TO: **BOX Market Maker Participants**

FROM: **BOX Market Operations Center**

SUBJECT: **New Market Maker Protection Features**

DATE: **October 6, 2011**

BOX Options Exchange is pleased to announce the release of new features to enhance our market makers' flexibility in establishing risk control parameters to better manage their quotations and related risk. Amendments to Chapter VI, Section 15 (Automatic Quote Cancellation) are intended to provide BOX Market Makers opportunities to manage their risk from multiple executions across multiple series of an option, and assist them in managing their market risk.[1]

Pursuant to the amended Chapter VI, Section 15 of the BOX Trading Rules, Automatic Quote Cancellation permits each Market Maker to establish specific parameters for their appointed classes that, if triggered, will cause BOX to cancel the Market Maker's quotes in the specified class(es). To enable Automatic Quote Cancellation, a Market Maker must send a message to BOX (via their Sail "BD – Bulk Quote Data" message) setting forth the parameters the Market Maker would like to establish. Note that unless enabled, Automatic Quote Cancellation is disabled for all options classes.

The new features will allow a Market Maker to establish triggering parameters for when the Market Maker, during a specified time period, trades:
  (a) A specified number of contracts in the aggregate across all series of an options class (Maximum Total Volume);
  (b) A specified absolute dollar value of contracts bought and sold in a class (Maximum Total Value);
  (c) 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 (Maximum Delta Volume); or
  (d) 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 (Maximum Delta Value).

The specified time period will begin for an options class when a transaction occurs in any series in the selected class. When a Market Maker has traded the value or volume of an options class as specified in the Automatic Quote Cancellation enabling message, during the specified time period, BOX will cancel such Market Maker's quotes in all series of the specified options class(es).

Note: Market Makers who do not wish to use these new features are not required to make any changes. These features will not relieve a Market Maker of its obligations to provide continuous, two-sided quotes under Chapter VI, Section 6 of the BOX Trading Rules. These protections are enabled only during continuous trading, although trades executed during the opening are considered in calculating the various protection

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[1] See BOX Rule Filing SR-BX-2011-050, filed July 28, 2011, by NASDAQ OMX BX.

counters. Only trades involving the Market Maker quotes are considered. If a parameter is set to zero, then the related protection is disabled. The Standard and Advanced Market Maker Protection mechanisms set forth in Chapter VI, Section 12 and Section 13 of the BOX Trading Rules, respectively, remain unchanged.

Technical Details

Time Interval Parameter
Represents the maximum number of seconds between two trades before the protection counters are reset. If this parameter is set to zero, then all related protections are disabled.

Counter Reset Criteria
Each protection counter is reset to zero when one of the following events occurs:
- Number of seconds between two trades involving a Market Maker's quotes is greater than the time interval specified (Time Interval Parameter).
- A new SAIL "BD-Bