whenever BOX shall find that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all options contracts or one or more classes or series traded on BOX in excess of the applicable position limit established pursuant to Rule 3120 (Position Limits), it may order all Options Participants carrying a position in options contracts of such classes or series for such person or persons to liquidate such positions as expeditiously as possible, consistent with the maintenance of a fair and orderly market.
- (b) Whenever such an order is given, no Options Participant shall accept any order to purchase, sell or exercise any options contract for the account of the person or persons named in the order, unless and until BOX expressly approves such person or persons for options transactions.

Rule 3170 Other Restrictions on Options Transactions and Exercises

- (a) The Exchange may impose such restrictions on transactions or exercises in one or more series of options of any class traded on BOX as the Exchange in its judgment deems advisable in the interests of maintaining a fair and orderly market in options contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors.
 - (1) During the effectiveness of such restrictions, no Options Participant shall, for any account in which it has an interest or for the account of any Customer, engage in any transaction or exercise in contravention of such restrictions.
 - (2) Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given series of options, other than index options, no

restriction on exercise under this Rule may be in effect with respect to that series of options. With respect to index options, restrictions on exercise may be in effect until the opening of business on the last business day before the expiration date.

- (3) Exercises of American-style, cash-settled index options shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:
 - (i) 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;
 - (ii) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration;
 - (iii) 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 Rule 7070 (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 (a)(3)(iii) are subject to the authority of the Board to impose restrictions on transactions and exercises pursuant to paragraph (a) of this Rule; and
 - (iv) The Exchange Official may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.
- (b) Whenever the issuer of a security underlying a call option traded on BOX is engaged or proposes to engage in a public underwritten distribution ("public distribution") of such underlying security or securities exchangeable for or convertible into such underlying security, the underwriters may request that the Exchange impose restrictions upon all opening writing transactions in such options at a "discount" where the resulting short position will be uncovered ("uncovered opening writing transactions").
 - (1) In addition to a request, the following conditions are necessary for the imposition of restrictions:

- (i) less than a majority of the securities to be publicly distributed in such distribution are being sold by existing security holders;
 - (ii) the underwriters agree to notify the Exchange upon the termination of their stabilization activities; and
 - (iii) the underwriters initiate stabilization activities in such underlying security on a national securities exchange when the price of such security is either at a "minus" or "zero minus" tick.
- (2) Upon receipt of such a request and determination that the conditions listed in paragraph (b)(1) are met, the Exchange shall impose the requested restrictions as promptly as possible but no earlier than fifteen (15) minutes after Participants shall have been notified and shall terminate such restrictions upon request of the underwriters or when the Exchange otherwise discovers that stabilizing transactions by the underwriters has been terminated.
- (3) For purposes of this Rule 3170(b), an uncovered opening writing transaction in a call option will be deemed to be effected at a "discount" when the premium in such transaction is either:
- (i) in the case of a distribution of the underlying security not involving the issuance of rights and in the case of a distribution of securities exchangeable for or convertible into the underlying security, less than the amount by which the underwriters' stabilization bid for the underlying security exceeds the exercise price of such option; or
 - (ii) in the case of a distribution being offered pursuant to rights, less than the amount by which the underwriters' stabilization bid in the underlying security at the subscription price exceeds the exercise price of such option.

Rule 3180 Mandatory Systems Testing

- (a) Each Options Participant that the Exchange designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Exchange's systems in the manner and frequency prescribed by the Exchange. The Exchange will designate Options Participants as required to participate in a system test based on: (1) the category of the Participant (Market Maker and OFP); (2) the computer system(s) the Participant uses; and (3) the manner in which the Participant connects to the Exchange. The Exchange will give Participants reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Participants' obligations in participating in the test.
- (b) Every Options Participant required by the Exchange to conduct or participate in testing of computer systems shall provide to the Exchange such reports relating to

the testing as the Exchange may prescribe. Participants shall maintain adequate documentation of tests required by this Rule 3180 and results of such testing for examination by the Exchange.

- (c) An Options Participant that is subject to this Rule 3180 and that fails to conduct or participate in the tests, fails to file the required reports, or fails to maintain the required documentation, may be subject to a summary suspension or other action taken pursuant to the Rule 11000 Series (Summary Suspensions) and/or a disciplinary action pursuant to the Rule 12000 Series (Discipline).

Rule 3190 Limit on Outstanding Uncovered Short Positions

- (a) Whenever it is determined from the reports of uncovered short positions submitted pursuant to Rule 10010 (Reports of Uncovered Short Positions), viewed in light of current market conditions in options and in underlying securities, that there are outstanding an excessive number of uncovered short positions in options contracts of a given class traded on BOX or that an excessively high percentage of outstanding short positions in options contracts of a given class traded on BOX are uncovered, the Exchange Official may determine to prohibit Options Participants from any further opening writing transactions on any exchange in options contracts of that class unless the resulting short position will be covered, and the Exchange Official may prohibit the uncovering of any existing covered short positions in one or more series of options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in options contracts or in underlying securities.
- (b) The Exchange Official may exempt transactions of Market Makers from restrictions imposed under this Rule. Such restrictions shall be rescinded upon a determination that they are no longer appropriate.

Rule 3200 Significant Business Transactions

- (a) Except as provided in paragraph (c) below, a Participant that clears Market Maker trades is required to notify the Exchange in writing fifteen (15) days prior to any of the following proposed significant business transactions ("SBT"):
 - (1) the combination, merger or consolidation between the Participant and another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products;
 - (2) the transfer from another person, market maker, broker-dealer, or customer of securities or futures accounts that are significant in size or number to the business of the Participant;
 - (3) the assumption or guarantee by the Participant of liabilities of another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products, in connection with a direct or indirect acquisition of all or substantially all of the person's assets; or

- (4) termination of the Participant's clearing business or any material part thereof.
- (b) Notification of any of the following SBTs shall be made in writing to the Exchange, not later than five (5) business days from the date on which the SBT becomes effective:
- (1) the sale by the Clearing Participant of a significant part of its assets to another person;
 - (2) change in the identity of any general partner or a change in the beneficial ownership of ten percent (10%) or more of any class of the outstanding stock of any corporate general partner;
 - (3) a change in the beneficial ownership of twenty percent (20%) or more of any class of the outstanding stock of the Participant or the issuance of any capital stock of the Participant; or
 - (4) the acquisition by the Clearing Participant of assets of another person that would constitute a "business" that is "significant," as those terms are defined in Section 11-01 of Regulation S-X under the Exchange Act.
- (c) A Clearing Participant is required to notify the Exchange in writing thirty (30) days prior to a proposed SBT included in paragraph (a) of this Rule 3200, and such SBT shall be subject to the prior approval of the Exchange, if the Participant's Market Maker clearance activities exceed, or would exceed as a result of the proposed SBT, any of the following parameters:
- (1) fifteen percent (15%) of cleared BOX Market Maker contract volume for the most recent three (3) months;
 - (2) an average of fifteen percent (15%) of the number of BOX Market Makers as of each month and for the most recent three (3) months; or
 - (3) twenty-five percent (25%) of BOX Market Maker gross deductions (haircuts) defined by Rule 15c3-1(a)(6) or (c)(2)(x) under the Exchange Act carried by the Clearing Participant in relation to the aggregate of such haircuts carried by all other Clearing Participants for any month end within the most recent three (3) months.
- (d) An SBT that comes within paragraph (c) of this Rule may be disapproved or conditioned within the thirty (30) day period if the Exchange determines that such SBT has the potential to threaten the financial or operational integrity of Market Maker transactions. In making this determination, the Exchange may consider, among other relevant matters, the following:
- (1) The effect of the proposed SBT on the capital size and structure of the resulting Clearing Participant(s), the potential for financial failure and the

consequences of any such failure on the BOX market as a whole, and the potential for increased or decreased operational efficiencies arising from the proposed transaction.

- (2) The effect of the proposed SBT upon overall concentration of Market Makers, including a comparison of the following measures before and after the proposed transaction:
 - (i) proportion of BOX Market Maker contract volume cleared;
 - (ii) proportion of BOX Market Makers cleared; and
 - (iii) proportion of Market Maker gross deductions (haircuts) as defined by Rule 15c3-1(a)(6) or (c)(2)(x) under the Exchange Act carried by the Clearing Participant(s) in relation to the aggregate of such deductions carried by other Participants that clear market maker transactions.
 - (3) The regulatory history of the affected Participants, specifically as it may indicate a tendency to financial or operational weakness.
- (e) Transactions that come within paragraph (c) of this Rule 3200 shall be reviewed according to the following procedures:
- (1) A Participant must provide promptly, in writing, all information reasonably requested by the Exchange. Any information disclosed by Participants pursuant to the requirements of this Rule 3200 shall be kept confidential by the Exchange until such information is otherwise publicly disclosed and shall be used only for purposes of reviewing the proposal.
 - (2) If the Exchange determines, prior to the expiration of the thirty (30) day period, that a proposed SBT may be approved without conditions, the Exchange shall promptly so advise the Participant.
 - (3) All decisions to disapprove or condition a proposed SBT or to impose extraordinary requirements shall be in writing, shall include a statement setting forth the grounds for the decision, and the Participant shall be promptly notified of any such decisions by the Exchange.
 - (4) Notwithstanding any other provisions of the Rules, the Participant may appeal a decision to disapprove or condition a proposed SBT directly to the Board by filing an application for review with the Secretary of the Exchange within fifteen (15) days of the date of service of the decision. Appeal to the Board shall be the exclusive method of reviewing such a decision.

- (5) An appeal to the Board of a decision to disapprove or condition a proposed SBT shall not operate as a stay of that decision during the pendency of the appeal.
- (6) The Exchange shall file notice with the SEC in accordance with the provisions of Section 19(d)(1) of the Exchange Act of all final decisions to disapprove or condition a proposed SBT.
- (f) The Exchange may impose additional financial and/or operational requirements on a Participant that clears Market Maker trades at any time when it determines that the Participant's continuance in business without such requirements has the potential to threaten the financial or operational integrity of Market Maker transactions.
- (g) The provisions of this Rule 3200 do not preclude summary action under the Rule 11000 Series (Summary Suspensions) or other Exchange action pursuant to the Rules.
- (h) The Exchange, upon approval by the Chief Regulatory Officer of the Exchange, may exempt a Participant from the requirements of this Rule 3200, either generally or in respect of specific types of transactions, based on the limited proportion of Market Maker trades on BOX that are cleared by the Participant or on the limited importance that the clearing of Market Maker trades bears to the total business of the Participant.

Rule 3210 Proxy Voting

- (a) No Participant shall give a proxy to vote stock that is registered in its name, unless: (i) such Participant is the beneficial owner of such stock; (ii) pursuant to the written instructions of the beneficial owner; or (iii) pursuant to the rules of any national securities exchange or association of which it is a member provided that the records of the Participant clearly indicate the procedure it is following.
- (b) Notwithstanding the foregoing, a Participant that is not the beneficial owner of a security registered under Section 12 of the Exchange Act is prohibited from granting a proxy to vote the security in connection with a shareholder vote on the election of a member of the board of directors of an issuer (except for a vote with respect to uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940), executive compensation, or any other significant matter, as determined by the SEC, by rule, unless the beneficial owner of the security has instructed the Participant to vote the proxy in accordance with the voting instructions of the beneficial owner.

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DOING BUSINESS WITH THE PUBLIC

Rule 4000 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 Rule 4000 Series and the net capital requirements set forth in Exchange Act Rule 15c3-1 and the Rule 10200 Series (Net Capital Requirements). Such approval may be withdrawn if any such requirements cease to be met.

Rule 4010 Branch Offices

- (a) Every OFP approved to do options business with the public under this Rule 4000 Series shall file with the Exchange 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 the Exchange that the options activities of such branch offices are appropriately supervised by an Options Principal.

Rule 4020 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 Rule 4020.
- (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.
 - (1) 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):

- (i) investment objectives (*e.g.*, safety of principal, income, growth, trading profits, speculation);
- (ii) employment status (name of employer, self-employed or retired);
- (iii) estimated annual income from all sources;
- (iv) estimated net worth (exclusive of family residence);
- (v) estimated liquid net worth (cash, securities, other);
- (vi) marital status;
- (vii) number of dependents;
- (viii) age; and
- (ix) investment experience and knowledge (*e.g.*, number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

See Rule Series 10100 (Margin Requirements).

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

- (viii) dates of verification of currency of account information.
- (3) 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)(2) of this Rule 4020 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 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 Rules 3120 and 3140.
- (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 in accordance with the requirements of Rule 4100 (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 policies and procedures governing the conduct of such business that shall at least include the following:
 - (1) specific criteria and standards to be used in evaluating the suitability of a Public Customer for uncovered short options transactions;
 - (2) specific procedures for approval of accounts engaged in writing uncovered short options contracts (which for the purposes of this Rule shall include combinations and any transactions that involve naked writing), including written approval of such accounts by an Options Principal;
 - (3) designation of the Senior Options Principal and/or Compliance Options Principal 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;

- (4) establishment of specific minimum net equity requirements for initial approval and maintenance of Public Customer uncovered options accounts; and
- (5) requirements that Public Customers approved for writing uncovered short options transactions be provided with a special written description of the risks inherent in writing uncovered short options transactions, at or prior to the initial uncovered short options transaction pursuant to Rule 4100 (Delivery of Current Options Disclosure Documents and Prospectus).

Rule 4030 Supervision of Accounts

- (a) *Duty to Supervise --Non-Participant Accounts.* Every OFP shall develop and implement a written program for the review of the its non-Participant Public Customer accounts and all orders in such accounts, insofar as such accounts and orders relate to options contracts.
- (b) *Duty to Supervise --Uncovered Short Options.* Every OFP shall develop and implement specific written procedures concerning the manner of supervision of Public Customer accounts maintaining uncovered short (written) options positions (which for the purposes of this Rule 4030 shall include combinations and any transactions that involve naked writing) and specifically providing for frequent supervisory review of such accounts.
- (c) *Maintenance of Public Customer Records.* Background and financial information of Public Customers who have been approved for options transactions shall be maintained at the principal supervisory office having jurisdiction over the office servicing a Public Customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each Public Customer's options account on a timely basis to determine:
 - (1) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved;
 - (2) the size and frequency of options transactions;
 - (3) commission activity in the account;
 - (4) profit or loss in the account;
 - (5) undue concentration in any options class or classes; and
 - (6) compliance with the provisions of Regulation T of the Federal Reserve Board.

Rule 4040 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.
- (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.

Rule 4050 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 an Options Principal.
 - (1) Each Participant shall designate specific Options Principals to review discretionary accounts. An Options Principal other than the Options Principal who accepted the account shall review the acceptance of each discretionary account to determine that the 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 reviewing Options Principal shall maintain a record of the basis for his determination.
 - (2) Each discretionary order shall be approved and initialed on the day entered by the branch office manager or other Options Principal, provided that if the branch office manager is not an Options Principal, his approval shall be confirmed within a reasonable time by an Options Principal.
 - (3) Every discretionary order shall be identified as discretionary on the order at the time of its entry into BOX market.
 - (4) Discretionary accounts shall receive frequent appropriate supervisory review by an Options Principal 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.

- (c) *Excessive Transactions Prohibited.* No OFP shall effect with or for any Public Customer's account with respect to which such Options 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.
- (d) *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 meeting the requirements of Rule 4230 of the nature and risks of such programs.

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Discretionary Power. As used in this Rule, an OFP has “discretionary power” where the OFP is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale.

Rule 4060 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.

Rule 4070 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 Options 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.

Rule 4080 Statements of Financial Condition to Public Customers

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

Rule 4090 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.

Rule 4100 Delivery of Current Options Disclosure Documents and Prospectuses

- (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 Rule.
 - (1) 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.
 - (2) 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. The

Exchange will advise OFPs when an options disclosure document is amended.

- (b) *Prospectus.* Every Options 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 Rule shall be in a format prescribed by the Exchange or in a format developed by the Options 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 Rule:

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.

Rule 4110 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.
- (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 Rule 4110.
- (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.
- (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.

Rule 4120 Transactions of Certain Public Customers

- (a) No OFP shall execute any transaction in securities or carry a position in any security in which:
 - (1) an officer or employee of the Exchange 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

- (2) 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.

Rule 4130 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.

Rule 4140 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.

Rule 4150 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 the Exchange has first been obtained.

Rule 4160 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 Options Participants must expedite and coordinate activities with respect to the transfer. For purposes of this Rule, 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:
 - (1) 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
 - (2) 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 Rule and pursuant to the Rules of and through the clearing corporation.
- (h) The Exchange may exempt from the provisions of this Rule, either unconditionally or on specified terms and conditions:
 - (1) any Options Participant or type of Options Participants, or
 - (2) any type of account, security or financial instrument.
- (i) Unless an exemption has been granted pursuant to paragraph (h) of this Rule, the Exchange may impose upon an Options Participant a fee of up to \$100 per securities account for each day such Options Participant fails to adhere to the time frames or procedures required by this Rule.
- (j) Transfer instructions and reports required by this Rule shall be in such form as may be prescribed by the Exchange.

Rule 4170 Options Communications

- (a) *Definitions.* For purposes of this Rule, the following definitions shall apply:
 - (1) *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).
 - (2) *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.

- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.*

- (1) 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.
- (2) 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.

- (3) 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.
 - (4) 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) *Exchange Approval Required.* In addition to the approval required by paragraph (b) of this Rule, 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 the Exchange at least ten (10) calendar days prior to use (or such shorter period as the Exchange may allow in particular instances) for approval, and if changed or expressly disapproved by the Exchange, shall be withheld from circulation until any changes specified by the Exchange have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, Exchange approval. The requirements of this paragraph shall not be applicable to:
- (1) options communications submitted to another SRO having comparable standards pertaining to such communications, and
 - (2) 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:
- (1) contains any untrue statement or omission of a material fact or is otherwise false or misleading;
 - (2) 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;
 - (3) contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the materials;

- (4) contains statements suggesting the certain availability of a secondary market for options;
- (5) 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;
- (6) fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary;
- (7) 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 (d)(6) and (d)(7) shall not apply to institutional sales material as defined in this Rule 4170.

(e) *Standards Applicable to Options Communications.*

- (1) Unless preceded or accompanied by the ODD, options communications shall:
 - (i) Be limited to general descriptions of the options being discussed;
 - (ii) Contain contact information for obtaining a copy of the ODD;
 - (iii) Not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities.
- (2) Options communications used prior to ODD delivery may:
 - (i) 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;
 - (ii) Include any statement required by any state law or administrative authority;
 - (iii) 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 4170(e)(1)(ii) 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.*
 - (1) Options communications may contain projected performance figures (including projected annualized rates of return), provided that:
 - (i) all such communications are accompanied or preceded by the ODD;
 - (ii) no suggestion of certainty of future performance is made;
 - (iii) 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);
 - (iv) all relevant costs, including commissions, fees and interest charges (if applicable with regard to margin transactions) are disclosed;
 - (v) such projections are plausible and intended as a source of reference or a comparative device to be used in the development of a recommendation;
 - (vi) all material assumptions made in such calculations are clearly identified (*e.g.*, "assume option expires," "assume option unexercised," "assume option exercised," etc.);
 - (vii) the risks involved in the proposed transactions are also discussed; and
 - (viii) 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:
- (1) all such communications are accompanied or preceded by the ODD;
 - (2) 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;
 - (3) 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;
 - (4) all relevant costs, including commissions, fees and interest charges (as applicable) are disclosed;
 - (5) whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed;
 - (6) 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;
 - (7) such communications state that the results presented should not and cannot be viewed as an indicator of future performance; and
 - (8) 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 systemic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.

Rule 4180 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.

- (b) All OFPs subject to paragraph (a) of this Rule shall maintain Brokers' Blanket Bonds as follows:
 - (1) 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:
 - (i) Fidelity;
 - (ii) On Premises;
 - (iii) In Transit;
 - (iv) Misplacement;
 - (v) Forgery and Alteration (including check forgery);
 - (vi) Securities Loss (including securities forgery);
 - (vii) Fraudulent Trading; and
 - (viii) A Cancellation Rider providing that the insurance carrier will promptly notify the Exchange of cancellation, termination or substantial modification of the Bond.

 - (2) 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)(2) 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)(2) 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.
 - (1) An OFP may choose to maintain coverage in excess of the minimum requirements as set forth above in paragraph (b)(2) of this Rule, 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.
 - (2) Each OFP shall report the cancellation, termination or substantial modification of the Bond to the Exchange within ten (10) business days of such occurrences.
- (f) OFPs with no employees shall be exempt from this Rule 4180.
- (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 Rule shall be deemed to be in compliance with the provisions of this Rule.

Rule 4190 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 Options Participant or such other principal office as shall be designated by the OFP.
 - (1) 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.
 - (2) 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:

- (1) identification of complainant;
- (2) date complaint was received;
- (3) identification of the representative servicing the account, if applicable;
- (4) a general description of the subject of the complaint; and
- (5) a record of what action, if any, has been taken by the Options Participant with respect to the complaint.

Rule 4200 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:
 - (1) the identity of the caller and the OFP firm;
 - (2) the telephone number or address at which the caller may be contacted; and
 - (3) 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 an Options Participant's existing Public Customer account for the purpose of maintaining and servicing that account, provided that the call is to:
 - (1) 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;
 - (2) 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
 - (3) 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 Rule is limited to the telemarketing calls described herein. The terms of this Rule do not impose, expressly or by implication, any additional requirements on Options Participants with respect to the relationship between an Options 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.

5000

SECURITIES TRADED ON BOX

Rule 5000 Designation of Securities

Securities traded on BOX are options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month or expiration date, exercise price and type (put or call).

Rule 5010 Rights and Obligations of Holders and Writers

The rights and obligations of holders and writers are set forth in the Rules of the Clearing Corporation.

Rule 5020 Criteria for Underlying Securities

- (a) Underlying securities with respect to which put or call options contracts are approved for listing and trading on BOX must meet the following criteria:
 - (1) the security must be registered with the SEC and be an “NMS stock” as defined in Rule 600 of Regulation NMS under the Exchange Act; and
 - (2) the security shall be characterized by a substantial number of outstanding shares that are widely held and actively traded.

- (b) In addition, the Exchange shall from time to time establish standards to be considered in evaluating potential underlying securities for BOX options transactions. There are many relevant factors which must be considered in arriving at such a determination, and the fact that a particular security may meet the standards established by the Exchange does not necessarily mean that it will be selected as an underlying security. The Exchange may give consideration to maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the foregoing, an underlying security will not be selected unless:
 - (1) There are a minimum of seven (7) million shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.
 - (2) There are a minimum of 2,000 holders of the underlying security.
 - (3) The issuer is in compliance with any applicable requirements of the Exchange Act or Rules thereunder.
 - (4) Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve (12) months.
 - (5) Either:

- (i) If the underlying security is a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five consecutive business days preceding the date on which the Exchange submits a certificate to the Clearing Corporation for listing and trading, as measured by the closing price reported in the primary market in which the underlying security is traded; or
 - (ii) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three (3) calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.
- (6) Notwithstanding the requirements set forth in Rule 5020(b)(1), (2), (4), and (5), the Exchange may list and trade an options contract if:
 - (i) The underlying security meets the guidelines for continued listing set forth in Rule 5030; and
 - (ii) Options on such underlying security are traded on at least one other national securities exchange.
- (c) *Securities of Restructured Companies*
 - (1) *Definitions.* The following definitions shall apply to the provisions of this paragraph (c):
 - (i) "Restructuring Transaction" refers to a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.
 - (ii) "Restructure Security" refers to an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company.
 - (iii) "Original Equity Security" refers to a company's equity security that is issued and outstanding prior to the effective date of a Restructuring Transaction of the company.
 - (iv) "Relevant Percentage" refers to either:
 - (A) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or

- (B) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.
- (2) *"Share" and "Number of Shareholder" Standards.* In determining whether a Restructure Security satisfies the share standard set forth in this Rule 5020(b)(1) (the "Share Standard") or the number of holders standard set forth in this Rule 5020(b)(2) (the "Number of Shareholders Standard"), the Exchange may rely upon the facts and circumstances that it expects to exist on the option's intended listing date, rather than on the date on which the Exchange selects for options trading the underlying Restructure Security.
 - (i) the Exchange may assume that:
 - (A) both the "Share" and "Number of Shareholders" Standards are satisfied if, on the option's intended listing date, the Exchange expects no fewer than forty (40) million shares of the Restructure Security to be issued and outstanding; and
 - (B) either such Standard is satisfied if, on the option's intended listing day, the Exchange expects the Restructure Security to be listed on an exchange or automatic quotation system that has, and is subject to, an initial listing requirement that is no less stringent than the Standard in question.
 - (ii) the Exchange may not rely on any such assumption, however, if a reasonable Exchange investigation or that of another exchange demonstrates that either the Share Standard or Number of Shareholders Standard will not in fact be satisfied on an option's intended listing date.
 - (iii) In addition, in the case of a Restructuring Transaction in which the shares of a Restructure Security are issued or distributed to the holders of shares of an Original Equity Security, the Exchange may determine that either the Share Standard or the Number of Shareholders Standard is satisfied based upon the Exchange's knowledge of the outstanding shares or number of shareholders of the Original Equity Security.
- (3) *"Trading Volume" Standard.* In determining whether a Restructure Security that is issued or distributed to the holders of shares of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies the trading volume standard set forth in Rule 5020(b)(4) (the "Trading Volume Standard"), the

Exchange may consider the trading volume history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (5) below.

- (4) *"Market Price" Standard.* In determining whether a Restructure Security satisfies the market price history standard set forth in Rule 5020(b)(5) (the "Market Price Standard"), the Exchange may consider the market price history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if:
- (i) the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (5) below; and
 - (ii) in the case of the application of the Market Price Standard to a Restructure Security that is distributed pursuant to a public offering or a rights distribution:
 - (A) the Restructure Security trades "regular way" on an exchange or automatic quotation system for at least the five trading days immediately preceding the date of selection; and
 - (B) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the date of selection, and the opening of trading on the date of selection, the market price of the Restructure Security was at least \$7.50, or, if the Restructure Security is a "covered security," as defined in Rule 5020(b)(5)(i), the market price of the Restructure Security was at least \$3.00.
- (5) *The "Substantiality Test."* A Restructure Security satisfies the "Substantiality Test" if:
- (i) the Restructure Security has an aggregate market value of least \$500 million; or
 - (ii) at least one of the following conditions is met:
 - (A) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security;
 - (B) the aggregate book value of the assets attributed to business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or

- (C) the revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.
 - (6) A Restructure Security's aggregate market value may be determined from "when issued" prices, if available.
 - (7) In calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, the Exchange shall use the Restructure Security's closing price on its primary market on the last business day prior to the selection date or the Restructure Security's opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.
 - (8) In calculating comparative asset values and revenues, the Exchange shall use either:
 - (i) the issuer's latest annual financial statements; or
 - (ii) the issuer's most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.
 - (9) Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange may not rely upon the trading volume or market price history of an Original Equity Security as Paragraph (c) of this Rule 5020 permits for any trading day unless it relies upon both of those measures for that trading day.
 - (10) Once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter.
 - (11) *"When Issued" Trading Prohibited.* The Exchange shall not list for trading options contracts that overlie a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a "when issued" basis or on another basis that is contingent upon the issuance or distribution of shares.
- (d) In considering underlying securities, the Exchange shall ordinarily rely upon information made publicly available by the issuer and/or the markets in which the security is traded.

- (e) The word "security" shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" shall mean the unit of trading of such security.
- (f) Securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and standards set forth in this Rule 5020 and if, in the case of ADRs:
 - (1) the Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded;
 - (2) the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least fifty percent (50%) of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading;
 - (3)
 - (i) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least twenty percent (20%) of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading,
 - (ii) the average daily trading volume for the security in the U.S. markets over the three (3) months preceding the selection of the ADR for options trading is 100,000 or more shares, and
 - (iii) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three (3) months preceding the date of selection of the ADR for options trading ("Daily Trading Volume Standard"); or
 - (4) the SEC otherwise authorizes the listing.
- (g) Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries ("International

Funds") if they meet the criteria and standards set forth in this Rule 5020 and either:

- (1) the Exchange has a market information sharing agreement with the primary home exchange for each of the securities held by the fund, or
 - (2) the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940, as amended, and the securities held by the fund are issued by issuers based in five (5) or more countries.
- (h) Securities deemed appropriate for options trading shall include shares or other securities ("Exchange-Traded Fund Shares") that are traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments, including, but not limited to, stock index futures contracts, options on futures, options on securities and indices, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the "Financial Instruments") and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments); or (ii) represent interests in a trust that holds a specified non-U.S. currency deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares"); or (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool ETFs") or (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust, the ETFS Silver trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust; provided that all of the following conditions are met:
- (1) the Exchange-Traded Fund Shares either (i) meet the criteria and guidelines set forth in paragraphs (a) and (b) of this Rule 5020 above; or (ii) the Exchange-Traded Fund Shares are available for creation or redemption each business day from or through the issuing trust,

investment company, commodity pool or other entity in cash or in kind at a price related to net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver them as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all as described in the Exchange-Traded Fund Shares' prospectus; and

- (2) (A) any non-U.S. component securities of an index or portfolio of securities on which the Exchange-Traded Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;
- (B) component securities of an index or portfolio of securities on which the Exchange-Traded Fund Shares are based for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index;
- (C) component securities of an index or portfolio of securities on which the Exchange-Traded Fund Shares are based for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index;
- (D) For Currency Trust Shares, the Exchange has entered into an appropriate comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded; and
- (E) For Commodity Pool ETFs that engage in holding and/or managing portfolios or baskets of commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities, options on non-U.S. currency and/or securities, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities

exchange where the underlying Commodity Pool ETFs are listed and traded.

- (i) A “market information sharing agreement” for purposes of this Rule is an agreement that would permit the Exchange to obtain trading information relating to the securities held by the fund including the identity of the member of the foreign exchange executing a trade. International Fund shares not meeting criteria of paragraph (h) shall be deemed appropriate for options trading if the SEC specifically authorizes the listing.
- (j) Securities deemed appropriate for options trading shall include shares or other securities (“Trust Issued Receipts”) that are principally traded on a national securities exchange or through the facilities of a national securities association and reported as a national market security, and that represent ownership of the specific deposited securities held by a trust, provided:
 - (1) the Trust Issued Receipts (1) meet the criteria and standards for underlying securities set forth in paragraph (b) to this Rule; or (2) must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and
 - (2) not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on securities for which the primary market is not subject to a comprehensive surveillance agreement.
- (k) Index-Linked Securities.
 - (1) Securities deemed appropriate for options trading shall include shares or other securities (“Equity Index-Linked Securities”, “Commodity-Linked Securities”, “Currency-Linked Securities”, “Fixed Income Index-Linked Securities”, “Futures-Linked Securities”, and “Multifactor Index-Linked Securities”, collectively known as “Index-Linked Securities”) that are principally traded on a national securities exchange and are defined as an “NMS stock” (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described below:
 - (A) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an underlying index or indexes of equity securities (“Equity Reference Asset”);
 - (B) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-

Based Trust Shares or a basket or index of any of the foregoing (“Commodity Reference Asset”);

(C) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as defined in Subsection (i) of this Section 3), or a basket or index of any of the foregoing (“Currency Reference Asset”);

(D) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing (“Fixed Income Reference Asset”);

(E) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts (“Futures Reference Asset”); and

(F) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets (“Multifactor Reference Asset”);

(2) For purposes of Subsection (k) of this Section 3, Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as “Reference Assets”.

(3) (A) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in Subsection (b) of this Section 3; or

(B) the Index-Linked securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price

related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

- (4) The Exchange will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.

IM-5020-1 Commodity-Based Trust Shares

“Commodity-Based Trust Shares” shall, unless the context otherwise requires, mean a security that (a) is issued by a trust (“Trust”) that holds a specified commodity deposited with the Trust; (b) is issued by such Trust in a specified aggregate minimum number in return for a deposit of a quantity of the underlying commodity; and (c) when aggregated in the same specified minimum number, may be redeemed at a holder’s request by such Trust which will deliver to the redeeming holder the quantity of the underlying commodity.

Rule 5030 Withdrawal of Approval of Underlying Securities

- (a) Whenever the Exchange determines that an underlying security previously approved for BOX Transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange will not open for trading any additional series of options of the class covering that underlying security and may prohibit any opening purchase transactions in series of options of that class previously opened to the extent it deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange’s current approval maintenance requirements regarding number of publicly held shares, number of shareholders, trading volume or market price, the Exchange may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of options contracts of the class covering that underlying security. When all options contracts with respect to any underlying security that is no longer approved have expired, the Exchange may make application to the SEC to strike from trading and listing all such options contracts.
- (b) Absent exceptional circumstances, an underlying security will not be deemed to meet the Exchange’s requirements for continued approval whenever any of the following occur:
 - (1) There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.

- (2) There are fewer than 1,600 holders of the underlying security.
 - (3) The trading volume (in all markets in which the underlying security is traded) has been less than 1,800,000 shares in the preceding twelve (12) months.
 - (4) Reserved.
 - (5) Reserved.
 - (6) The underlying security ceases to be an “NMS stock” as defined in Rule 600 of Regulation NMS under the Exchange Act.
 - (7) If an underlying security is approved for options listing and trading under the provisions of Rule 5020, the trading volume and price history of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including "when-issued" trading, may be taken into account in determining whether the trading volume requirement of 5030(b)(3) is satisfied.
- (c) Reserved.
 - (d) In considering whether any of the events specified in paragraph (b) of this Rule 5030 have occurred with respect to an underlying security, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.
 - (e) If prior to the delisting of a class of options contracts covering an underlying security that has been found not to meet the Exchange’s requirements for continued approval, the Exchange determines that the underlying security again meets the Exchange’s requirements, the Exchange may open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed by this Rule 5030.
 - (f) Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Options Participant shall, prior to effecting any transaction in options contracts with respect to such underlying security for a Customer, inform such Customer of such fact and of the fact that the Exchange may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.
 - (g) If an ADR was initially deemed appropriate for options trading on the grounds that fifty percent (50%) or more of the worldwide trading volume (on a share-equivalent basis) in the ADR and other related ADRs and securities takes place in U.S. markets or in markets with which the Exchange has in place an effective

surveillance sharing agreement, or if an ADR was initially deemed appropriate for options trading based on the daily trading volume standard in Rule 5020, the Exchange may not open for trading additional series of options on the ADR unless:

- (1) The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place effective surveillance sharing agreements for any consecutive three (3) month period is either:
 - (i) at least thirty percent (30%) without regard to the average daily trading volume in the ADR, or
 - (ii) at least fifteen percent (15%) when the average U.S. daily trading volume in the ADR for the previous three (3) months is at least 70,000 shares; or
 - (2) the Exchange then has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or
 - (3) the SEC has otherwise authorized the listing.
- (h) Exchange-Traded Fund Shares approved for options trading pursuant to Rule 5020(h) will not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares if the Exchange-Traded Fund Shares are delisted from trading as provided in subparagraph (b)(6) of this Rule 5030 or the Exchange-Traded Fund Shares are halted or suspended from trading on their primary market. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Exchange-Traded Fund Shares in any of the following circumstances:
- (1) In the case of options covering Exchange-Traded Fund Shares approved pursuant to Rule 5020(h)(1)(i), in accordance with the terms of subparagraphs (b)(1),(2),(3) and (4) of this Rule 5030;
 - (2) In the case of options covering Exchange-Traded Fund Shares approved pursuant to Rule 5020(h)(1)(ii) following the initial twelve-month period beginning upon the commencement of trading in the Exchange-Traded Fund Shares on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Exchange-Traded Fund Shares for 30 or more consecutive trading days;
 - (3) the value of the index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or non-U.S. currency, portfolio of commodities including commodity futures contracts, options

on commodity futures contracts, swaps, forward contracts and/or options on physical commodities, on which the Exchange-Traded Fund Shares are based is no longer calculated or available; or

- (4) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing in such options on BOX inadvisable.
- (i) Absent exceptional circumstances, securities initially approved for options trading pursuant to paragraph (j) of Rule 5020 (such securities are defined and referred to in that paragraph as "Trust Issued Receipts") shall not be deemed to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:
- (1) in accordance with the terms of paragraph (b) of this Rule 5030 in the case of options covering Trust Issued Receipts when such options were approved pursuant to subparagraph (j)(1)(i) under Rule 5020;
 - (2) the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;
 - (3) the Trust has fewer than 50,000 receipts issued and outstanding;
 - (4) the market value of all receipts issued and outstanding is less than \$1,000,000; or
 - (5) such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on BOX inadvisable.
- (j) For Holding Company Depositary Receipts ("HOLDRs"), the Exchange will not open additional series of options overlying HOLDRs (without prior Commission approval) if:
- (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDRs trust is less than 80% (as measured by their relative weightings in the HOLDRs trust); or
 - (2) less than 80% of the total number of securities held in a HOLDRs trust underlie standardized equity options.
- (k) Absent exceptional circumstances, Index-Linked Securities ("Securities") initially approved for options trading pursuant to Rule 5020(k) shall not be deemed to

meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series or options contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an "NMS stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934). In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the following circumstances:

- (1) The underlying Index-Linked Security fails to comply with the terms of Rule 5020(k);
- (2) In accordance with the terms of Rule 5030(b), in the case of options covering Index-Linked Securities when such options were approved pursuant to 5020(k), except that, in the case of options covering Index-Linked Securities approved pursuant to Rule 5020(k)(3)(B) that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are an "NMS" stock as defined in Rule 600 of Regulation NMS;
- (3) In the case of any Index-Linked Security trading pursuant to Rule 5020(k), the value of the Reference Asset is no longer calculated;
- (4) Such other event shall occur or condition exist that in the opinion of the Exchange make further dealing in such options on the Exchange inadvisable.

Rule 5040 Minimum Participation Requirement for Opening Trading of Option Classes

- (a) After a particular class of options has been approved for listing on BOX, the Exchange will open trading in series of options in that class only if there is at least one Market Maker appointed for trading that particular class. This requirement pertains only to the initial opening of trading of any class of options or the initial opening of any series of an options class made pursuant to Rule 5050.
- (b) If a particular class of options has been approved for listing on BOX and there is not at least one series of options in that class open for trading, the class shall be halted from trading until such time as a series of options in that class may be opened. In such circumstances, BOX will not execute orders on its book, and will not accept inbound orders from BOX Options Participants or from away markets.
- (c) Nothing in this Rule 5040 shall require a single Market Maker in a class to continue trading in that class if an Exchange Official makes an affirmative determination that continued trading in that class by a single Market Maker is to the detriment of that Market Maker, of no adverse consequence to an existing

Customer of BOX or an Options Participant, and serves no greater purpose in the fair and orderly functioning of the marketplace.

- (d) Once a class is opened for trading and subsequently zero Market Makers remain appointed to that class, an Exchange Official shall halt trading in such options class until such time when at least one Market Maker is again appointed for trading in that particular class. In such circumstances, BOX will not execute orders on its book, and will not accept inbound orders from BOX Options Participants or from away markets.

Rule 5050 Series of Options Contracts Open for Trading

- (a) After a particular class of options has been approved for listing and trading on BOX, the Exchange from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on BOX. Prior to the opening of trading in a given series, the Exchange will fix the expiration month, year and exercise price of that series. For Quarterly Options Series and Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in IM-5050-3 and IM-5050-5, respectively.
- (b) Except as otherwise provided in this Rule 5050 and interpretive material thereto, at the commencement of trading on BOX of a particular class of options, BOX shall open a minimum of one expiration month and series for each class of options open for trading on BOX. The exercise price of each series will be fixed at a price per share which is reasonably close to the price per share at which the underlying stock is traded in the primary market at about the time that class of options is first opened for trading on BOX. Exercise-price setting parameters adopted as part of the Options Listing Procedures Plan (“OLPP”) are incorporated herein. A complete copy of the current OLPP may be accessed at: <http://www.optionsclearing.com>.
 - (1) Exercise Price Range Limitations - Except as provided in subparagraphs (2) through (4) below, if the price of the underlying security is less than or equal to \$20, BOX shall not list new options series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three (3) exercise prices per expiration month in an options class. If the price of the underlying security is greater than \$20, BOX shall not list new options series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by: (i) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges; (ii) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day BOX determines its preliminary notification of new series; and (iii) for options series to be added as a

result of pre-market trading, the most recent share price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. (Eastern Time).

- (2) The series exercise price range limitations contained in subparagraph (1) above shall not apply with regard to the listing of \$1 Strike Prices in options classes participating in the \$1 Strike Price Program. Instead, BOX shall be permitted to list \$1 Strike Prices to the fullest extent as permitted under IM-5050-2, below.
- (3) BOX may designate up to five (5) options classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (1) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the options class is delisted by BOX, in which case BOX may designate another options class to replace the delisted class. If a designated options class is delisted by BOX but continues to trade on at least one options exchange, the options class shall be subject to the limitations on listing new series set forth in subparagraph (1) above unless designated by another exchange.
- (4) If BOX has designated five (5) options classes pursuant to subparagraph (3) above it may request that one (1) or more additional options classes be excepted from the limitations on listing new series set forth in subparagraph (1) above. The additional options class(es) shall be so designated upon the unanimous consent of all exchanges that trade the options class(es). Additionally, pursuant to the request of BOX, the percentage range for the listing of new series may be increased to more than 100% above and below the price of the underlying security for an options class, by the unanimous consent of all exchanges that trade the designated options class.

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the vote, plus the next standard expiration month to be added, and also to any non-standard expirations that occur prior to the next standard monthly expiration.

- (5) The provisions of this subparagraph shall not permit the listing of series that are otherwise prohibited by these Rules or the OLPP. To the extent these Rules permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP shall govern, unless explicitly stated otherwise.
- (6) BOX may list an options series that is listed by another options exchange, provided that at the time such series was listed by the other options

exchange it was not prohibited under the provisions of the OLPP, under the rules of the exchange that initially listed the series or under these Rules.

- (c) Additional series of options of the same class may be opened for trading on BOX when the Exchange deems it necessary to maintain an orderly market, to meet Customer demand or when the market price of the underlying stock moves substantially from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until five (5) business days prior to the expiration.
- (d) Except as otherwise provided in this Rule 5050 and interpretive material thereto, the interval between strike prices of series of options on individual stocks may be:
 - (1) \$2.50 or greater where the strike price is \$25.00 or less;
 - (2) \$5.00 or greater where the strike price is greater than \$25.00; and
 - (3) \$10.00 or greater where the strike price is greater than \$200.00, except as provided in (d)(5).
 - (4) The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Rule 5020(h) shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on BOX, or at such intervals as may have been established on another options exchange prior to the initiation of trading on BOX.
 - (5) BOX may list series in intervals of \$5 or greater where the strike price is more than \$200 in up to five (5) option classes on individual stocks. BOX may list \$5 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$5 Strike Price Program under their respective rules.
- (e) Reserved.
- (f) Exceptions to the strike price intervals above are set forth in the interpretive material below.

IM-5050-1 Strike Price Intervals

- (a) The interval between strike prices of series of options on individual stocks may be \$2.50 or greater where the strike price is \$25 or less, provided however, that BOX

may not list \$2.50 intervals below \$50 (e.g. \$12.50, \$17.50) for any class included within the \$1 Strike Price Program, as detailed in IM-5050-2 below.

- (b) For series of options on Exchange Traded Fund Shares that satisfy the criteria set forth in Rule 5020(h), the interval of strike prices may be \$1 or greater where the strike price is \$200 or less or \$5 or greater where the strike price is over \$200.
- (c) For series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDRs) that satisfy the criteria set forth in Rule 5020(j), the interval between strike prices will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is greater than \$200.
- (d) For series of options on Index-Linked Securities that satisfy the criteria set forth in Rule 5020(k), the interval between strike prices will be \$1 or greater when the strike price is \$200 or less and \$5 or greater when the strike price is greater than \$200.

IM-5050-2 \$1 Strike Price Interval Program

- (a) **Program Description.** The interval between strike prices of series of options on individual stocks may be \$1 intervals where the strike price is \$50 or less, but not less than \$1. Except as provided in IM-5050-1(d) below, the listing of \$1 strike price intervals shall be limited to options classes overlying no more than one hundred and fifty (150) individual stocks as specifically designated by BOX. BOX may list \$1 Strike Price intervals on any other options class if those classes are specifically designated by other national securities exchanges that employ a similar \$1 Strike Price Interval Program under their respective rules. If a class participates in the \$1 Strike Price Interval Program, \$2.50 strike price intervals are not permitted between \$1 and \$50 for non-LEAPS and LEAPS.
- (b) **Initial and Additional Series.** To be eligible for inclusion into the \$1 Strike Price Interval Program, an underlying stock must close below \$50 in its primary market on the previous trading day. After a stock is added to the \$1 Strike Price Interval Program, BOX may list \$1 Strike Price Intervals from \$1 to \$50 according to the following parameters:
 - (1) If the price of the underlying stock is equal to or less than \$20, BOX may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is \$2, BOX would be permitted to list the following series: \$1, \$2, \$3, \$4, \$5, \$6 and \$7.
 - (2) If the price of the underlying stock is greater than \$20, BOX may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to \$50.

- (3) For the purpose of adding strikes under the \$1 Strike Price Interval Program, the “price of the underlying stock” shall be measured in the same way as “the price of the underlying security” is as set forth in Rule 5050(b)(1), above.
- (4) No additional series in \$1 strike price intervals may be listed if the underlying stock closes at or above \$50 in its primary market. Additional series in \$1 strike price intervals may not be added until the underlying stock closes again below \$50.
- (5) LEAPS. For stocks in the \$1 Strike Price Interval Program, BOX may list \$1 strike price interval between each standard \$5 strike interval, with the \$1 strike price interval being \$2 above the standard strike for each interval above the price of the underlying stock, and \$2 below the standard strike for each interval below the price of the underlying stock. For example, if the price of the underlying stock is \$24.50, BOX may list the following standard strikes in \$5 intervals: \$15, \$20, \$25, \$30 and \$35. Between these standard \$5 strikes, BOX may list the following \$2 wings: \$18, \$27 and \$32.

In addition, BOX may list the \$1 strike price interval which is \$2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price (\$24.50) is \$20, BOX may list a \$22 strike. BOX may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP. Additional long-term option strikes may not be listed within \$1 of an existing strike until less than nine months to expiration.

- (c) The Exchange may list \$1 strike prices up to \$5 in LEAPS in up to 200 option classes on individual stocks. The Exchange may not list \$1 strike price intervals within \$0.50 of an existing \$2.50 strike in the same expiration.
- (d) A stock shall remain in the \$1 Strike Price Interval Program until otherwise designated by BOX.
- (e) Delisting Policy. For options classes selected to participate in the \$1 Strike Price Interval Program, BOX will, on a monthly basis, review series that were originally listed under the \$1 Strike Price Interval Program with strike prices that are more than \$5 from the current value of an options class and delist those 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.

If BOX identifies series for delisting pursuant to this policy, BOX shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, BOX may grant Participant requests to add strikes and/or maintain strikes in series of options classes traded pursuant to this \$1 Strike Price Interval Program that are eligible for delisting.

IM-5050-3 \$2.50 Strike Price Program

BOX may select up to 60 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50. In addition to those options selected by BOX, the strike price interval may be \$2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program. On any option class that has been selected as part of this \$2.50 Strike Price Program, \$2.50 strike prices between \$50 and \$100 may be listed, provided that \$2.50 strike prices between \$50 and \$100 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the \$2.50 Strike Price Program, and the underlying security closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54.00, the Exchange may list the \$52.50 strike price, the \$57.50 strike price and the \$62.50 strike price on the next business day.

IM-5050-4 Quarterly Options Series Program

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 (or “Exchange-Traded Fund Shares”) as defined in Rule 5020. 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 the Exchange 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, the Exchange will add series that expire at the end of the second quarter of 2010.
- (b) Quarterly Options Series shall be P.M. settled.
- (c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options

Series is opened for trading on BOX. BOX shall list strike prices for a Quarterly Options Series that are within \$5 from the closing price of the underlying on the preceding day.

- (d) **Additional Series.** Additional Quarterly Options Series of the same class may be opened for trading on BOX when the Exchange 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. To the extent that any additional strike prices are listed by BOX, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying Exchange-Traded Fund Share on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in Exchange-Traded Fund Share options that are more than 30% above or below the current price of the underlying Exchange-Traded Fund Share 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 new Quarterly Options Series shall not affect the series of options of the same class previously opened. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each Quarterly Options Series in Exchange-Traded Fund Share options.
- (e) 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.
- (f) **Delisting Policy.**
 - (1) With respect to Quarterly Options Series in Exchange-Traded Fund Share options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying Exchange-Traded Fund Share, and delist series with no open interest in both the put and the call series having: (1) a strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; or (2) a strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.
 - (2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in Exchange-Traded Fund Share options in series eligible for delisting shall be granted.
 - (3) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange 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 Quarterly Options Series in Exchange-Traded Fund Share options.

IM-5050-5 \$0.50 Strike Program

The interval of strike prices of series of options on individual stocks may be \$0.50 or greater beginning at \$0.50 where the strike price is \$5.50 or less, but only for options classes whose underlying security closed at or below \$5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of \$0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the “\$0.50 Strike Price program”) as specifically designated by BOX, BOX may list \$0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$0.50 Strike Price program under their respective rules. A stock shall remain in the \$0.50 Strike Price Program until otherwise designated by BOX.

IM-5050-6 Short Term Option Series Program

After an option class has been approved for listing and trading on BOX, 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 twenty-five (25) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 25 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 option class eligible for participation in the Short Term Option Series Program, BOX may open up to thirty (30) Short Term Option Series for each expiration date in that class.
- (b) No Short Term Option Series may expire in the same week in which monthly option series on the same 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 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 value of the underlying security 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). Any strike prices listed by BOX shall be within thirty percent (30%) above or below the closing price of the underlying security from the preceding day.
- (d) BOX may open up to 10 additional series for each option class that participates in the Short Term Option Series Program when deemed necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security 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 price of the underlying security. BOX may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current price of the underlying security 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 option class that expire in accordance with the normal monthly expiration cycle.

IM-5050-7 Mini-Nasdaq-100 Index Strike Prices

Notwithstanding IM-5050-1 through IM-5050-5 above, the intervals between strike prices for Mini-Nasdaq-100 Index (“MNX” or “Mini-NDX”) option series shall be determined in accordance with Rule 6090(c)(5).

IM-5050-8 Reserved

IM-5050-9 Additional Expiration Months Listed on Other Exchanges

Notwithstanding the requirements set forth in this Rule 5050 and any interpretative material thereto, BOX may list additional expiration months on options classes for trading on BOX if such expiration months are opened for trading on at least one other registered national securities exchange.

Rule 5060 Adjustments

Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. The Exchange will announce adjustments, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.

Rule 5070 Long-term Options Contracts

- (a) Notwithstanding conflicting language in Rule 5050, the Exchange may list long-term options contracts (LEAPS®) that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to six (6) additional expiration 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 nine (9) months.
- (b) After a new long-term options contract 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.
- (c) With regard to the listing of new January LEAPS series on equity options classes, options on ETFs or options on Trust Issued Receipts ("TIRs"), BOX shall not add new LEAP series on a currently listed and traded options class:
 - (1) Earlier than September (which is 28 months before the expiration), for an option class on the January expiration cycle;
 - (2) Earlier than October (which is 27 months before expiration), for an option class on the February expiration cycle; and
 - (3) Earlier than November (which is 26 months before expiration), for an option class on the March expiration cycle.
- (d) BOX shall not list new LEAP series on equity options classes, options on ETFs, or options on TIRs in a new expiration year if the national average daily contract volume, excluding LEAP and FLEX series, for that options class during the preceding three (3) calendar months is less than 1,000 contracts, unless the new LEAP series has an expiration year that has already been listed on another exchange for that option class. The preceding volume threshold does not apply during the first six (6) months an equity options class, option on an ETF, or option on a TIR is listed on any exchange.

Rule 5080 Limitation on Liability of Index Licensors for Options on Fund Shares

- (a) The term "index licensor" as used in this Rule 5080 refers to any entity that grants the Exchange a license to use one or more indexes or portfolios in connection with the trading of options on Exchange-Traded Fund Shares (as defined in Rule 5020(h)).

- (b) No index licensor with respect to any index or portfolio underlying an option on Exchange-Traded Fund Shares traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Exchange-Traded Fund Shares based thereon or for any other purpose. The index licensor shall obtain information for inclusion in, or for use in the calculation of, such index or portfolio from sources it believes to be reliable, but the index licensor does not guarantee the accuracy or completeness of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The index licensor hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon. The index licensor 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 or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon, or arising out of any errors or delays in calculating or disseminating such index or portfolio.

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INDEX RULES

Rule 6000 Application of Index Rules

The Rule 6000 Series is applicable only to index options (options on indices of securities as defined below). Rules 1000 through 5080 and 7000 through 13060 are also applicable to the options provided for in this Rule 6000 Series, unless such Rules are specifically replaced or are supplemented by Rules in this Rule 6000 Series. Where the Rules in this 6000 Series indicate that particular indices or requirements with respect to particular indices will be "Specified," the Exchange shall file a proposed rule change with the Commission to specify such indices or requirements.

Rule 6010 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 Rule 6090(a)(5).
- (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 the Exchange. 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, for the purposes of the Rule 6000 Series, a series in an index 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 the Exchange 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 Rule 6000) in IM-6010-1.
- (n) The term "Short Term Option Series" means, for purposes of this Rule 6000 Series, a series in an index option class that is approved for listing and trading on the Exchange 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.

IM-6010-1

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

Rule 6020 Designation of an Index

- (a) The component securities of an index underlying an index option contract need not meet the requirements of Rule 5020 of these Rules (Criteria for Underlying Securities). Except as set forth in subparagraphs (b) and (d) 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 Rule 6010(j);
 - (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 Rule 5020 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.
- (d) The Exchange may trade options on a narrow-based index pursuant to Rule 19b-4(e) of the Securities and Exchange Act of 1934, if each of the following conditions is satisfied:
- (1) The options are designated as A.M.-settled index options;
 - (2) The index is capitalization-weighted, price-weighted, equal dollar-weighted, or modified capitalization-weighted, and consists of 10 or more component securities;

- (3) Each component security has a market capitalization of at least \$75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10 percent of the weight of the index, the market capitalization is at least \$50 million;
- (4) Trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate amount for no more than 10 percent of the weight of the index, trading volume has been at least 500,000 shares for each of the last six months;
- (5) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30 percent of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months;
- (6) No single component security represents more than 30 percent 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 50 percent (65 percent for an index consisting of fewer than 25 component securities) of the weight of the index;
- (7) Component securities that account for at least 90 percent of the weight of the index and at least 80 percent of the total number of component securities in the index satisfy the requirements of Rule 5020 (Criteria for Underlying Securities) applicable to individual underlying securities;
- (8) Each component security must be an “NMS stock” as defined in Rule 600 of Regulation NMS under the Exchange Act;
- (9) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20 percent of the weight of the index;
- (10) The current underlying index value will be reported at least once every 15 seconds during the time the index options are traded on the Exchange;
- (11) An equal dollar-weighted index will be rebalanced at least once every calendar quarter; and
- (12) If an underlying 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 a “Chinese Wall” around its personnel who have access to information concerning changes in and adjustments to the index.

- (e) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d) above:
- (1) The requirements stated in subparagraphs (d)(1), (3), (6), (7), (8), (9), (10), (11) and (12) must continue to be satisfied, provided that the requirements stated in subparagraph (b)(6) 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 33 1/3 percent from the number of component securities in the index at the time of its initial listing, and in no event may be less than nine component securities;
 - (3) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10 percent of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months; and
 - (4) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30 percent of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months.
- (f) 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.

Rule 6030 Dissemination of Information

- (a) The Exchange 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) The Exchange 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.

Rule 6040 Position Limits for Broad-Based Index Options

- (a) Rule 3120 (Position Limits) generally shall govern position limits for broad-based index options, as modified by this Rule 6040. There may be no position limit for certain Specified broad-based index options contracts (as provided in Rule 6000). 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 have 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 the Exchange, which shall not be larger than the limits provided in the chart below.
- (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.

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

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

Rule 6050 Position Limits for Industry Index Options

- (a)
 - (1) Rule 3120 (Position Limits) generally shall govern position limits for industry index options, as modified by this Rule 6050. 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 the Exchange 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 the Exchange 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 the Exchange determines that the conditions specified above which would require the establishment of a lower limit have not occurred.
- (2) The Exchange 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 the Exchange and thereafter review the determination semi-annually on January 1 and July 1.
- (3) If the Exchange 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), the Exchange may effect an appropriate position limit increase immediately. If the Exchange 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), the Exchange 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 the Exchange 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 Short Term Option Series and Quarterly Options Series shall be aggregated with positions in options contracts on the same index.

Rule 6060 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 these 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 Exchange approval for the hedge exemption specifying the maximum number of contracts that may be exempt under this Rule 6060. The hedge exemption account must have provided all information required on Exchange-approved forms and must have kept such information current. Exchange 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 the Exchange, furnish the Exchange 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 unless otherwise Specified (as provided in Rule 6000) in this subparagraph (a)(5).

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 Rule 6060:
- (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 Rule 3120 (Position Limits) and this Rule 6060, 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 Rule 3120 (Position Limits), and this Rule 6060, 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 the Exchange 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 the Exchange 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 the Exchange 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 Rule 3120 (Position Limits) and this Rule 6060 by the Options Participant.
 - (12) Violation of any of the provisions of this Rule 6060, 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 options 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 the Exchange. 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). The Exchange may impose other reporting requirements as well as the limit at which the reporting requirement may be triggered.
 - (14) Whenever the Exchange determines that additional margin is warranted in light of the risks associated with an under-hedged options position in Specified (as provided in Rule 6000) broad-based indices, the Exchange may impose additional margin upon the account maintaining such under-hedged position pursuant to its authority under Rule 10130 (Minimum Margin Required). 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 these Rules, interpretations and policies, and may not exceed twice the standard limit established under Rule 6050. 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 Exchange 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 Exchange-approved forms and must have kept such information current. Exchange 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 the Exchange, furnish the Exchange 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 the Exchange 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 the Exchange 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 the Exchange 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 Rule 3120 (Position Limits) and this Rule 6060 by the Options Participant.
 - (8) Violation of any of the provisions of this Rule 6060, 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:
- (1) provides the Exchange 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 Exchange, and
 - (2) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemptions with respect to its trading on BOX.

Rule 6070 Exercise Limits

- (a) In determining compliance with Rule 3140 (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 Rule 6040 or Rule 6050. There may be no exercise limits for Specified (as provided in Rule 6000) broad-based index options.
- (b) For a market-maker granted an exemption to position limits pursuant to Rule 3130(c) (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 Rule 6060(a), the exercise limit shall be equal to the amount of the exemption.

Rule 6080 Trading Sessions

- (a) *Days and Hours of Business.* Except as otherwise provided in this Rule or under unusual conditions as may be determined by an Exchange Official, transactions in index options may be effected on the Exchange between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to options on foreign indexes, the Exchange 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 Exchange 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 the Exchange 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 Exchange 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 the Exchange may resume if the Exchange 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 Rule 7070.
- (e) *Circuit Breakers.* Rule 7090 (Trading Halts Due to Extraordinary Market Volatility) applies to index options trading with respect to the initiation of a market wide 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 the Exchange, 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.

Rule 6090 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 Rule 6080(g), 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, the Exchange 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 Rule 6000) indices.
 - (ii) *Expiration Months.* 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 Rule 5050 (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), the Exchange 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 the Exchange. The exercise price of each series of index options opened for trading on the Exchange 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 the Exchange. 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. The Exchange 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), the Exchange 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.* The Exchange 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 the Exchange. The Exchange 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 the Exchange when the Exchange 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 the Exchange, such additional \$1 strike prices shall be within thirty percent (30%) above or below the closing value of the MNX. The Exchange 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, the Exchange may list up to sixty (60) additional series at \$1 strike price intervals per expiration month for each series in Mini-NDX options.

- (iii) The Exchange shall not list LEAPS on Mini-NDX options at intervals less than \$2.50. The Exchange 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, the Exchange 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 the Exchange identifies series for delisting, the Exchange 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 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.

IM-6090-1 Quarterly Options Series Program

Notwithstanding the restriction in Rule 6090(a)(3), the Exchange 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"). The Exchange 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 the Exchange 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) The Exchange 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 the Exchange 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, the Exchange will add series that expire at the end of the second quarter of 2010.
- (b) The Exchange will not list a Short term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.
- (c) Quarterly Options Series shall be P.M. settled.
- (d) 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. The Exchange 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 the Exchange. 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. The Exchange may open for trading additional Quarterly Options Series of the same class when the Exchange 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. The Exchange 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.

- (e) 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.

IM-6090-2 Short Term Option Series Program

Notwithstanding the restriction in Rule 6090(a)(3), the Exchange 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 the Exchange 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 the Exchange 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) The Exchange may select up to twenty-five (25) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 25-option class restriction, the Exchange 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, the Exchange may open up to thirty (30) Short Term Option Series on index options for each expiration date in that class.
- (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) The Exchange 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 the Exchange (*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 the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.
- (d) The Exchange may open up to 10 additional series for each option class that participates in the Short Term Option Series Program 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 the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index. The Exchange 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.

IM-6090-3 Terms of Index Options Contracts

Notwithstanding the requirements set forth in this Rule 6090 and any interpretive material thereto, BOX may list additional expiration months or options classes opened for trading on BOX if such expiration months are opened for trading on at least one other registered national securities exchange.

Rule 6100 Debit Put Spread Cash Account Transactions

Debit put spread positions in European-style, broad-based index options traded on the Exchange (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 Exchange 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 Exchange-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 Exchange-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 the Exchange 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 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 the Exchange 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 the Exchange 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 Rule 6100.
- (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.

Rule 6110 Disclaimers

- (a) *Applicability of Disclaimers.* The disclaimers in paragraph (b) below shall apply to the reporting authorities identified in IM-6010-1.
- (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.

Rule 6120 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.

7000

DOING BUSINESS ON BOX

Rule 7000 Access to and Conduct on the BOX Market

- (a) *Access to BOX.* Unless otherwise provided in the Rules, no one but an Options Participant or a person associated with an Options Participant shall effect any BOX Transactions.
- (b) *Exchange Conduct.* Options Participants and persons employed by or associated with any Options Participant, while using the facilities of the Exchange, shall not engage in conduct:
 - (1) inconsistent with the maintenance of a fair and orderly market;
 - (2) likely to impair public confidence in the operations of the Exchange; or
 - (3) inconsistent with the ordinary and efficient conduct of business.
- (c) Activities that shall violate the provisions of paragraph (b) include, but are not limited to, the following:
 - (1) failure of a Market Maker to provide quotations in accordance with Rule 8050;
 - (2) failure of a Market Maker to bid or offer within the ranges specified by Rule 8040;
 - (3) failure of an Options Participant to adequately supervise a person employed by or associated with such Options Participant to ensure that person's compliance with paragraph (b).
 - (4) failure to maintain adequate procedures and controls that permit the Options Participant to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in paragraph (b) and Rule 3070;
 - (5) failure to abide by a determination of the Exchange;
 - (6) effecting transactions that are manipulative as provided in Rules 3040 through 3090, and Rules 7140, and 7150(g);
 - (7) refusal to provide information requested by the Exchange (*See* Rules 10000 and 12010); and
 - (8) failure to abide by the provisions of the Rule 7000 Series related to limitations on orders.

- (d) Subject to the Rules, the Exchange will provide access to the Trading Host to Options Participants in good standing that wish to conduct business on the Exchange.
- (e) Pursuant to the Rules and the arrangements referred to in this Rule 7000 Series, the Exchange may:
 - (1) suspend an Options Participant's access to the Trading Host following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
 - (2) terminate an Options Participant's access to the Trading Host by notice in writing.

Rule 7010 Fees and Charges

- (a) *Participation Fees.* The Board in its discretion shall fix participation fees payable by Options Participants from time to time. Fees shall be payable in full on the first day of January, April, July and October on a non- refundable basis and shall be applied to the quarter beginning on that day.
- (b) *Transaction Fees.* Options Participants shall pay a fee for each transaction they execute on BOX, as may be determined by the Board in its discretion. The Board may prescribe different, or no fees for different types of transactions conducted on BOX.
- (c) *Covered Sale Fee.* Under Section 31 of the Securities Exchange Act of 1934, the Exchange must pay certain fees to the Securities and Exchange Commission (“Commission”). To offset the Exchange’s obligations to the Commission under Section 31, a Covered Sale Fee is assessed by the Exchange to Options Participants. To the extent there may be any excess monies collected under this Rule, the Exchange may retain those monies to help fund its general operating expenses.
 - (1) the Covered Sale Fee is collected indirectly from Options Participants through their clearing firms by a designated clearing agency, as defined by the Act, on behalf of the Exchange.
 - (2) a Covered Sale Fee is assessed by the Exchange to each Options Participant for sales of securities in the following circumstances:
 - (i) When a sale in option securities occurs with respect to which the Exchange is obligated to pay a fee to the Commission under the Section 31 of the Act;
 - (ii) When a sell order in option securities is routed for execution at a market other than on BOX, resulting in a covered sale on that market and an obligation of the Routing Broker providing routing

services for BOX, as described in IM-15030-1 to pay the related sales fee of that market.

- (d) *Other Fees.* In addition to the fees and charges specified in this Rule 7000 Series, the Board may, from time to time, fix and impose other fees, assessments or charges to be paid to the Exchange by Options Participants or by classes of Options Participants with respect to applications, registrations, approvals, use of BOX and Trading Host facilities or other services or privileges granted.
- (e) *Liability for Payment of Fees.* An Options Participant that does not pay any fees, assessments, charges, fines or other amounts due to the Exchange within thirty (30) days after they have become due and payable shall be reported to the Board or its delegate which may, after giving reasonable notice to the Options Participant of such arrearages, suspend the Options Participant until payment is made or terminate the Options Participant's participation on BOX. A person associated with an Options Participant who fails to pay any fine or other amounts due the Exchange within thirty (30) days after such amount has become due and payable and after reasonable notice of such arrearages, may be suspended from association with an Options Participant until payment is made.

Rule 7020 Days and Hours of Business

- (a) The Board shall determine the days BOX shall be open for business (referred to as "business days") and the hours of such days during which transactions may be made on BOX. No Options Participant shall make any bid, offer, or transaction on BOX before or after such hours.
- (b) Except for unusual conditions as may be determined by the Board, hours during which transactions in options may be made on BOX on a narrow-based index, as defined in Rule 6010, and individual securities shall correspond to the normal business days and hours for business set forth in the rules of the primary market trading the securities underlying BOX options.
- (c) Transactions in options contracts on Exchange-Traded Fund Shares, as defined in Rule 5020(h), may be effected on BOX until 4:15 p.m. each business day.
- (d) Transactions in options contracts on a broad-based index, as defined in Rule 6010, may be effected on BOX until 4:15 p.m. each business day.
- (e) The Exchange shall not be open for business on the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. When any holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday. When any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the following Monday, unless unusual business conditions exist at the time.

Rule 7030 Units of Trading

The unit of trading in each series of options traded on BOX shall be the unit of trading established for that series by the Clearing Corporation pursuant to the Rules of the Clearing Corporation and the agreements of the Exchange with the Clearing Corporation.

Rule 7040 Meaning of Premium Quotes and Orders

- (a) *General.* Except as provided in paragraph (b), orders and quotations shall be expressed in terms of dollars per unit of the underlying security. For example, a bid of "5" shall represent a bid of \$500 for an options contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of \$550 for an options contract having a unit of trading consisting of 110 shares of an underlying security.
- (b) *Special Cases.* Orders and quotations for an options contract for which the Exchange has established an adjusted unit of trading in accordance with Rule 7030 shall be expressed in terms of dollars per 1/100 part of the total securities and/or other property constituting such adjusted unit of trading. For example, an offer of "3" shall represent an offer of \$300 for an options contract having a unit of trading consisting of 100 shares of an underlying security plus ten (10) rights.

Rule 7050 Minimum Trading Increments

- (a) The Board may establish minimum trading increments for options contracts traded on BOX. Such minimum increments established by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Rule 7050 within the meaning of subparagraph (3)(A) of Section 19(b) of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply: (1) if the options contract is trading at less than \$3.00 per option, five (5) cents; (2) if the options contract is trading at \$3.00 per option or higher, ten (10) cents; and (3) if the options contract is traded pursuant to the procedures of the Improvement Period in Rules 7150 then one (1) cent.
- (b) Notwithstanding paragraph (a) of this Rule 7050, the Exchange will operate a pilot program to permit options classes to be quoted and traded in increments as low as one (1) cent. The Exchange will specify which options trade in such pilot, and in which increments, in Regulatory Information Circulars filed with the Commission pursuant to Rule 19b-4 under the Exchange Act and distributed to Options Participants.

Rule 7060 Acceptance of Quotes and Orders

All bids or offers made and accepted on BOX in accordance with these Rules shall constitute binding contracts, subject to applicable requirements of these Rules and the Rules of the Clearing Corporation.

Rule 7070 Opening the Market

- (a) **Pre-Opening Phase.** For some period of time of not less than one hour before the opening in the underlying security (as determined by the Exchange and distributed to all BOX Options Participants via regulatory circular), the BOX Trading Host will accept orders and quotes. During this period, known as the Pre-Opening Phase, orders and quotes are placed on the BOX Book but do not generate trade executions. Complex Orders and contingency orders (except "Market-on-Opening" and Fill and Kill orders) do not participate in the opening and are not accepted by the BOX Trading Host during this Pre-Opening Phase. BOX-Top Orders and Price Improvement Period orders are not accepted during the Pre-Opening Phase.

- (b) **Calculation of Theoretical Opening Price.** From the time that the BOX Trading Host commences accepting orders and quotes at the start of the Pre-Opening Phase, the BOX Trading Host will calculate and provide the Theoretical Opening Price ("TOP") for the current resting orders and quotes on the BOX Book during the Pre-Opening Phase. The TOP is that price at which the Opening Match would occur at the current time, if that time were the opening, according to the Opening Match procedures described in paragraph (e) below. The quantity that would trade at this price is also calculated. The TOP is re-calculated and disseminated every time a new order or quote is received, modified or cancelled and where such event causes the TOP price or quantity to change.

A TOP can only be calculated if an opening trade is possible. An opening trade is possible if: i) the BOX Book is crossed (highest bid is higher than the lowest offer) or locked (highest bid equals lowest offer), or ii) there are Market or Market-on-Opening Orders in the BOX Book and at least one order or quote on the opposite side of the market.

- (c) **Broadcast Information During Pre-Opening Phase.** The BOX Trading Host will disseminate information to all BOX Options Participants about resting orders in the BOX Book that remain from the prior business day and any orders or quotes sent in before the Opening Match. This information will be disseminated in the usual BOX format of five best limits and associated quantity, aggregating all orders and quotes at each price level. This broadcast will also include the TOP and the quantity associated with the TOP. Any orders or quotes which are at a price better (i.e., bid higher or offer lower) than the TOP, as well as all Market and Market-on-Opening orders will be shown only as a total quantity on the BOX Book at a price equal to the TOP.

- (d) **Market Maker Obligations During Pre-Opening Phase.** BOX Market Makers holding an assignment on a given options class are obliged, as part of their obligations to ensure a fair and orderly market, to provide continuous two-sided quotes according to the BOX minimum standards at the opening of the market for the underlying security.

- (e) **Opening Match.**

- (1) Complex Orders and contingency orders do not participate in the Opening Match or in the determination of the opening price. The BOX Trading Host will establish the opening price at the time of the Opening Match. The opening price is the TOP at the moment of the Opening Match. The BOX Trading Host will process the series of a class in a random order, starting promptly after the opening for trading of the underlying security in the primary market. The TOP/opening price of a series is the “market clearing” price which will leave bids and offers which cannot trade with each other. In determining the priority of orders to be filled, the BOX Trading Host will give priority to Market Orders first, then to Market-on-Opening orders, then to Limit Orders whose price is better than the opening price, and then to resting orders on the BOX Book at the opening price. One or more series of a class may not open because of conditions cited in Rule 7070(f).
- (2) The BOX Trading Host will determine a single price at which a particular option series will be opened. BOX will calculate the optimum number of options contracts that could be matched at a price, taking into consideration all the orders on the BOX Book.
 - (i) The opening match price is the price which will result in the matching of the highest number of options contracts.
 - (ii) Should two or more prices satisfy the maximum quantity criteria, the price which will leave the fewest resting contracts in the BOX Book will be selected as the opening match price
 - (iii) Should there still be two or more prices which meet both criteria in subparagraphs (e)(2)(i) and (e)(2)(ii), the price which is closest to the previous day's closing price will be selected as the opening match price. For new classes in which there is no previous day's closing price, BOX will utilize the price assigned to the class by BOX at the time the class was created ("reference price").
- (3) An underlying security shall be deemed to be opened on the primary market where it is traded if such market has: (i) reported a transaction in the underlying security, or (ii) disseminated opening quotations for the underlying security and not given an indication of a delayed opening, whichever first occurs.
- (4) In the event the underlying security has not opened within a reasonable time after 9:30 a.m. Eastern time, the Exchange shall report the delay to the other exchange and an inquiry shall be made to determine the cause of the delay. The opening rotation for options contracts in such security shall be delayed until the underlying security has opened unless the Exchange determines that the interest of a fair and orderly market are best served by opening trading in the options contract.

- (f) As the Opening Match price is determined by series, the BOX Trading Host will proceed to move the series from the Pre-Opening Phase to the continuous or regular trading phase and disseminate to OPRA and to all Options Participants the opening trade price, if any. At this point, the BOX trading system is open for trading and all orders and quotes are accepted and processed according to these Rules. When the BOX Trading Host cannot determine an opening price, but none of the reasons exist for delaying an opening as outlined in paragraph (g) of this Rule, below, the series will nevertheless move from Pre-Opening Phase to the continuous trading phase.
- (g) The BOX Trading Host will not open a series if one of the following conditions is met:
 - (1) There is a Market Order, Market-on-Opening order or quote with no corresponding order or quote on the opposite side.
 - (2) A Market Maker's quote crosses the Theoretical Opening Price ("TOP") by more than "P" percent plus "x" amount of the theoretical opening price. The MRC shall determine what the appropriate "P" percent and "x" amount is for each series.
- (h) If one of the conditions in Rule 7070(j) is met, the MRC will not open the series but will send a RFQ. MRC will delay the opening of the series until such time as responses to the RFQ from the BOX Market Makers assigned to the class, or other interested trading parties, have been received and booked by the BOX Trading Host and the consequent opening price is deemed compatible with an orderly market.
- (i) If one of the conditions in Rule 7070(g)(2) is met, the BOX Trading Host will delay the opening of the series and the MOC will contact the Market Maker whose quotes caused the delay in the opening of the series to verify his or her quotes. Once the condition has been resolved, the Exchange will expeditiously open the series for trading.
- (j) The BOX Trading Host will delay the opening of a class if the sum of the volume for all of the series within a class exceeds "y" series or "z" contracts. The MRC shall determine what the appropriate "y" series and "z" contracts is for each class. If trading is delayed, the MRC will investigate and resolve the cause of the delayed opening and expeditiously open the class for trading.
- (k) The Exchange may order a deviation from the standard manner of the opening procedure, including delaying the opening in any option class, when it believes it is necessary in the interests of a fair and orderly market.
- (l) The procedure described in this Rule may be used to reopen a class after a trading halt.

Rule 7080 Trading Halts

- (a) *Halts.* An Exchange Official may halt trading in any option contract in the interests of a fair and orderly market.
- (1) 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 the Exchange'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.
 - (2) An Exchange Official will halt trading (including a rotation) for a class or classes of options contracts whenever there is a halt of trading in an underlying security in the primary market. In such event, all trading in the effected class or classes of options shall be halted. The Exchange 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.
 - (3) No Options Participant or person associated with an Options Participant shall effect a trade on the Exchange in any options class in which trading has been halted under the provisions of this Rule 7080 during the time in which the halt remains in effect.
- (b) *Resumption.* Trading in an option contract that has been the subject of a halt under Rule 7080(a) shall be resumed upon the determination by an Exchange 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.

IM-7080-1 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.

Rule 7090 Trading Halts Due to Extraordinary Market Volatility

The Exchange shall halt trading in all options whenever a market wide trading halt (commonly known as a “circuit breaker”) is initiated on the New York Stock Exchange in response to extraordinary market conditions.

Rule 7100 Reserved

Rule 7110 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 :
 - (1) a bid is represented as an order to buy ("buy order");
 - (2) an offer is represented as an order to sell ("sell order"); and
 - (3) an execution, or trade is defined as the matching of a buy order and sell order in the BOX Book.
- (c) The following types of orders may be submitted to the Trading Host:
 - (1) *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)(1) below) are automatically withdrawn by the Trading Host at market close;
 - (2) *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;
 - (3) *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.

- (4) *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 Rule 7130(b) to avoid trading through the NBBO.
 - (5) *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 Rule 15000(g).
- (d) 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* Rule 7050 “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.
- (e) Where no order type is specified, the Trading Host will reject the order.
- (1) The following designations can be added to the order types referred to in paragraph (c) above:
 - (i) *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;

- (ii) *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.
- (iii) *Session Order*.
 - (A) An order with a Session Order designation will remain active in the BOX trading system until one of the following events (Triggering Event”) occurs:
 - (1) the connection between the Participant and BOX that was used to enter the order is interrupted;
 - (2) there is a disconnection between internal BOX components used to process orders, causing a component to lose its connection to the Participant or the Trading Host while in possession of the Session Order;
 - (3) 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.
 - (B) Upon the occurrence of one of the Triggering Events in Rule 7110(e)(1)(iii)(A) above, 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 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 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.
 - (C) 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 Exchange Rule or it is in one of the following BOX system processes when a Triggering Event occurs :

- (1) The order is being exposed to the BOX market pursuant to Rule 7130(b);
 - (2) The order is a Directed Order to which the Executing Participant has not yet responded pursuant to Rule 8040(d)(2);
 - (3) The order has been routed to an away exchange pursuant to Rule 15030;
- (D) The Session Order duration type is not available for PIP Orders, Primary Improvement Orders or Improvement Orders.
- (f) 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 Rule 7130.
- (g) 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.
- (h) Orders held in the BOX Book can be withdrawn, individually or as a block, by the relevant Options Participant or under his authority.
- (i) 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.
- (j) 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 Rule 7070. (*See also* Rule 7240).

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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 Rule 8040(d).

Rule 7120 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 the Exchange in order to allow BOX to properly prioritize and match orders pursuant to Rule 7130 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:
 - (1) a unique order identification;
 - (2) the underlying security;
 - (3) opening/closing designation;
 - (4) the identity of the Clearing Participant;
 - (5) Options Participant identification;
 - (6) Participant Capacity;
 - (7) identity of the individual/terminal completing the order ticket;
 - (8) customer identification;
 - (9) account type;
 - (10) buy/sell;
 - (11) contract volume;
 - (12) contract month;
 - (13) exercise price;
 - (14) put/call;
 - (15) price or price limit, price range or strategy price;
 - (16) special instructions (*e.g.*, GTC);
 - (17) strategy type indicator; and
 - (18) such other information as may be required by the Exchange.
- (c) An Options Participant that employs an electronic system for order routing or order management which complies with Exchange requirements will be deemed to be complying with the requirements of this Rule 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 Rule must be retained by Options Participants for a period of no less than three (3) years after the date of the transaction.

IM-7120-1

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.

Rule 7130 Execution and Price/Time Priority

- (a) *Order Ranking and Display.* Except as provided for in Rule 7150 (Price Improvement Period), BOX shall display to Options Participants all non-marketable Limit Orders in the BOX Book in the manner described in this Rule. 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.
- (1) *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:
- (i) 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.
 - (ii) 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.
- (2) *Display.* The number of orders and their total quantity at each of the five (5) best price levels in the BOX Book shall be displayed to all Options Participants on an anonymous basis.
- (3) *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 under Rule 602 of Regulation NMS under the Exchange Act.
- (4) *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:

- (i) *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
 - (ii) *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.
 - (iii) *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.
 - (v) *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 Rule 7130(a)(4)(v)(d) no later than the beginning of the trading session on the second day following MOC's receipt of such Participant's direction.
- (5) 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 Rule 7070. 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.

- (6) 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.
- (7) 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 the Exchange.

(b) *Filtering of BOX In-Bound Orders.*

- (1) With the exception of Improvement Orders and Primary Improvement Orders submitted during a PIP (which are processed in accordance with Rule 7150), Directed Orders (which are processed in accordance with Rule 8040(b) and (c)) and ISOs (as this term is defined in Rule 7110(c)(5) and Rule 15000(g) herein) all inbound orders to BOX (whether on behalf of Customers, non-BOX Options 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:
 - (i) in the case of a sell order, execute at a price below the NBBO bid price
 - or-
 - (ii) in the case of a buy order, execute at a price above the NBBO offer price.

All of the filtering rules described in this subparagraph (b) 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 is crossed by, the opposite side NBBO, the order will be routed, if eligible, or rejected immediately.

- (2) If the order is a BOX-Top Order, the Trading Host will handle the order in the following manner:
 - (i) 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 Rule 7110(c)(2) and filtered as described in subparagraph (b)(4) below.

- (ii) 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 Rule 7110(c)(2) and filtered as described in subparagraph (b)(4) below.
- (3) If the Order is a Market Order, the Trading Host will handle the order in the following manner:
- (i) 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)(4) below.
 - (ii) 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)(4) below.
- (4) 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).

- (i) If the order is not executable against the NBBO, the order will be placed on the BOX Book.
- (ii) 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)(4)(ii)(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)(4)(ii)(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:
 - (i) 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-

- (ii) If the best BOX price is not equal to the NBBO, any remaining unexecuted quantity will be (a) in the case of Public Customer Eligible Orders, routed to one or more Away Exchanges displaying the NBBO, or (b) in the case of market maker or proprietary broker-dealer orders, returned to the submitting Options Participant.
- (5) 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 Rule 7150(i), 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 Rule 7130(b).

Rule 7140 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 IM-7140-2 and IM-7140-3 to this Rule set forth below.

IM-7140-1

This Rule 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 Rule 7150 (Price Improvement Period) or Rule 7270 (Block Trades). However, the Exchange recognizes that it may be possible for an Options Participant to establish a relationship with a Customer or other person 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 Rule for an Options Participant to circumvent this Rule by providing an opportunity for a Customer to execute against agency orders handled by the Options Participant immediately upon their entry into the Trading Host.

IM-7140-2

If an Options Participant fails to expose its Customer Order(s) on BOX, it will be a violation of this Rule 7140 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-Options 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 Options 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 Rule 7270(b) of these Rules or (iii) the Options Participant utilizes the Price Improvement Period pursuant to Rule 7150 of these Rules.

IM-7140-3

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 process pursuant to Rule 7150; or (iv) the OFP sends the agency order to the Facilitation Auction pursuant to 7270 (a) of these Rules.

IM-7140-4

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 Rule 8040(d) of these Rules.

Rule 7150 Price Improvement Period (“PIP”)

- (a) For purposes of this Rule 7150 and Rule 7160, an "Unrelated Order" shall be defined as a non-Improvement Order entered into the BOX market during a PIP.
- (b) The execution of price improvement transactions via the BOX market is permitted under certain circumstances subject to the procedures detailed within Rules 7150 and 7160. 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.”
- (c) When executing Customer Orders by way of the PIP, Options Participants must ensure that 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.
- (d) An OFP may not execute as principal an order it represents as agent unless it complies with the provisions of Rule 7140 or the OFP sends the agency order to the PIP process pursuant to the provisions of this Rule 7150.
- (e) 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).
- (f) 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 ("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: (1) a single price (“Single-Priced Primary Improvement Order”) that is equal to or better than that of the National Best Bid Offer (“NBBO”) at the time of the commencement of the PIP; or (2) 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 Options Participants that: (1) states that a Primary Improvement Order has been processed; (2) contains information concerning series, size, PIP Start Price, and side of market; and (3) states when the PIP will conclude ("PIP Broadcast").
 - (1) The PIP shall be one (1) second, 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, OFPs and Market Makers (except for the Initiating Participant) may submit competing orders (“Improvement Orders”) for their own account. OFPs may submit Improvement Orders for the account of a Public Customer under any type of instruction they wish to accept. OFPs may also provide access to the PIP on behalf of a Public Customer in the form of a Customer PIP Order (“CPO”) or for any account except Market Maker (as set forth in 7150(h) below). An Improvement Order submitted to the PIP for the account of a Public Customer, including a CPO, must be identified as a Public Customer Order. Options Participants who submit Improvement Orders for a PIP, including CPOs, 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 Options Participants.

- (2) 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 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 7150(f)(1) above) may: (i) submit competing Improvement Order(s) for any size up to the size of the PIP Order; (ii) submit competing Improvement Order(s) for any price equal to or better than the PIP Start Price; (iii) improve the price of their Improvement Order(s) at any point during the PIP; and (iv) 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.

- (3) 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 Rule 7130, whether Improvement Order(s), including CPO(s), 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 Options Participant broker-dealers, as well as non-PIP proprietary orders submitted by Options Participants.

- (4) The only exceptions to time priority are: (i) 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 unrelated, and all non-BOX Options Participant broker-dealer order(s) at the same price have been filled; (ii) as provided in 7150(g); and (3) as provided in 7160(b) and 7160(c). Any portion of an Improvement Order left unfilled shall be cancelled.
- (g) The Initiating Participant retains certain priority and trade allocation privileges upon conclusion of the PIP, as follows:
- (1) 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.
 - (2) 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 7150(g)(3) below, 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.
 - (3) The Primary Improvement Order shall yield priority to certain competing orders in the following circumstances:
 - (i) 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, or Unrelated Order(s), or any non-BOX Options Participant broker-dealer order(s) at any price level, it shall yield priority to them, including any priority provided pursuant to 7150(g)(1) or (2) above.

- (ii) 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, or Unrelated Order, or any non-BOX Options 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 Options Participant broker-dealer order(s), including any priority provided pursuant to 7150(g)(1) or (2) above.
 - (iii) 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, or Unrelated Order, or any non-BOX Options Participant broker-dealer order(s) at subsequent price levels, it shall yield priority to all competing Public Customer order(s) or non-BOX Options Participant broker-dealer order(s), including any priority provided pursuant to 7150(g)(1) or (2) above.
- (4) In all cases in which the Primary Improvement Order has priority pursuant to the provisions of 7150(g)(1), 7150(g)(2), or 7150(g)(3) it shall be entitled to a trade allocation of at least one (1) contract.
- (5)
 - (i) 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 percent (40%) of the PIP Order it is entitled to pursuant to the provisions of 7150(g)(1) or 7150(g)(2), 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 Rule 7150.
 - (ii) Upon the conclusion of the PIP auction, when the Trading Host determines the priority and trade allocation amounts for the Initiating Participant pursuant to 7150(g)(1) or 7150(g)(2), above, the Trading Host will automatically adjust the trade allocations to the other PIP Participants, according to the priority set forth in 7150(f)(3) and 7150(f)(4)) 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 7150(g)(1) or 7150(g)(2), 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 7150(g)(1) or 715(g)(2) above.

- (h) 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:
 - (1) The terms of each CPO shall include a price stated in rounded five cent or ten cent increments ("Standard Tick"), as appropriate, 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;
 - (2) 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.
 - (3) 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).
 - (4) The CPO may only participate in a PIP on the same side of the market as the Primary Improvement Order.
 - (5) Upon initiation of a PIP for which a CPO is eligible to participate pursuant to 7150(h)(1) - (4) 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.
- (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 7150(f)(3). 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:

- (1) the Buy (Sell) Limit Order price is equal to or higher (lower) than the National Best Offer (Bid) and either:
 - (i) the BOX Best Offer (Bid) is equal to the National Best Offer (Bid); or
 - (ii) 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
- (2) 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 Rule 7130(b).

- (j) 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 in this 7150(j), 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 Rule 7130(b). The remainder of the PIP Order, if any, shall be executed at the conclusion of the PIP auction pursuant to 7150(f)(3). 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:

- (1) the BOX Best Bid (Offer) is equal to the National Best Bid (Offer); or

- (2) 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).
- (k) Improvement Orders, including CPOs, 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.
- (l) 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:
 - (1) Where an Exchange Official determines that quotes from one or more particular markets in one or more classes of options are not reliable, the Exchange Official may direct the senior person in charge of the BOX MOC to exclude the unreliable quotes from the Improvement Period determination of the NBBO in the particular option class(es). The Exchange Official may determine quotes in one or more particular options classes in a market are not reliable only in the following circumstances:
 - (i) 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;
 - (ii) 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.
 - (2) The away options exchange posting the NBBO is conducting a trading rotation in that options class.

IM-7150-1

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.

IM-7150-2

- (a) It shall be considered conduct inconsistent with 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 Rule 7150.

- (b) 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.

IM-7150-3

A PIP will not run simultaneously with another PIP in the same series, nor will PIPs interact, queue or overlap in any manner. Any request to initiate a PIP while a PIP is already in progress in the same series will be rejected.

IM-7150-4

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.

IM-7150-5

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

Rule 7160 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:
 - (1) 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.
 - (2) The Market Maker's quote must represent an order in the BOX Book with the best price/time priority.
 - (3) 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 Rule 7160. 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 PIP Order remaining at the Improvement Order's limit price which has not been previously allocated, in accordance with the allocation provisions set forth in Rule 7150, to the Options Participant who submitted the Primary Improvement Order.
- (d) A Market Maker Prime who cancels his quote during the PIP 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 entered at the same limit price as his Improvement Order.
- (e) If a Market Maker Prime changes his quote during the PIP and does not enter 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 Rule 7150, and the Market Maker Prime's modified quote will be treated as an Unrelated Order.

Rule 7170 Obvious and Catastrophic Errors

- (a) The Exchange shall either bust a transaction or adjust the execution price that results from an Obvious Error or Catastrophic Error as provided in this Rule. In limited circumstances, the Exchange may bust transactions, pursuant to IM-7170-5 below.
- (b) *Definition of Obvious Error.* For purposes of this Rule 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

- (c) *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

- (d) *Definition of Theoretical Price.* For purposes of this Rule only, the Theoretical Price of an options series is:
- (1) if the series is traded on at least one other options exchange, the National Best Bid price with respect to an erroneous sell transaction, and the National Best Offer price with respect to an erroneous buy transaction, just prior to the trade in question; or
 - (2) if there are no quotes for comparison purposes, as determined by designated personnel in the MRC.
- (e) *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).
- (f) *Erroneous Quote in Underlying.* Trades resulting from an erroneous quote in the underlying security may be adjusted or busted as set forth in subsection (g) 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 Rule 100(a)(49)) 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).

(g) *Obvious Error Procedure.* Designated personnel in the Exchange's MRC shall administer the application of this Rule as follows:

(1) *Notification.* If a market maker (including a BOX Market Maker and transactions sent by a market maker on another exchange where the order is designated with a market maker account type in the BOX Trading Host) believes that it participated in a transaction that was the result of an Obvious Error, it must notify the 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 Obvious Error, it must notify the MOC within twenty (20) minutes of the execution. Except as provided below, the MOC will not grant relief under this Rule unless notification is made within the prescribed time periods.

(2) *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 in paragraphs (d)(2)(i) and (d)(2)(ii) of this Rule. Upon taking final action, the MRC shall promptly notify both parties to the trade.

(i) 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; or (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; or (2) minus \$.30 if the Theoretical Price is at or above \$3.

(ii) 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 (d)(2)(i)(A) and (B) above, or busted by the MRC.

(iii) 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.

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

(1) *Notification.* If a Participant believes that it has participated in a transaction that qualifies as a Catastrophic Error pursuant to paragraph (d) 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.

(2) *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 Chief Regulatory Officer of the Exchange (“CRO”) or an Exchange Official, who is not a Participant, designated by the CRO (“CRO or designee”) will instruct the MOC 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.

(3) *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

(i) *Request for Review.* If a party affected by a determination made under this Rule so requests within the time permitted in paragraph (f) below, the CRO 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 CRO provide relief under this Rule in cases where the party failed to provide the notification required in paragraph (d)(1) and the MRC declined to grant an extension, but unusual circumstances must merit special consideration.

- (j) *Procedure for Requesting Review.* 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 Standard Time, either party has until 9:30 a.m. Eastern Standard Time the next trading day to request review. The CRO shall review the facts and render a decision on the day of the transaction, or the next trading day in the case where a request is properly made after 3:30 p.m. on the day of the transaction or properly made the next trading day.
- (k) *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 Obvious Error as provided for in this Rule 7170.
- (l) *Decision.* The CRO may overturn or modify an action taken by the MRC under this Rule. All determinations by the CRO shall constitute final Exchange action on the matter at issue.

IM-7170-1

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

IM-7170-2

All determinations made by the Exchange, MRC or CRO under this Rule shall be rendered without prejudice as to the rights of the parties to the transaction to submit a dispute to arbitration.

IM-7170-3

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 (g)(1) or (h) above.

IM-7170-4

For the purposes of this Rule 7170, 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.

IM-7170-5

Unless all parties to a trade agree otherwise, the MRC may bust a trade if all parties to a trade fail to receive a trade execution report due to a verifiable system outage.

Rule 7180 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.

Rule 7190 Clearing Participant Give-Up

An Options Participant must give up the name of the Clearing Participant through whom 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 the Exchange.

Rule 7200 Submission for Clearance

- (a) *Order Identification.* When entering orders on BOX, each Options Participant shall submit order information in such form as may be prescribed by the Exchange in order to allow the Exchange to properly prioritize and match orders and quotations pursuant to Rule 7130 and report resulting transactions to the Clearing Corporation.
- (b) 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 the Exchange.
- (c) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, the Exchange shall furnish the Clearing Corporation a report of each Clearing Participant's matched trades.

Rule 7210 Contracts of Suspended Participants

- (a) When an Options Participant, other than a Clearing Participant, is suspended pursuant to Rule 11000 Series (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 Options Participants carrying such positions for the account of the suspended Options Participant; provided that the Exchange 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 Options Participants.

- (b) No temporary waiver hereunder by the Exchange shall relieve the suspended Options Participant of its obligations or of damages, nor shall it waive the close out requirements of any other Rules.
- (c) When a Clearing Participant is suspended pursuant to Rule 11000 Series (Summary Suspension), the positions of such Clearing Participant shall be closed out in accordance with the Rules of the Clearing Corporation.

Rule 7220 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. Eastern Standard Time on the business day following the day the BOX Transaction that was rejected by the Clearing Corporation.

Rule 7230 Limitation of Liability

- (a) 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 Options Participant organization.
- (b) Neither the Exchange nor any of its Affiliates will be liable to Options Participants or users for any loss, damages, claim or expense:
 - (1) growing out of the use or enjoyment of BOX or the Trading Host; or
 - (2) 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 the Exchange, BOX or any of their Affiliates, or from any act, condition or cause beyond the reasonable

control of the Exchange, BOX or any of their Affiliates, including but not limited to flood, extraordinary weather conditions, earthquakes or other acts of God, fire, war, insurrection, riot, labor dispute, accident, action of government, communications or power failure, or equipment or software malfunction. Without limiting the generality of the foregoing paragraphs (b)(1) and (2), neither the Exchange, BOX, nor any of their Affiliates, Directors, officers, committee Participants, employees, contractors or agents shall 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) The Exchange, or any of its Affiliates, its Directors, officers, committee Participants, employees, contractors or agents shall not be liable to Options Participants nor any persons associated with Options Participants for any loss, expense, damages or claims arising out of the use of the facilities, systems or equipment afforded by the Exchange, nor 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 the Exchange or any of its Affiliates, its Directors, officers, committee Participants, employees, contractors, agents or other persons acting on its behalf, or from systems failure, or from any other cause within or outside the control of the Exchange. Without limiting the generality of the foregoing, neither the Exchange nor any of its Affiliates, Directors, Officers, Committee Participants, employees, contractors, or agents shall 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.
- (d) Neither the Exchange nor any of its Affiliates make any 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 the Exchange or any reporting authority designated by the Exchange, 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 neither the Exchange nor any of its Affiliates make any express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data.
- (e) No Options Participant or person associated with an Options Participant shall institute a lawsuit or other legal proceeding against the Exchange, or any Director, officer, employee, contractor, agent or other official of the Exchange or any subsidiary, for actions taken or omitted to be taken in connection with the official business of the Exchange or any subsidiary, except to the extent such actions or omissions constitute violations of the 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 the Exchange as provided for in the Rules.

Rule 7240 Complex Orders

- (a) Complex Orders Defined. A Complex Order is any order for the same account as defined below:
- (1) 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.
 - (2) 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).
 - (3) 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).
 - (4) 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.
 - (5) 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.
 - (A) 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 (i) 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 (ii) 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.
 - (B) 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 (i) 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 (ii) 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.

- (6) 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 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.
 - (7) 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.
 - (8) 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.
 - (9) 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 Rule, Complex Orders shall be subject to all other BOX Rules that pertain to orders generally.

- (1) Minimum Increments. Bids and offers on Complex Orders may be expressed in any decimal price pursuant to Rule 7050 (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 Rule 7240(b)(2) as such orders expressed in increments that are multiples of the minimum increment.
 - (2) Complex Order Priority. Notwithstanding the provisions of Rule 7130 (Execution and Price/Time Priority), a Complex Order, as defined in 7240(a), 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 7240(a)(5)(A), or SSF-option order as defined in 7240(a)(5)(B), will be executed according to price/time priority, as set forth in Rule 7130. The options legs of a stock-option order as defined in 7240(a)(5)(A), or SSF-option order as defined in 7240(a)(5)(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 7240(b)(2).
 - (3) 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.
 - (4) Types of Complex Orders. Complex orders may be entered as Fill-and-Kill orders, as defined in Rule 7110(e)(1)(ii) or as all-or-none orders, which are resting limit orders to be executed in their entirety or not at all.
 - (5) Complex orders shall not be submitted to BOX as Directed Orders pursuant to Rule 8040, nor shall they be submitted to the PIP process pursuant to Rule 7150.
- (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 MOC. 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.

IM-7240-1

A bid or offer made as part of a stock-option order as defined in 7240(a)(5)(A), or a SSF-option order as defined in 7240(a)(5)(B) 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 Rule 3000.

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.

Rule 7250 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 to which BOX's target traffic levels have been met) as determined by the Options Clearing Corporation, will be subject to bundling.
- (b) All instruments meeting the criteria of Rule 7250(a) will be subject to bundling and the bundling of quote and order updates for these instruments will occur at intervals of at least 200 milliseconds, but no more than 1,000 milliseconds. The bundling frequency for each type of update identified in this subparagraph (b) will be set in accordance with the Exchange's overall objective of reducing both peak and overall traffic and BOX may apply variable rates of bundling frequency depending on whether the update is:
 - (1) a change in price;
 - (2) an increase in quantity without a change in price; or

- (3) a decrease in quantity without a change in price.
- (c) 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.
- (d) There will be no bundling of quotes in the following situations:
 - (1) For price improvements auctions;
 - (2) Inbound orders and quotes;
 - (3) NBBO exposure broadcasts; or
 - (4) Reporting of trades on BOX.
- (e) 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.

Rule 7260 Penny Pilot Program [PILOT]

The Exchange will operate a pilot program to permit certain options classes to be quoted and traded in increments as low as \$.01 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 a Regulatory Circular notifying Participants which replacement classes shall be included in the Penny Pilot Program.

Rule 7270 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”.
 - (1) 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.
 - (2) 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.

- (3) At the end of the period given for the entry of Responses, the Facilitation Order will be automatically executed with the Agency Order.
- (i) 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.
 - (ii) 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.
- (1) 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.
 - (2) 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 (2), 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.

- (i) 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 (iv) below.
- (ii) 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.
- (iii) 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 (i)(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).
- (iv) 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)(1) 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

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

IM-7270-1

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.

IM-7270-2

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

IM-7270-3

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.

IM-7270-4

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

IM-7270-5

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 7140 (Customer Orders and Order Flow Providers). 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.

IM-7270-6

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)(3)(i) may also receive executions at penny increments.

8000

MARKET MAKERS

Rule 8000 Market Maker Registration

- (a) 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 the Exchange for all purposes under the Exchange Act and the rules and regulations thereunder.
- (b) To register as a Market Maker, an Options Participant shall:
 - (1) File an application in writing on such forms as the Exchange may prescribe; and
 - (2) Provide additional information as the Exchange may consider necessary to establish whether a Market Maker should be approved.
- (c) Applications shall be reviewed by the Exchange which shall consider an applicant's market making ability and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove an applicant's registration as a Market Maker.
- (d) The registration of any Options Participant as a Market Maker may be suspended or terminated by the Exchange upon a determination that such Options Participant has failed to properly perform as a Market Maker.
- (e) 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 Options Participant(s), such limits shall be objectively determined and submitted to the Commission for approval pursuant to a Proposed Rule Change Filing under Section 19(b) of the Act.

Rule 8010 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 Market Makers as set forth in Rule 8000.

Rule 8020 Good Standing for Market Makers

- (a) To remain in good standing as a Market Maker, the Market Maker must:
 - (1) continue to be an Options Participant in good standing;
 - (2) continue to satisfy the Market Maker qualification requirements, as amended from time to time and specified by the Exchange;
 - (3) comply with these Rules as well as the Rules of the OCC; and
 - (4) 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 Rules 8000 and 8010 regarding Market Maker Registration and Qualifications)

Rule 8030 Appointment of Market Makers

- (a) An Options Participant that has qualified as a Market Maker may register for an appointment to make markets in any options class listed on the Exchange.

- (b) A Market Maker may be appointed in a class by entering a registration request via a BOX approved electronic interface with the BOX system. Registration shall become effective on the day the registration request is entered.

- (c) A Market Maker's appointment in a class shall be terminated if the Market Maker fails to enter quotations in the class within five (5) business days after the Market Maker's appointment in the class becomes effective.

- (d) The Exchange 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. The Exchange 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:
 - (1) suspension, termination or restriction of an appointment to one or more of the options classes in which the Market Maker is appointed;
 - (2) restriction of appointments to additional options classes; or

- (3) suspension, termination, or restriction of the Market Maker's 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 the Exchange with written notice of such withdrawal. The Exchange 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 adequate written notice of withdrawal to the Exchange may be subject to formal disciplinary action pursuant to the Rule 12000 Series.

Rule 8040 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. Ordinarily, Market Makers are expected to:
 - (1) During trading hours, a Market Maker must maintain a two-sided market, pursuant to Rule 8050(c)(1), in those option classes in which the Market Maker is appointed, in a manner that enhances the depth, liquidity and competitiveness of the market;
 - (2) Participate in opening the market pursuant to Rule 8050(e) and Rule 7070(a) of these Rules;
 - (3) With respect to each options class to which a Market Maker is appointed under Rule 8030, the Market Maker has a continuous obligation to 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 and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class;
 - (4) Compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed;
 - (5) Make markets that will be honored for the number of contracts entered into BOX in all series of options classes to which the Market Maker is appointed;

- (6) Update quotations in response to changed market conditions in all series of options classes to which the Market Maker is appointed;
- (7) 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 the Exchange may establish differences other than the above for one or more options series
 - (i) The bid/offer differentials stated in Rule 8040(a)(7) 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;
 - (ii) 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 Rule 8040(a)(7), 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.
- (8) Maintain active markets in all classes in which the Market Maker is appointed;
- (9) 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;

- (10) 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.
- (b) An Exchange Official may waive the provisions of Rule 8040(a)(9) and Rule 8040(a)(10) in an index option when the primary underlying securities market for that index is not trading.
- (c) 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 (Rule 7150), or pursuant to Rule 8040(d). As agent handling Directed Orders, the Market Maker is required to:
 - (1) 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; and
 - (2) ensure that his acceptance and execution of orders as agent are in compliance with applicable Federal securities laws and Rules and policies.
- (d) When acting as agent for a Directed Order, a Market Maker must comply with this Rule 8040(d).
 - (1) 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.

- (2)
 - (i) 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 (d).
 - (ii) 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 to this paragraph (d).
- (3) Upon receipt of a Directed Order an EP must either:
 - (i) Submit the Directed Order to the PIP process, pursuant to Rule 7150. 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 (a) the GDO or (b) the NBBO at the time the EP sent the Directed Order to the PIP, whichever price is better for the Directed/PIP Order;

or

(ii) Send the Directed Order to the BOX Book pursuant to Rule 8040(d)(6).

(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 Rule 8040(d)(6).

(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 8040(d)(2) 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).

(6) 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:

(i) When the Trading Host has *not* automatically generated a GDO pursuant to 8040(d)(2) 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 Rule 7130(b)(3) 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.

(ii) When the Trading Host has automatically generated a GDO pursuant to 8040(d)(2) 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

(d)(6)(ii)(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 (d)(2)(i) 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 Rule 8040(d)(6)(ii)(B)(4).

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 8040(d)(6)(ii)(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 (d)(6)(ii)(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.

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 Rule 7130(b) and, if applicable, placed on the BOX Book.

- (e) With respect to classes of options to which a Market Maker is not appointed, it should not:
 - (1) 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 Rule 8040 with respect to those classes of options to which it is appointed;
 - (2) Individually or as a group, intentionally or unintentionally, dominate the market in options contracts of a particular class; or
 - (3) Effect purchases or sales on BOX except in a reasonable and orderly manner.
- (f) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in Rule 8040(a), such Market Maker will be subject to disciplinary action or suspension or revocation of registration by the Exchange in one or more of the securities in which the Market Maker is registered. Nothing in this Rule 8040 will limit any other power of the Board under these Rules, or procedures of the Exchange with respect to the registration

of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule 8040.

IM-8040-1

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

IM-8040-2

When a Market Maker's quote is taken down to establish the GDO pursuant to paragraph (d)(2)(i) of this Rule, such time without posting a quote shall not count for the Market Maker for purposes of fulfilling his obligations under Rule 8050(e).

Rule 8050 Market Maker Quotations

- (a) *Options Classes.* A quotation only may be entered by a Market Maker, and only in the options classes to which the Market Maker is appointed under Rule 8030.
- (b) *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.
- (c) *Two-Sided Quotes.*
 - (1) 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 Rule 8040.
 - (2) 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 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.
 - (3) 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 Rule 8040.
 - (4) A Market Maker may be called upon by an Exchange 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 (30) seconds. However, if during the thirty (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.

(d) *Firm Quotes.*

- (1) 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 (b) above.
- (2) Market Maker bids and offers are not firm under this Rule and Rule 602 if:
 - (i) A system malfunction or other circumstance impairs BOX's ability to disseminate or update market quotes in a timely and accurate manner;
 - (ii) Reserved;
 - (iii) During the pre-opening phase; or
 - (iv) Any of the circumstances provided in Rule 602 exist.
- (3) *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.

(e) *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 and enter into any resulting transactions 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 classes 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 Exchange Official may consider other exceptions to this continuous electronic

quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

- (f) *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 Rule 8030, provided that:
- (1) Market Maker orders are subject to the limitations contained in Rule 7140 (Customer Orders and OFPs) as those paragraphs apply to principal orders entered by Options Participants.
 - (2) The Market Maker does not enter orders in options classes to which an affiliated Options Participant is otherwise appointed as a Market Maker.
 - (3) Executions are subject to the limits provided in Rule 8030(d).

IM-8050-1

Under this Rule 8050, 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 Exchange 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.

Rule 8060 Securities Accounts and Orders of Market Makers

- (a) *Identification of Accounts.* In a manner prescribed by the Exchange, each Market Maker shall file with the Exchange 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 Rule.

(b) *Reports of Orders.*

- (1) Each Market Maker shall, upon the request of the Exchange and in the prescribed form, report to the Exchange 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 Rule.
- (2) 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 the Exchange. Such reports in a form prescribed by the Exchange shall be filed with the Exchange before any transaction is effected on the Exchange for such joint account. A participant in a joint account must:

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

Rule 8070 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 Options Participant by a Clearing Participant and filed with the Exchange, and unless such Letter of Guarantee has not been revoked pursuant to paragraph (c) of this Rule.

- (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 Options Participant.
- (c) *Revocation of Letter of Guarantee.* A Letter of Guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the Exchange 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.

Rule 8080 Financial Requirements for Market Makers

- (a) Pursuant to Rule 10200 of these Rules (Minimum Net Capital Requirements), each Market Maker shall maintain:
 - (1) 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
 - (2) Net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1.
- (b) Each Market Maker that is a Clearing Participant shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation.
- (c) The equity and capital requirements of this Rule, shall apply to each Market Maker account, without regard to the number of Market Maker accounts per firm.
- (d) Each Market Maker that makes an arrangement to finance his transactions as a Market Maker must identify in writing to the Exchange the source of the financing and its terms. The Exchange must be informed immediately of the intention of any party to terminate or change any such arrangement.

IM-8080-1

The term "net liquidating equity" means the sum of positive cash balances and long securities positions less negative cash balances and short securities positions.

Rule 8090 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.
- (b) "Other Business Activities" means:
 - (1) conducting an investment or banking or public securities business;

- (2) making markets in the stocks underlying the options in which it makes markets; or
 - (3) functioning as an Order Flow Provider, except where such Market Maker, or broker-dealer with which such Market Maker is affiliated:
 - (i) 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
 - (ii) 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.
- (c) *"Information Barrier."* For the purposes of this Rule, an Information Barrier is an organizational structure in which:
- (1) 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 sort of market information that the designated representative of a Market Maker would make available in the normal course of his or her market making activity to any other person. 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.
 - (2) There are procedures implemented to prevent the use of material nonpublic 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:
 - (i) 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
 - (ii) 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 Rule 8090(c)(1).

- (3) 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; 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:
 - (A) actually perform the function of either a Market Maker or OFP;
 - (B) 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 Rule 8090(c)(1); nor
 - (C) 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.
- (d) *Documenting and Reporting of Information Barrier Procedures.* An Options Participant implementing an Information Barrier pursuant to this Rule shall submit to the Exchange a written statement setting forth:
 - (1) The manner in which it intends to satisfy the conditions in paragraph (c) of this Rule, and the compliance and audit procedures it proposes to implement to ensure that the Information Barrier is maintained;
 - (2) The names and titles of the person or persons responsible for maintenance and surveillance of the procedures;
 - (3) A commitment to provide the Exchange with such information and reports as the Exchange may request relating to its transactions;

- (4) A commitment to take appropriate remedial action against any person violating this Rule or the Options Participant's internal compliance and audit procedures adopted pursuant to paragraph (c)(2) of this Rule, and that it recognizes that the Exchange 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;
 - (5) Whether the Options 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 Options Participant's Information Barrier, which procedures, at a minimum, must be the same as those used by the Options Participant or the Affiliate to clear for unaffiliated third parties; and
 - (6) 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 Rule 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, and that the Exchange intends to review carefully any such trading of which it becomes aware to determine whether a violation has occurred.
- (e) *Exchange Approval of Information Barrier Procedures.* The written statement required by paragraph (d) of this Rule must detail the internal controls that the Options 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 the Exchange determines that the organizational structure and the compliance and audit procedures proposed by the Options Participant are acceptable under this Rule, the Exchange shall so inform the Options Participant, in writing. Absent the Exchange finding an Options Participant's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities.
- (f) *Clearing Arrangements.* Subparagraph (d)(5) of this Rule permits an Options Participant or an Affiliate of the Options Participant to clear the Options 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:
- (1) 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 Rule 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.

- (2) 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 Rules.
- (g) Market Makers in compliance with Paragraphs (a)-(f) of this Rule may receive and handle Directed Orders on an agency basis pursuant to Rule 8040.

Rule 8100 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.*
 - (1) The Trading Host will implement the Standard Market Maker Protection Mechanism on an appointed class upon the following conditions:
 - (i) the trade counter has reached "n" executions against the quotes of the Market Maker in the Market Maker's appointed class; and
 - (ii) 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.
 - (2) When the conditions in paragraph (b)(1) above are met, the Trading Host will automatically cancel all quotes posted by the Market Maker on that class by generating a "bulk cancel" message.
 - (3) The Exchange shall determine the appropriate trade counter threshold of "n" executions required in this paragraph (b) to implement the Standard Market Maker Protection Mechanism. In no case will the threshold be lower than five.
- (c) *Effect of "bulk cancel."*
 - (1) The bulk cancel message will have the same time priority as any other quote or order message received by BOX.
 - (2) 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.

- (3) Orders or quotes received by the Trading Host after receipt of the bulk cancel message will not be executed against the Market Maker.
- (4) 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.

Rule 8110 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:
 - (1) The Market Maker's Standard Market Maker Protection Mechanism is triggered for that class, pursuant to Rule 8100; or
 - (2) The Market Maker activates the Panic Quote function for that class pursuant to Rule 8120.
- (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 Rule, 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.

Rule 8120 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 MOC 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.

Rule 8130 Automatic Quote Cancellation

- (a) Automatic Quote Cancellation is enabled (or disabled) for a Market Maker's appointed options classes 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 classes. 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:
 - (1) Experiences a duration of no technical connectivity for between one and nine seconds;
 - (2) Trades a specified number of contracts in the aggregate across all series of an options class;
 - (3) Trades a specified absolute dollar value of contracts bought and sold in a class;
 - (4) 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,
 - (5) 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.

Rule 8140 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) The Exchange shall determine the appropriate period (“n” seconds) of no technical connectivity, as required in 8140(a) above, to trigger the Quote Removal Mechanism Upon Technical Disconnect and 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.

IM-8140-1 "Gateway" Defined

A “Gateway” is the system component through which Market Makers communicate their quotes to the Trading Host.

IM-8140-2 "Heartbeat" Defined

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.

9000

EXERCISES AND DELIVERIES

Rule 9000 Exercise of Options Contracts

- (a) Subject to the restrictions set forth in Rule 3140 and to such restrictions as may be imposed pursuant to Rule 3170, 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. Options 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:
 - (1) take no action and allow exercise determinations to be made in accordance with the Clearing Corporation's Ex-by-Ex procedure where applicable; or
 - (2) 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. Options 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: (i) to not exercise an option that would be automatically exercised under the Clearing Corporation's Ex-by-Ex procedure, or (ii) to exercise an option that would not be automatically exercised under the Clearing Corporation's Ex-by-Ex procedure.
 - (1) 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.

- (2) Deadline for CEA Submission for Customer Accounts. Participants have until 7:30 Eastern Time to submit a Contrary Exercise to the Exchange.
 - (3) 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, Options Participants must either:
- (1) 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
 - (2) 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 Options 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) An Options Participant that has accepted the responsibility to indicate final exercise decisions on behalf of another Options Participant or non-Options Participant broker-dealer shall take the necessary steps to ensure that such decisions are properly indicated to the Exchange. Such Options 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 Options 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, Options 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 Options 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:
- (1) in order to remedy mistakes or errors made in good faith; or
 - (2) where exceptional circumstances have restricted an option holder's ability to inform an Options Participant of a decision regarding exercise, or an Options 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 Options 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 Rule 9000(c). However, Options 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 Options Participant employs an electronic submission procedure with time stamp for the submission of exercise instructions. For non-customer accounts, Options 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 Rule 9000(d).
- (i) *Modification of cut-off time.*
- (1) 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 (1), 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.

- (2) 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 (2), 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 Options Participant to follow the procedures in this Rule 9000 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:
 - (1) 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.
 - (2) 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.
 - (3) An Exchange 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.

- (4) 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.
- (5) The failure of any Options Participant to follow the procedures in this paragraph (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.
- (6) 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.
- (7) The procedures set forth in 9000(1)(1)-(2) above do not apply (i) on the business day prior to expiration in series expiring on a day other than a business day or (ii) on the expiration day in series expiring on a business day.
- (8) 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:
 - (i) 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.
 - (ii) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration.
 - (iii) 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 Rule 7080) 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 (iii) are subject to the authority of an Exchange Official to impose restrictions on transactions and exercises pursuant to Rule 3190.

- (iv) An Exchange Official may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

IM-9000-1

For purposes of this Rule 9000, 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.

IM-9000-2

Each Options 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).

IM-9000-3

Each Options 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.

IM-9000-4

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

Rule 9010 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 the Exchange, or on a manual random selection basis that has been specified by the Exchange. 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 the Exchange and obtain the Exchange's prior approval thereof, and no Options Participant shall change its method of allocation unless the change has been reported to and approved by the Exchange. 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.

Rule 9020 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 Rule 10100 Series, 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 Rule 10100 Series, and the applicable regulations of the Federal Reserve Board.

10000

RECORDS, REPORTS AND AUDITS

Rule 10000 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 the Exchange may prescribe pursuant to the Rules 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 the Exchange such books, records or other information as may be called for under the Rules or as may be requested in connection with an investigation by the Exchange.
- (c) All Options Participants shall prepare and make available all books and records as required by the Rules in English and U.S. dollars.

(See Rule 10100 Series “Margin Requirements,” Rule 10200 Series “Net Capital Requirements,” Rule 11000 Series “Summary Suspensions,” and Rule 12000 Series “Discipline”).

IM-10000-1

In addition to the existing obligations under these Rules 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 the Exchange 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 the Exchange.

IM-10000-2

In addition to the existing obligations under these Rules 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 the Exchange 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 the Exchange.

Rule 10010 Reports of Uncovered Short Positions

- (a) Upon request of the Exchange, 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:

- (1) positions carried by such Options Participant for its own account and
 - (2) positions carried by such Options Participant for the accounts of Customers;
 - (3) 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 no later than the second business day following the date the request is made.

Rule 10020 Financial Reports

Each Options Participant shall submit to the Exchange answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange.

Rule 10030 Audits

- (a) Each Options Participant approved to do business with the public in accordance with Rule 4000 and each registered Market Maker shall file a report of its financial condition as of the date, within each calendar year, prepared in accordance with the requirements of Rule 17a-5 and Form X-17A-5 under the Exchange Act and containing the information called for by that form.
- (1) The report of each Options Participant approved to do business with the public shall be certified by an independent public accountant, and on or before January 10 of each year, each such Options Participant shall notify the Exchange of the name of the independent public accountant appointed for that year and the date as of which the report will be made.
 - (2) Such report of financial condition, together with answers to an Exchange financial questionnaire based upon the report, shall be filed with the Exchange no later than sixty (60) days after the date as of which the financial condition of the Options Participant is reported, or such other period as the Exchange may individually require.
- (b) An Options Participant may file, in lieu of the report required in paragraph (a) of this Rule, a copy of any financial statement which it is or has been required to file with any other national securities exchange or national securities association of which he is a member, or with any agency of any State as a condition of doing business in securities therein, and which is acceptable to the Exchange as containing substantially the same information as Form X-17A-5.
- (c) In addition to the annual report required of certain Options Participants pursuant to paragraph (a) of this Rule, the Exchange may require any Options Participant to cause an audit of its financial condition to be made by an independent public accountant in accordance with the audit requirements of Form X-17A-5 as of the

date of an answer to a financial questionnaire, and to file a statement to the effect that such audit has been made and whether it is in accord with the answers to the questionnaire.

- (1) Such statement shall be signed by two general partners in the case of an Options Participant that is a partnership and by two executive officers in the case of an Options Participant that is a corporation or LLC and it shall be attested to by the independent public accountant who certified the audit.
- (2) The original report of the audit signed by the independent public accountant shall be retained as part of the books and records of the Options Participant.

Rule 10040 Automated Submission of Trade Data

- (a) An Options Participant shall submit requested trade data elements, in such automated format as may be prescribed by the Exchange 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 Options Participant, or any person associated with the Options Participant, is directly or indirectly interested, the Options Participant shall submit or cause to be submitted, any or all of the following information as requested by the Exchange:
 - (1) Clearing house number or alpha symbol as used by the Options Participant submitting the data;
 - (2) 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;
 - (3) Identifying symbol assigned to the security and where applicable for the options month and series symbols;
 - (4) Date transaction was executed;
 - (5) Number of option contracts for each specific transaction and whether each transaction was an opening or closing purchase or sale, as well as:
 - (i) the number of shares traded or held by accounts for which options data is submitted;
 - (ii) where applicable, the number of shares for each specific transaction and whether each transaction was a purchase, sale or short sale;
 - (6) Transaction price;

- (7) Account number; and
 - (8) 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 the Exchange:
- (1) Data elements (1) through (8) of paragraph (b) above;
 - (2) 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
 - (3) If the transaction was effected for an Options 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 the Exchange'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 the Exchange, as may from time to time be required.
- (e) The Exchange 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 the Exchange in an automated format.

Rule 10050 Regulatory Cooperation

- (a) The Exchange 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) The Exchange may enter into one or more agreements with another SRO to provide regulatory services to the Exchange to assist the Exchange in discharging its obligations under Section 6 and Section 19(g) of the Exchange Act. Any action taken by another SRO, or its employees or authorized agents, acting on behalf of the Exchange pursuant to a regulatory services agreement shall be deemed to be an action taken by the Exchange; provided, however, that nothing in this provision shall affect the oversight of such other SRO by the SEC. Notwithstanding the fact that the Exchange may enter into one or more regulatory services agreements, the Exchange shall retain ultimate legal responsibility for, and control of, its self-regulatory responsibilities, and any such regulatory services agreement shall so provide.

- (c) No Options Participant, partner, officer, director or other person associated with an Options Participant or other person or entity subject to the jurisdiction of the Exchange 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 requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange pursuant to paragraph (a) of this Rule, including but not limited to Options Participants and Affiliates of the Intermarket Surveillance Group. The requirements of this paragraph (b) shall apply regardless whether the Exchange has itself initiated a formal investigation or disciplinary proceeding. (*See generally* Rule 12000 Series).
- (d) Whenever information is requested by the Exchange pursuant to this Rule 10050, the Options Participant or person associated with an Options Participant from whom the information is requested shall have the same rights and procedural protections in responding to such request as such Options Participant or person would have in the case of any other request for information initiated by the Exchange pursuant to the Exchange's investigative powers. (*See generally* Rule 12000 Series).

Rule 10060 Risk Analysis of Market Maker Accounts

- (a) Each Clearing Participant that clears or guarantees the transactions of Market Makers pursuant to Rule 8070, shall establish and maintain written procedures for assessing and monitoring the potential risks to the Options Participant's capital over a specified range of possible market movements of positions maintained in such Market Maker accounts and such related accounts as the Exchange shall from time to time direct.
 - (1) Current procedures shall be filed and maintained with the Exchange.
 - (2) 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 Options 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 an Exchange-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 the Exchange:
 - (1) 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%).

- (2) The Options Participant shall calculate volatility using a method approved by the Exchange, 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.
 - (3) Options prices shall be estimated through use of recognized options pricing models such as, but not limited to, Black-Scholes and Cox-Reubenstein.
 - (4) At a minimum, written reports shall be generated which describe for each market scenario:
 - (i) projected loss per options class by account;
 - (ii) projected total loss per options class for all accounts; and
 - (iii) projected deficits per account and in aggregate.
- (c) Upon direction by the Exchange, each affected Options Participant shall provide to the Exchange such information as it may reasonably require with respect to the Options Participant's risk analysis for any or all of its Market Maker accounts.

Rule 10070 Anti-Money Laundering Compliance Program

- (a) Each Options 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 Options Participant's anti-money laundering program must be approved, in writing, by a member of senior management of the Options Participant. The anti-money laundering programs required by this Rule 10070 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 Options Participant personnel or by a qualified outside party;
 - (4) Designate and identify to the Exchange (by name, title, mailing address, e-mail address, telephone number, and facsimile number) a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program and provide prompt

notification to the Exchange regarding any change in such designation(s);
and

- (5) Provide ongoing training for appropriate persons.
- (b) In the event that any of the provisions of this Rule 10070 conflict with any of the provisions of another, applicable self-regulatory organization's rule requiring the development and implementation of an anti-money laundering compliance program, the provisions of the rule of the Options Participant's DEA shall apply.

Rule 10080 Fingerprint Based Background Checks of Exchange Employees and Independent Contractors and Other Service Providers

- (a) In order to enhance the physical security of the facilities, records, systems, data, and information of the Exchange, it shall be the policy of the Exchange to conduct a fingerprint-based criminal records check of (i) all BOX and Exchange employees, including temporary employees who have or are anticipated to have access to BOX or Exchange facilities for at least ten (10) days, and (ii) all independent contractors and other service providers who have access to BOX or Exchange facilities, records, systems, data or other information which places the security of BOX or the Exchange at risk. However, the Exchange may determine not to obtain fingerprints from, or to seek criminal history record information with respect to, any of the foregoing individuals, due to their restricted or supervised access to BOX or the Exchange's facilities, records, systems, data and other information.
- (b) The Exchange shall submit fingerprints obtained pursuant to this Rule to the Attorney General of the United States or his or her designee for identification and processing. The Exchange shall at all times maintain the security of fingerprints and information received from the Attorney General or his or her designee.
- (c) The Exchange shall evaluate information received from the Attorney General or his or her designee in accordance with the terms of a written fingerprint policy and provisions of applicable law. A felony or serious misdemeanor conviction will be a factor in considering whether to take adverse employment action with respect to an employee or to deny an independent contractor or other service provider access to BOX or the Exchange's facilities, records, systems, data or other information.
- (d) Any employee who refuses to submit to fingerprinting shall be terminated following notice and being given three opportunities to submit. Any person who is given an offer of employment with BOX or the Exchange that is conditioned upon submitting to fingerprinting but refuses to do so will have the offer withdrawn. Any independent contractor or other service provider who refuses to submit to fingerprinting shall be denied access, or shall be given restricted or supervised access, to BOX or the Exchange facilities, records, systems, data or other information.

10100

MARGIN REQUIREMENTS

Rule 10100 General Rule

No Options Participant or associated person may effect a transaction or carry an account for a Customer, whether an Options Participant or non-Options Participant of BOX, without proper and adequate margin in accordance with this Rule 10100 Series and Regulation T.

Rule 10110 Time Margin Must be Obtained

The amount of margin required by this Rule 10100 Series shall be obtained as promptly as possible and in any event within a reasonable time.

Rule 10120 Margin Requirements

- (a) An Options Participant or associated person must elect to 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 the Exchange.
- (c) Upon the filing of such election, an Options 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 this Rule 10100 Series.

Rule 10130 Margin Required is Minimum

- (a) The amount of margin prescribed by this Rule 10100 Series is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby; but nothing in this Rule 10100 Series shall be construed to prevent an Options Participant or associated person from requiring margin in an amount greater than that specified.
- (b) The Exchange may at any time impose higher margin requirements with respect to such positions when it deems such higher margin requirements to be advisable.

Rule 10140 Meeting Margin Calls by Liquidation Prohibited

- (a) No Options Participant shall permit a customer to make a practice of effecting transactions requiring initial or additional margin or full cash payment and then furnishing such margin or making such full cash payment by liquidation of the same or other commitments.
- (b) The provisions of this Rule shall not apply to any account maintained for another broker or dealer in which are carried only the commitments of customers of such other broker or dealer, exclusive of the partners, officers and directors of such

other broker or dealer, provided such other broker or dealer is an Options Participant of the Exchange or has agreed in good faith with the Options Participant carrying the account that it will maintain a record equivalent to that referred to in Rule 10150.

Rule 10150 Margin Record

Each Options Participant carrying margin accounts for customers shall make and maintain a daily record of every case in which, pursuant to the Rules or regulations of the Federal Reserve Board, initial or additional margin must be obtained in a customer's account because of the transactions effected in such account. This record shall be preserved for at least 12 months and shall show for each account the amount of margin so required and the time and manner in which such margin is furnished or obtained. This record shall be in a form approved by the Exchange and shall contain such additional information as the Exchange may from time to time prescribe. The Exchange may exempt any Options Participant which is a member or member organization of another national securities exchange having a substantially comparable rule with which such Options Participant is required to comply.

10200

NET CAPITAL REQUIREMENTS

Rule 10200 Minimum Requirements

Each Options Participant subject to Rule 15c3-1 under the Exchange Act shall comply with the capital requirements prescribed therein and with the additional requirements of this Rule 10200 Series. Market Makers must also comply with the minimum financial requirements contained in Rule 8010.

Rule 10210 "Early Warning" Notification Requirements

Every Options Participant subject to the reporting or notification requirements of Rule 17a-11 under the Exchange Act or the "early warning" reporting, business restriction or business reduction requirements of another national securities exchange, registered securities association or registered securities clearing organization shall promptly notify the Exchange in writing and shall thereafter file with the Exchange such reports and financial statements as may be required by the Exchange.

Rule 10220 Power of CRO to Impose Restrictions

Whenever it shall appear to the Chief Regulatory Officer of the Exchange that an Options Participant obligated to give notice to the Exchange under Rule 10210 is unable within a reasonable period to reduce the ratio of its aggregate indebtedness to net capital, or to increase its net capital, to a point where it is no longer subject to such notification obligations, or that such Options Participant is engaging in any activity which casts doubt upon its continued compliance with the net capital requirements, the Chief Regulatory Officer may impose such conditions and restrictions upon the operations, business and expansion of such Options Participant and may require the submission of, and adherence to, such plan or program for the correction of such

situation as he determines to be necessary or appropriate for the protection of investors, other Option Participants and the Exchange.

Rule 10230 Joint Back Office Participants

- (a) *Requirements for Joint Back Office Participants.* Every Options 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:
- (1) 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).
 - (2) 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 Rule 10100 Series.
 - (3) Each JBO participant must meet and maintain the ownership standards established by the clearing broker-dealer; and
 - (4) Each JBO participant must employ (or have access to) a qualified Series 27 principal.
- (b) *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:
- (1) Each Options 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.

- (2) Each Options 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 Rule 10100 Series.
- (3) Each Options 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.
- (4) Each Options Participant which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.
- (5) The Options Participant must develop risk analysis standards which are acceptable to the Exchange. At minimum these standards must comply with the requirements of Rule 10060.
- (6) Each Options Participant which maintains JBO accounts must notify its Designated Examining Authority ("DEA"), in writing, of its intention to carry such accounts.
- (7) If at any time a Clearing Participant operating pursuant to paragraphs (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 the Exchange 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.

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JBO participants shall not be considered self-clearing for any purpose other than the extension of credit under Rule 10100 Series.

11000

SUMMARY SUSPENSIONS

Rule 11000 Imposition of Suspension

- (a) An Options Participant or person associated with an Options Participant that has been expelled or suspended from any SRO or barred or suspended from being associated with a participant or member of any SRO, or an Options Participant that is in such financial or operating difficulty that the Exchange determines and so notifies the Commission that the Options Participant cannot be permitted to continue to do business as an Options Participant with safety to investors, creditors, other Options Participants, or BOX, may be summarily suspended.
- (b) The Exchange may limit or prohibit any person with respect to access to services offered by BOX if any of the criteria of the foregoing paragraph is applicable to such person or, in the case of a person who is not an Options Participant, if the Exchange determines that such person does not meet the qualification requirements or other prerequisites for such access and such person cannot be permitted to continue to have such access with safety to investors, creditors, Options Participants or the Exchange.
- (c) In the event a determination is made to take summary action pursuant to this Rule 11000, notice thereof will be sent to the SEC.
- (d) Any person aggrieved by any summary action taken under this Rule shall be promptly afforded an opportunity for a hearing by the Exchange in accordance with the provisions of the Rule 13000 Series.
- (e) A summary suspension or other action taken pursuant to Rule 11000 Series shall not be deemed to be disciplinary action under the Rule 12000 Series. The provisions of Rule 12000 Series shall be applicable regardless of any action taken pursuant to this Rule 11000 Series.

Rule 11010 Investigation Following Suspension

- (a) Every Options Participant or person associated with an Options Participant against which action has been taken in accordance with the Summary Suspension procedures of this Rule 11000 Series shall immediately afford every facility required by the Exchange for the investigation of his or its affairs and shall forthwith file with the Secretary a written statement covering all information requested, including a complete list of creditors and the amount owing to each and a complete list of each open long and short position in BOX options contracts maintained by the Options Participant and each of his or its Customers.
- (b) Paragraph (a) includes, without limitation, the furnishing of such books and records of the Options Participant or person associated with an Options

Participant and the giving of such sworn testimony as may be requested by the Exchange.

Rule 11020 Reinstatement

(a) *General.*

- (1) An Options Participant, person associated with an Options Participant or other person suspended or limited or prohibited with respect to access to services offered by BOX under the Summary Suspension procedures of this Rule 11000 Series may apply for reinstatement within the time period set forth below.
- (2) Notice of an application for reinstatement shall be given to the Exchange by the Options Participant and shall be posted by the Exchange at least five (5) business days prior to the consideration by the Exchange of said application.
- (3) The Exchange may approve an application for reinstatement if it finds that the applicant is operationally and financially able to conduct his business with safety to investors, creditors, Options Participants, and BOX.

(b) *Suspension Due to Operating Difficulty.*

- (1) An applicant that, by reason of operating difficulty, has been suspended or limited or prohibited with respect to BOX services, must file any application for reinstatement within six (6) months from the date of such action. Such application must include a statement of all actions taken by the applicant to remedy the operational difficulty in question.
- (2) If the applicant fails to receive reinstatement, or if the application is not acted upon within ninety (90) days of its submission, the applicant shall be afforded an opportunity for a hearing in accordance with the provisions of Rule 13000 Series.

(c) *Suspension Due to Financial Difficulty.*

- (1) An applicant who, by reason of financial difficulty, has been suspended or limited or prohibited with respect to BOX services, must file any application for reinstatement within thirty (30) days of such action.
- (2) Such application must include a list of all creditors of the applicant a statement of the amount originally owing and the nature of the settlement in each case, and such other information as may be requested by the Exchange.
- (3) The Participant status of an Options Participant summarily suspended by reason of financial difficulty may not be revoked by the Exchange until

that Options Participant has been afforded an opportunity for a hearing respecting such summary suspension pursuant to the provisions of Rule 13000 Series.

Rule 11030 Failure to Obtain Reinstatement

If an Options Participant suspended under the provisions of this Rule 11000 Series fails or is unable to apply for reinstatement in accordance with Rule 11020 or fails to obtain reinstatement as therein provided, the Exchange shall revoke his or its Participant status in accordance with Rule 12110(a).

Rule 11040 Termination of Rights by Suspension

An Options Participant suspended under the provisions of this Rule 11000 Series shall be deprived during the term of his or its suspension of all rights and privileges of Participation.

12000

DISCIPLINE

Rule 12000 Disciplinary Jurisdiction

- (a) An Options Participant or a person associated with an Options Participant who is alleged to have violated or aided and abetted a violation of any provision of the Exchange Act, the rules and regulations promulgated thereunder, or any provision of the Rules or any interpretation thereof or resolution of the Board of the Exchange regulating the conduct of business on the Exchange, shall be subject to the disciplinary jurisdiction of the Exchange under this Rule 12000 Series, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion, suspension, limitation, or termination of activities, functions, or operations, or by fine, censure, or being suspended or barred from being associated with an Options Participant or any other fitting sanction, in accordance with provisions of this Rule 12000 Series.
- (b) Persons associated with an Options Participant may be charged with any violation committed by employees under his supervision or by the Options Participant as though such violation were his own. An Options Participant may be charged with any violation committed by its employees or other person who is associated with such Options Participant, as though such violation were its own.
- (c) Any Options Participant or person associated with an Options Participant shall continue to be subject to the disciplinary jurisdiction of the Exchange following such Options Participant's termination or the person's termination of association with an Options Participant with respect to matters that occurred prior to such termination; provided that written notice of the commencement of an inquiry into such matters is given by the Exchange to such former Options Participant or former associated person within one (1) year of receipt by the Exchange, or such other exchanges or association recognized for purposes of Rule 4020, of the latest written notice of the termination of such person's status as an Options Participant or person associated with an Options Participant. The foregoing notice requirement does not apply to a person who at any time after a termination again subjects himself to the disciplinary jurisdiction of the Exchange by becoming an Options Participant or a person associated with an Options Participant.

Rule 12010 Requirement to Furnish Information

- (a) Each Options Participant and person associated with an Options Participant shall be obligated upon request by the Exchange (including by another SRO acting on behalf of the Exchange pursuant to Rule 12150) to appear and testify, and to respond in writing to interrogatories and furnish documentary materials and other information requested in connection with (i) an investigation initiated pursuant to Rule 12020, (ii) a hearing or appeal conducted pursuant to this Rule 12000 Series

or preparation by the Exchange in anticipation of such a hearing or appeal, or (iii) an Exchange inquiry resulting from an agreement entered into by the Exchange pursuant to Rule 10050.

- (1) An Options Participant or person associated with an Options Participant is entitled to be represented by counsel during any such Exchange investigation, proceeding or inquiry.
- (2) No Options Participant or person associated with an Options Participant shall impede or delay an Exchange investigation or proceeding conducted pursuant to this Rule 12000 Series or an Exchange inquiry pursuant to Rule 10050, nor refuse to comply with a request made by the Exchange pursuant to this paragraph.
- (3) Failure to furnish testimony, documentary evidence or other information requested by the Exchange in the course of an Exchange inquiry, investigation, hearing or appeal conducted pursuant to this Rule 12000 Series, or in the course of preparation by the Exchange in anticipation of such a hearing or appeal, on the date or within the time period the Exchange specifies shall be deemed to be a violation of this Rule.

Rule 12020 Investigation

The Exchange's regulatory staff (including regulatory staff of another SRO acting on the Exchange's behalf pursuant to Rule 12150), which is obligated to act independently from the economic interests of the Options Participants regulated by the Exchange, has sole discretion to investigate possible violations within the disciplinary jurisdiction of the Exchange on its own initiative or based upon a complaint alleging possible violations submitted by any person, Exchange committee or the Board. All complaints shall be in writing signed by the complainant and shall specify in reasonable detail the facts constituting the violation, including the specific statutes, by-laws, rules, interpretations or resolutions allegedly violated.

Rule 12030 Letters of Consent

- (a) In lieu of the procedures set forth in Rules 12040 through 12060 (Charges, Answer and Hearing), a matter may be disposed of through a letter of consent.
 - (1) A matter can only be disposed of through a letter of consent if regulatory staff, including regulatory staff of another SRO acting on the Exchange's behalf pursuant to Rule 12150 (collectively, "SRO Staff") and the Options Participant or person(s) who is the subject of the investigation (the "Subject") are able to agree upon terms of a letter of consent. Such letter must be signed by the Subject and must set forth a stipulation of facts and findings concerning the Options Participant's conduct, the violation(s) committed by the Options Participant and the sanction(s) therefor.
 - (2) In the event that the Subject and the regulatory staff are able to agree upon a letter of consent, the staff shall submit the letter to the Chief Regulatory Officer. If the letter of consent is acceptable to the Chief Regulatory

Officer, it shall be submitted to the Hearing Committee. In the event that the Options Participant and the regulatory staff are unable to agree upon a letter of consent or if a proposed letter is not acceptable to the Chief Regulatory Officer, the SRO Staff may institute an action according to the procedures contained in Rule 12040. The Chief Regulatory Officer's decision to reject a letter of consent shall be final, and a Subject may not seek review thereof.

- (3) If a letter of consent is submitted to and accepted by the Hearing Committee, the Exchange shall take no further action against the Subject respecting the matters that are the subject of the letter. If the letter of consent is rejected by the Hearing Committee, the matter shall proceed as though the letter had not been submitted. The Hearing Committee's decision to accept or reject a letter of consent shall be final, and a Subject may not seek review thereof.

Rule 12040 Charges

- (a) *Initiation of Charges.* Whenever it shall appear that there is probable cause for finding a violation within the disciplinary jurisdiction of the Exchange and that further proceedings are warranted, the regulatory staff shall prepare a statement of charges against the Options Participant or associated person alleged to have committed a violation (the "Respondent") specifying the acts in which the Respondent is charged to have engaged and setting forth the specific provisions of the Exchange Act, rules and regulations promulgated thereunder, provisions of the Rules, or interpretations or resolutions of which such acts are in violation. If the statement of charges is approved by the Chief Regulatory Officer, a copy of the charges shall be served upon the Respondent in accordance with Rule 12120. The complainant, if any, shall be notified if further proceedings are warranted.
- (b) *Access to Documents.* Provided that a Respondent has made a written request for access to documents described hereunder within sixty (60) calendar days after a statement of charges has been served upon the Respondent in accordance with Rule 12120, the Respondent shall have access to all documents concerning the case that are in the investigative file of the Exchange except for regulatory staff investigation and examination reports and any other materials prepared by the SRO staff (or another person acting on behalf of the Exchange pursuant to Rule 12150) in connection with such reports or in anticipation of a disciplinary hearing. In providing such documents, the Exchange may protect the identity of a complainant.

Rule 12050 Answer

- (a) The Respondent shall have twenty-five (25) calendar days after service of the charges to file with the Exchange a written answer thereto. The answer shall specifically admit or deny each allegation contained in the charges, and the

Respondent shall be deemed to have admitted any allegation not specifically denied. The answer may also contain any defense that the Respondent wishes to submit and may be accompanied by documents in support of his answer or defense. In the event the Respondent fails to file an answer, the charges shall be considered to be admitted.

- (b) Upon review of the Respondent's answer, the Chief Regulatory Officer may modify the statement of charges, and a copy of the modified charges shall be served upon the Respondent in accordance with Rule 12120. If such modification asserts any new or materially different charges from those contained in the initial statement, Respondent shall have an additional twenty-five (25) calendar days after service of the modified statement of charges to file a written answer thereto in accordance with paragraph (a) above.

Rule 12060 Hearing

- (a) *Appointment of Hearing Panel.* Subject to Rule 12080 (Summary Proceedings), a hearing on the charges shall be held before a professional hearing officer and two members of the Hearing Committee (the "Panel"). The professional hearing officer shall serve as the chairman of the Panel (the "Panel Chairman").
 - (1) Promptly after the Respondent files a written answer to the statement of charges, the Chairman of the Hearing Committee shall select from among the persons on the Hearing Committee two (2) persons to serve on the Panel. In making such selection, the Chairman of the Hearing Committee shall, to the extent practicable, choose individuals whose background, experience and training qualify them to consider and make determinations regarding the subject matter to be presented to the Panel. He shall also consider such factors as the availability of individuals, the extent of their prior service on Panels and any relationship between an individual and the Respondent that might make it inappropriate for such person to serve on the Panel.
 - (2) If in the opinion of the Chairman of the Hearing Committee, there are not a sufficient number of persons on the Hearing Committee from which to select persons having the appropriate background, experience and training to consider and make determinations regarding the subject matter to be presented to that particular Panel, he shall request that the Chairman of the Board temporarily appoint additional persons to the Hearing Committee from whom he may select for that Panel.
 - (3) If at any time a person serving on a Panel has a conflict of interest or bias or circumstances otherwise exist where his fairness might reasonably be questioned, the person must withdraw from the Panel. In the event that a person selected from the Hearing Committee withdraws, is incapacitated, or otherwise is unable to continue service after being selected, the Panel Chairman may, in the exercise of discretion, request that the Chairman of the Hearing Committee select a replacement. In the event that both

persons selected from the Hearing Committee withdraw, are incapacitated, or otherwise are unable to continue service, the Chairman of the Hearing Committee shall select two replacements.

- (b) *Parties.* The Exchange and the Respondent shall be the parties to the hearing. Where an Options Participant is a party, it shall be represented at the hearing by an associated person.
- (c) *Notice and List of Documents.* Parties shall be given at least twenty-eight (28) calendar days notice in the manner prescribed in Rule 12120 of the time and place of the hearing. Not less than ten (10) calendar days in advance of the scheduled hearing date, each party shall furnish to the Panel and to the other parties copies of all documentary evidence such party intends to present at the hearing. Where time and the nature of the proceeding permit, the parties shall meet with the Panel Chairman in a pre-hearing conference for the purpose of clarifying and simplifying issues and otherwise expediting the proceeding. At such pre-hearing conference, the parties shall attempt to reach agreement respecting authenticity of documents, facts not in dispute, and any other items that will serve to expedite the hearing of the matter.
- (d) *Intervention.* Any person not otherwise a party may intervene as a party to the hearing upon demonstrating to the satisfaction of the Panel Chairman that he has an interest in the subject of the hearing and that the disposition of the matter may, as a practical matter, impair or impede his ability to protect that interest. Also, the Panel Chairman may in his discretion permit a person to intervene as a party to the hearing when the person's claim or defense and the main action have questions of law or fact in common. Any person wishing to intervene as a party to a hearing shall file with the Panel Chairman a notice requesting the right to intervene, stating the grounds therefor, and setting forth the claim or defense for which intervention is sought. The Panel Chairman, in exercising his discretion concerning intervention shall take into consideration whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties.
- (e) *Conduct of Hearing.* The Panel Chairman shall determine the time and place of all meetings, and shall make all determinations with regard to procedural or evidentiary matters, as well as prescribe the time within which all documents, exhibits, briefs, stipulations, notices or other written materials must be filed where such is not specified in this Rule 12000 Series. The Panel Chairman shall generally regulate the course of the hearing, and shall have the authority to, among other things, order the parties to present oral arguments, reopen a hearing prior to the issuance of a decision by the Panel, create and maintain the official record of proceeding, and draft a decision that represents the views of the majority of the Panel. Formal rules of evidence shall not apply to hearings conducted by the Panel. The charges shall be presented by a representative of the Exchange who, along with Respondent and any other party, may present evidence and produce witnesses who shall testify under oath and are subject to being questioned by the Panel and the other parties. The Panel may request the production of

documentary evidence and witnesses. No Options Participant or person associated with an Options Participant shall refuse to furnish relevant testimony, documentary materials or other information requested by the Panel during the course of the hearing. The Respondent and intervening parties are entitled to be represented by counsel who may participate fully in the hearing. A transcript of the hearing shall be made and shall become part of the record. Interlocutory Board review of any decision made by the Panel prior to completion of the hearing is generally prohibited. Such interlocutory review shall be permitted only if the Panel agrees to such review after determining that the issue is a controlling issue of rule or policy and that immediate Board review would materially advance the ultimate resolution of the case.

(f) *Ex Parte Communication.* No Options Participant or person associated with an Options Participant shall make or knowingly cause to be made an ex parte communication with any member of the Panel, Hearing Committee or Board concerning the merits of any matter pending under this Rule 12000 Series. No member of the Panel, Hearing Committee or Board shall make or knowingly cause to be made an ex parte communication with any Options Participant or any person associated with an Options Participant concerning the merits of any matter pending under this Rule 12000 Series.

(1) “*Ex parte* communication” means an oral or written communication made without notice to all parties, that is, regulatory staff and Subjects of investigations or Respondents in proceedings.

(2) A written communication is *ex parte* unless a copy has been previously or simultaneously delivered to all interested parties. An oral communication is *ex parte* unless it is made in the presence of all parties except those who, on adequate prior notice, declined to be present.

Rule 12070 Decision

(a) Following a hearing conducted pursuant to Rule 12060, the Panel shall by majority opinion, issue a decision in writing, based solely on the record, determining whether the Respondent has committed a violation and imposing the sanction, if any, therefor.

(b) The decision shall include a statement of findings and conclusions, with the reasons therefor, upon all material issues presented on the record. Where a sanction is imposed, the decision shall include a statement specifying the acts or practices in which the Respondent has been found to have engaged and setting forth the specific provisions of the Exchange Act, rules and regulations promulgated thereunder, provisions of the Rules, interpretations or resolutions of the Exchange of which the acts are deemed to be in violation.

(c) The Parties shall be sent a copy of the decision promptly after it is rendered.

Rule 12080 Summary Proceedings

- (a) Notwithstanding the provision of Rule 12060 (Hearing), a Panel may make a determination without a hearing and may impose a penalty as to violations that the Respondent has admitted or has failed to answer or that otherwise do not appear to be in dispute.
 - (1) Notice of such summary determination, specifying the violations and penalty, shall be served upon the Parties, who shall have ten (10) calendar days from the date of service to notify the Panel Chairman that he desires a hearing upon all or a portion of any charges not previously admitted or upon the penalty. Failure to so notify the Panel Chairman shall constitute admission of the violations and acceptance of the penalty as determined by the Panel and a waiver of all rights of review.
 - (2) If the Respondent requests a hearing, the matters that are the subject of the hearing shall be handled as if the summary determination had not been made.

Rule 12090 Offers of Settlement

- (a) *Submission of Offer.* At any time during a period not to exceed 120 calendar days immediately following the date of service of a statement of charges upon the Respondent in accordance with Rule 12120 (Procedural Matters), the Respondent may submit to the Panel, if one has been formed, a written offer of settlement, signed by him, which shall contain a proposed stipulation of facts and consent to a specified sanction. The Respondent may submit a written statement in support of the offer. If a Panel has not yet been appointed, a written offer of settlement may be submitted to the Chief Regulatory Officer.
 - (1) A Respondent shall be entitled to submit a maximum of two (2) written offers of settlement in connection with the statement of charges issued to that Respondent pursuant to Rule 12040 (Charges), unless a Panel, in its discretion, permits a Respondent to submit additional offers of settlement.
 - (2) The 120-day period shall be tolled for the number of days in excess of seven (7) calendar days that it takes the Exchange regulatory staff to respond to a Respondent's request for access to documents provided that the request for access is made pursuant to the provisions and within the time frame provided in Rule 12040(b).
- (b) *Acceptance or Rejection of Offer.* Where the Panel or Chief Regulatory Officer accepts an offer of settlement, it or he shall issue a decision, including findings and conclusions and imposing a sanction, consistent with the terms of such offer. Where the Panel or Chief Regulatory Officer rejects an offer of settlement, it or he shall notify the Respondent and the matter shall proceed as if such offer had not been made, and the offer and all documents relating thereto shall not become a part of the record. Subject to Rule 12080 (Summary Proceedings), following the

end of the 120- day period in paragraph (a) above or after a rejection of a Respondent's second offer of settlement, a hearing will proceed in accordance with the provisions of Rule 12060. A decision of the Panel or Chief Regulatory Officer issued upon acceptance of an offer of settlement, as well as the determination whether to accept or reject such an offer, shall be final, and the Respondent may not seek review thereof.

Rule 12100 Review

- (a) *Petition.* The Respondent or regulatory staff shall have fifteen (15) calendar days after service of notice of a decision made pursuant to Rule 12070 (Decision) to petition for review thereof by the Board. Such petition shall be in writing and shall specify the findings and conclusions to which exceptions are taken, together with reasons for such exceptions. Any objections to a decision not specified by written exception shall be considered to have been abandoned. Petitions shall be filed with the Secretary of the Exchange.
- (b) *Motion of Board.* The Board may on its own initiative order review of a decision made pursuant to Rule 12070 or 12080 (Summary Proceeding) within thirty (30) calendar days after notice of the decision has been served on the Respondent.
- (c) *Conduct of Review.* The review shall be conducted by the Board or a committee of the Board composed of at least three Directors whose decision must be ratified by a majority of the Board.
 - (1) Any Director who participated in a matter may not participate in review of that matter by the Board.
 - (2) Unless the Board shall decide to open the record for the introduction of evidence or to hear argument, such review shall be based solely upon the record and the written exceptions filed by the parties.
 - (3) New issues may be raised by the Board, and in such event, Respondents and regulatory staff shall be given notice of an opportunity to address any such new issues.
- (d) *Determination.* The Board may affirm, reverse or modify, in whole or in part, the decision of the Panel. Such modification may include an increase or decrease of the sanction or may return the matter to the Panel for further findings. The decision of the Board shall be in writing, shall be promptly served on the Respondent, and shall be final.

Rule 12110 Judgment and Sanction

- (a) *Sanctions.* Options Participants and persons associated with Options Participants shall (subject to any rule or order of the SEC) be appropriately disciplined for violations under these Rules by expulsion, suspension, limitation of activities, functions and operations, fine, censure, being suspended or barred from being associated with an Options Participant, or any other fitting sanction.

- (b) *Effective Date of Judgment.* Sanctions imposed under this Rule 12000 Series shall not become effective until the Exchange review process is completed or the decision otherwise becomes final. Pending effectiveness of a decision imposing a sanction on the Respondent, the person, committee or panel issuing the decision (the “adjudicator”) may impose such conditions and restrictions on the activities of the Respondent as it considers reasonably necessary for the protection of investors and the Exchange.
- (c) *Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay.*
 - (1) *Payment to Finance Department.* All fines and other monetary sanctions shall be paid to the Finance Department of the Exchange.
 - (2) *Summary Suspension or Expulsion.* After seven (7) calendar days following written notice of failure to pay, the Exchange may summarily suspend an Options Participant that fails to: (i) pay promptly a fine, other monetary sanction or cost imposed pursuant to this Rule 12000 Series when such fine, monetary sanction or cost becomes finally due and payable; or (ii) terminate immediately the association of a person who fails to pay promptly a fine, other monetary sanction or cost imposed pursuant to this Rule 12000 Series when such fine, monetary sanction or cost becomes finally due and payable.
- (d) *Costs of Proceedings.* An Options Participant or person associated with an Options Participant disciplined pursuant to this Rule 12000 Series shall bear such costs of the proceeding as the adjudicator deems fair and appropriate under the circumstances.

Rule 12120 Procedural Matters

- (a) *Service of Notice.* Any charges, notices or other documents may be served upon an Options Participant or associated person either personally or by leaving the same at his place of business, by registered or certified mail or overnight commercial carrier addressed to the Options Participant or associated person at the Options Participant’s address as it appears on the books and records of the Exchange.
- (b) *Extension of Time Limits.* Any time limits imposed under this Rule 12000 Series for the submission of answers, petitions or other materials may be extended by permission of the authority to whom such materials are to be submitted.

Rule 12130 Reporting to the Central Registration Depository

- (a) With respect to formal Exchange disciplinary proceedings, the Exchange shall report to Web CRD the issuance of a statement of charges pursuant to Rule 12040 and all significant changes in the status of such proceedings while such proceedings are pending.

- (b) For purposes of reporting to the Web CRD System:
- (1) A formal Exchange disciplinary proceeding shall be considered to be pending from the time that a statement of charges is issued in such proceeding pursuant to Rule 12040 until the outcome of the proceeding becomes final.
 - (2) An Exchange disciplinary proceeding shall be considered to be a formal disciplinary proceeding if it is initiated by the Exchange pursuant to Rule 12020.
 - (3) Significant changes in the status of a formal Exchange disciplinary proceeding shall include, but not be limited to, the scheduling of a disciplinary hearing, the issuance of a decision by a Panel, the filing of an appeal to the Board, and the issuance of a decision by the Board.

Rule 12140 Imposition of Fines for Minor Rule Violations

- (a) *General.* In lieu of commencing a disciplinary proceeding, the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed \$5,000, on any Options Participant, or person associated with or employed by an Options Participant, with respect to any Rule violation listed in paragraph (d) of this Rule. Any fine imposed pursuant to this Rule that (i) does not exceed \$2,500 and (ii) is not contested, shall be reported on a periodic basis, except as may otherwise be required by Rule 19d-1 under the Exchange Act or by any other regulatory authority. The Exchange is not required to impose a fine pursuant to this Rule with respect to the violation of any Rule included herein, and the Exchange may, whenever it determines that any violation is not minor in nature, proceed under Rules 12030 or 12040, rather than under this Rule.
- (b) *Notice.* Any person against whom a fine is imposed under this Rule (the “Subject”) shall be served with a written statement setting forth (i) the Rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than thirty (30) calendar days after the date of service of such written statement.
- (c) *Review.* A Subject may contest the Exchange’s determination by filing with the Office of the Secretary of the Exchange a written answer as provided in Rule 12050 on or before the date such fine must be paid.
- (1) Upon the receipt of an answer by the Exchange the matter becomes subject to review by the Hearing Committee, or a subcommittee thereof consisting of at least three (3) members of the Hearing Committee.
 - (2) The answer must include a request for a hearing, if a hearing is desired. Formal rules of evidence shall not apply to hearings conducted by the

Hearing Committee under this Rule. The Hearing Committee shall determine the time and place of the hearing and make all determinations with regard to procedural or evidentiary matters, as well as prescribe the time within which all documents or written materials must be submitted. The regulatory staff and the Subject may present evidence and produce witnesses who shall testify under oath and are subject to being questioned by the Hearing Committee and the other party. No Options Participant or person associated with an Options Participant shall refuse to furnish relevant testimony, documentary materials or other information requested by the Hearing Committee during the course of the hearing. The Subject is entitled to be represented by counsel who may participate fully in the hearing.

- (3) If a hearing is not requested, the review will be based on written submissions and will be conducted in a manner to be determined by the Hearing Committee.
 - (4) If, after a hearing or review based on written submissions, the Hearing Committee determines that the Subject is guilty of the rule violation(s) alleged, the Committee may impose any one or more of the disciplinary sanctions authorized by the Exchange's By-Laws and Rules. Unless the sole disciplinary sanction imposed by the Committee for such rule violation(s) is a fine that is less than the total fine initially imposed by the Exchange for the subject violation(s), the person charged shall pay a forum fee in the amount of \$100 if the determination was reached without a hearing and \$300 if a hearing was conducted.
 - (5) The regulatory staff, the Subject or the Board on its own motion may require a review by the Board of any determination by the Hearing Committee under this Rule by proceeding in the manner described in Rule 12100.
 - (6) In the event that a fine imposed pursuant to this Rule is subsequently upheld by the Hearing Committee or, if applicable, on appeal to the Board, such fine, plus all interest that has accrued thereon since the fine was due and any forum fee imposed pursuant to subparagraph (4) above, shall be immediately payable.
- (d) *Violations Subject to Fines.* The following is a list of the rule violations subject to, and the applicable sanctions that may be imposed by the Exchange pursuant to, this Rule:
- (1) Position Limits (Rule 3120). Violations of Rule 3120 shall be subject to fines as follows:

Number of Violations* Within Any Rolling 24-Month Period	Sanction
First Offense	\$500
Second Offense	\$1,000
Third Offense	\$2,500
Fourth and Each Subsequent Offense	\$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.**

- (2) Focus Reports (Rule 10030). Each Options Participant shall file with the Exchange a report of financial condition on SEC Form X-1 7A-5 as required by Rule 17a-10 under the Exchange Act. Any Options Participant who fails to file in a timely manner such report of financial condition pursuant to Exchange Act Rule 17a-10 shall be subject to the following fines:

Calendar Days Late	Sanction
1 to 30	\$200
31 to 60	\$400
61 to 90	\$800
90 or more	Formal Disciplinary Action

- (3) Requests for Trade Data (Rule 10040). Any Options Participant who fails to respond within ten (10) business days to a request by the Exchange for submission of trade data shall be subject to the following fines:

Business Days Late	Sanction
1 to 9	\$200
10 to 15	\$500
16 to 30	\$1,000
Over 30	Formal Disciplinary Action

Any Options Participant who violates this Rule more than one (1) time in any calendar year shall be subject to the following fines, which fines shall be imposed in addition to any sanction imposed pursuant to the schedule above:

Number of Violations Within One Calendar Year	Sanction
2nd Offense	\$500
3rd Offense	\$1,000
4th Offense	\$2,500
Subsequent Offenses	Formal Disciplinary Action

- (4) Order Entry. Violations of Rule 7110(a) or 7150(d)-(f) regarding limitations on orders entered into the System by Order Flow Providers, as well as violations of Rule 8050(a) - (d) regarding restrictions on orders entered by Market Makers, will be subject to the fines listed below. Each paragraph of Rule 7110 subject to this Rule shall be treated separately for purposes of determining the number of cumulative violations.

Number of Violations Within One Calendar Year	Sanction
1 to 5	Letter of Caution
6 to 10	\$500
11 to 15	\$1000
16 to 20	\$2000
Over 20	Formal Disciplinary Action

- (5) Quotation Parameters (Rule 8050). Violations of Rule 8050(b)(4) regarding spread parameters for market maker quotations shall be subject to the fines listed below. For purposes of this Rule, the spread parameters in Rule 8050(b)(4) 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 ten (10) seconds of a change in the market makers bid or offer.

Number of Violations Within One Calendar Year	Sanction
1 to 10	Letter of Caution

Number of Violations Within One Calendar Year	Sanction
11 to 20	\$200
21 to 30	\$400
31 to 40	\$800
Over 40	Formal Disciplinary Action

- (6) Continuous Quotes. Violations of Rule 8050(e) 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 (6), 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.

Violations Within One Calendar Year	Sanction
1	Letter of Caution
2 or more	\$300 per day

- (7) Mandatory Systems Testing (Rule 3180). Failure to conduct or participate in the testing of computer systems, or failure to provide required reports or maintain required documentation, shall be subject to the fines listed below.

Violations Within One Calendar Year	Sanction
First Violation	\$250
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2000
Fifth Violation or more	Formal Disciplinary Action

- (8) *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 the 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.

Violations Within Any Twelve-Month Rolling Period	Sanction
First Violation	\$500
Second Violation	\$1000
Third Violation	\$2000
Fourth Violation and Thereafter	At Exchange Discretion

- (9) Contrary Exercise Advice Violations. Violations of Rule 9000(c),(d),(e), (g) and (h) are subject to the fines listed below.

Number of Violations Within Any Twenty-Four-Month Rolling Period	Individual Fine Amount	Participant Organization Fine Amount
Initial Violation	\$500	\$1000
Second Violation	\$1000	\$2500
Subsequent Violations	\$2500	\$5000

- (10) Locked and Crossed Market Violations. Violations of Rule 13030, regarding procedures to be followed in the instance of a Locked Market or a Crossed Market, are subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$250
Third Violation	\$500
Fourth Violation or More	Formal Disciplinary Action

- (11) Market Maker Assigned Activity Violations. Violations of Rule 8030(e), 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.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2500
Fifth Violation or More	Formal Disciplinary Action

- (12) Request for Quote Violations. Violations of Rule 8060(b)(ii)-(iii). in which a Market Maker must respond to a Request for Quote ("RFQ") on BOX, are subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$250
Third Violation	\$500
Fourth Violation or More	Formal Disciplinary Action

- (13) Trade-Through Violations. Violations of Rule 13020(a) regarding trade-throughs are subject to the fines listed below. Quantifiable monetary gains attributable to trade-through transactions in excess of the defined percentage may be required to be disgorged in addition to the fines noted below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$250
Third Violation	\$500
Fourth Violation or More	Formal Disciplinary Action

Rule 12150 Disciplinary Functions

The Exchange may contract with another SRO to perform some or all of the Exchange's disciplinary functions. In that event, the Exchange shall specify to what extent the Rules in this Rule 12000 Series shall govern Exchange disciplinary actions and to what extent the rules of the other SRO shall govern such actions. Notwithstanding the fact that the Exchange may contract with another SRO to perform some or all of the Exchange's disciplinary functions, the Exchange shall retain ultimate legal responsibility for and control of such functions.

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The Exchange has entered into a contract with the Financial Industry Regulatory Authority to provide professional hearing officers and to act as an agent of the Exchange with respect to the disciplinary procedures contained in this Rule 12000 Series. All of the Rules in this Rule 12000 Series shall govern Exchange disciplinary actions. Under Rule 12060(a), the professional hearing officer is designated as the Chairman of the Panel. Under Rule 12060(e), the Panel Chairman has the sole responsibility to determine the time and place of all meetings of the Panel, and make all determinations with regard to procedural or evidentiary matters, as well as prescribe the time within which all documents, exhibits, briefs, stipulations, notices or other written materials must be filed where such is not specified in the Rules. In the course of discharging his responsibilities hereunder, the professional hearing officer shall apply the FINRA Code of Arbitration Procedure, and policies, practices and interpretations thereof, so long as the Rules in this Rule 12000 Series are not in conflict.

13000

REVIEW OF CERTAIN EXCHANGE ACTIONS

Rule 13000 Scope of Series

This Rule 13000 Series provides the procedure for persons economically aggrieved by any of the following Exchange actions to apply for an opportunity to be heard and to have the action reviewed. These actions include, but are not limited to:

- (a) denial of an application to become an Options Participant;
- (b) prohibiting a person from becoming associated with an Options Participant;
- (c) limiting, suspending, or prohibiting an Options Participant's activities, functions or operations on the Exchange; or
- (d) limiting or denial of access to services provided to an Options Participant pursuant to these Rules.

Rule 13010 Submission of Application to Exchange

- (a) *The Application.* A person who is aggrieved by any action of the Exchange within the scope of this Rule 13000 Series and who desires to have an opportunity to be heard with respect to such action shall file a written application within thirty (30) days after such action has been taken. The application shall state:
 - (1) the action for which review is sought;
 - (2) the specific reasons for the applicant's exception to such action;
 - (3) the relief sought; and
 - (4) whether the applicant intends to submit any documents, statements, arguments or other material in support of the application, with a description of any such materials.
- (b) *Extensions of Time to File Applications.* An application that is not filed within the time specified in paragraph (a) of this Rule shall not be considered by the Hearing Committee unless the applicant files his application within such extension of time as allowed by the Chairman of such Committee. In order to obtain an extension of time within which to file an appeal, the applicant must, within the time specified in paragraph (a) of this Rule, file an application for an extension of time within which to submit the application. Such an application for an extension will be ruled upon by the Chairman of the Hearing Committee, and

his ruling will be given in writing. Rulings on applications for extensions of time are not subject to appeal.

Rule 13020 Procedure Following Applications for Hearing

- (a) *Panel.* Applications for hearing and review shall be referred to the Hearing Committee, which shall appoint a hearing panel of no less than three (3) members of such Committee. A record of the proceedings shall be kept.
- (b) *Documents.* The panel so appointed will set a hearing date and shall be furnished with all material relevant to the proceeding at least seventy-two (72) hours prior to the date of the hearing. Each party shall have the right to inspect and copy the other party's material prior to the hearing.
- (c) *Notice.* Parties to the proceeding shall be informed of the composition of the panel at least seventy-two (72) hours prior to the scheduled hearing.

Rule 13030 Hearing

- (a) *Participants.* The parties to the hearing shall consist of the applicant and a representative of the Exchange. The Exchange representative shall present the reasons for the Exchange action that allegedly aggrieved the applicant. In addition, any other person may intervene as a party in the hearing when the other person claims an interest in the transaction that is the subject of the action and is situated so that the disposition of the action may, as a practical matter, impair or impede that person's ability to protect that interest unless it is adequately represented by existing parties. Also, the panel may, in its discretion, permit a person to intervene in the action as a party when the person's claim or defense and the main action have a common question of law or fact. The applicant is entitled to be accompanied, represented and advised by counsel at all stages of the proceeding.
- (b) *Procedure for Intervention.* Third persons seeking intervention shall serve a motion to intervene on the Secretary of the Exchange, which will be transmitted to the panel. The motion shall state the grounds therefore and shall set forth the claim or defense upon which the intervention is sought.
- (c) *Conduct of Hearing.* The panel shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the hearing. Each of the parties shall be permitted to make an opening statement, present witnesses and documentary evidence, cross-examine opposing witnesses and present closing arguments orally or in writing as determined by the panel. The panel shall also have the right to question all parties and witnesses to the proceeding and a record shall be kept. The formal rules of evidence shall not apply.

- (d) *Decision.* The hearing panel's decision shall be made in writing and shall be sent to the parties to the proceedings. Such decision shall contain the reasons supporting the conclusions of the panel.

Rule 13040 Review

- (a) *Petition.* The decision of the hearing panel made pursuant to Rule 13030 becomes final following thirty (30) calendar days after issuance unless the applicant, the Chief Executive of the Exchange or his designee, or the Board on its own motion, petition(s) for review of the decision by the Board. Such petition shall be in writing and shall specify the findings and conclusions to which exceptions are taken together with the reasons for such exceptions. Any objection to a decision not specified by written exception shall be considered to have been abandoned and may be disregarded. Parties may petition to submit a written argument to the Board and may request an opportunity to make an oral argument before the Board. The Board, or a committee of the Board, will have sole discretion to grant or deny either request.
- (b) *Conduct of Review.* The review shall be conducted by the Board or a Committee of the Board composed of at least three (3) Directors. Any Director who participated in a matter before it was appealed to the Board shall not participate in any review action by the Board concerning that matter. The review shall be made upon the record and shall be made after such further proceedings, if any, as the Board or its designated committee may order. An applicant shall be given notice of and a chance to address any issues raised by the Board on its own initiative.
- (c) *Decision.* Based upon the record, the Board or its designated Committee may affirm, reverse or modify in whole or in part, the decision of the hearing panel. The decision of the Board or its designated committee shall be in writing, shall be sent to the parties to the proceeding, and shall be final.

Rule 13050 Miscellaneous Provisions

- (a) *Service of Notice.* Any notices or other documents may be served upon the applicant either personally or by leaving the same at his place of business or by deposit in the United States post office, postage prepaid via registered or certified mail addressed to the applicant at his last known business or residence address.
- (b) *Extension of Time Limits.* Any time limits imposed under this Rule 13000 Series for the submission of answers, petitions or other materials may be extended by permission of the Secretary of the Exchange. All papers and documents relating to review by the Hearing Committee, the Board or its designated committee must be submitted to the Secretary of the Exchange.

Rule 13060 Hearing and Review Functions

The Exchange may contract with another SRO to perform some or all of the functions specified in this Rule 13000 Series. In that event, the Exchange shall specify to what extent the

Rule 13000 Series shall govern review of Exchange actions and hearings under this Rule 13000 Series and to what extent the rules of the other SRO shall govern such activities. Notwithstanding the fact that the Exchange may contract with another SRO to perform some or all these functions, the Exchange shall retain ultimate legal responsibility for and control of such functions.

14000

ARBITRATION

Rule 14000 Arbitration

- (a) *General.* The Customer Code 12000 and Industry Code 13000 Series of the FINRA Manual (“FINRA Code of Arbitration Procedure”), as the same may be in effect from time to time, shall govern Exchange arbitrations except as may be specified in this Rule. Definitions in the FINRA Code of Arbitration Procedure shall have the same meaning as that prescribed therein, and procedures contained in the FINRA Code of Arbitration Procedure shall have the same application as toward Exchange arbitrations.
- (b) *Jurisdiction.* Any dispute, claim, or controversy arising out of or in connection with the Exchange business of any Options Participant or associated person of an Options Participant, including claims arising out of the employment or termination of employment of associated person(s) with any Options Participant may be arbitrated under this Rule except that except that (1) a dispute, claim, or controversy alleging employment discrimination (including a sexual harassment claim) in violation of a statute may only be arbitrated if the parties have agreed to arbitrate it after the dispute arose; and (2) any type of dispute, claim, or controversy that is not permitted to be arbitrated under the FINRA Code of Arbitration Procedure, such as class action claims, shall not be eligible for arbitration under this Rule.
- (c) *Predispute Arbitration Agreements.* The requirements of FINRA Rule 2268 shall apply to predispute arbitration agreements between Options Participants and their customers.
- (d) *Referrals.* If any matter comes to the attention of an arbitrator during and in connection with the arbitrator’s participation in a proceeding, either from the record of the proceeding or from material or communications related to the proceeding, that the arbitrator has reason to believe may constitute a violation of the Exchange’s Rules or the federal securities laws, the arbitrator may initiate a referral of the matter to the Exchange for disciplinary investigation; provided, however, that any such referral should only be initiated by an arbitrator after the matter before him has been settled or otherwise disposed of, or after an award finally disposing of the matter has been rendered pursuant to Rule 12904 or 13904 of the FINRA Code of Arbitration Procedure.
- (e) *Payment of Awards.* Any Options Participant, or person associated with an Options Participant, who fails to honor an award of arbitrators appointed in accordance with the FINRA Code of Arbitration Procedure or fails to comply with a written and executed settlement agreement obtained in connection with an

arbitration submitted for disposition pursuant to the FINRA Code of Arbitration Procedure shall be subject to disciplinary proceedings in accordance with the Rule 12000 Series.

- (f) *Other Exchange Actions.* The submission of any matter to arbitration under this Rule 12000 Series shall in no way limit or preclude any right, action or determination by the Exchange which it would otherwise be authorized to adopt, administer or enforce.

IM-14000-1

It may be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 3000 for an Options Participant or a person associated with a Participant to:

- (a) fail to comply with any injunctive order issued pursuant to the FINRA Code of Arbitration Procedure;
- (b) fail to appear or to produce any document in his possession or control as directed pursuant to provisions of the FINRA Code of Arbitration Procedure;
- (c) fail to honor an award, or comply with a written and executed settlement agreement, obtained in connection with an arbitration submitted for disposition pursuant to the (i) FINRA Code of Arbitration Procedure; (ii) procedures specified by any other self-regulatory organization; (iii) rules applicable to the arbitration of disputes before the American Arbitration Association; or (iv) rules applicable to any other dispute resolution forum selected by the parties (this shall include, but be not limited to the FINRA Code of Mediation Procedure) where timely motion has not been made to vacate or modify such award pursuant to applicable law; and
- (d) require associated persons to waive the arbitration of disputes contrary to the provisions of the FINRA Code of Arbitration Procedure.

IM-14000-2

All awards shall be honored by a cash payment to the prevailing party of the exact dollar amount stated in the award. Awards may not be honored by crediting the prevailing party's account with the dollar amount of the award, unless authorized by the express terms of the award or consented to in writing by the parties. Awards shall be honored upon receipt thereof, or within such other time period as may be prescribed by the award.

15000

ORDER PROTECTION; LOCKED AND CROSSED MARKETS

Rule 15000 Definitions

The following terms shall have the meaning specified in this Rule solely for the purpose of this Rule 15000 Series:

- (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"* 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.

Rule 15010 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.

IM-15020-1

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.

Rule 15020 Locked and Crossed Markets

- (a) *Prohibition.* Except for Quotations that fall within the provisions of 15020(b), 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.

Rule 15030 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.

IM-15030-1

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 IM-5030-1.

IM-15030-2

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.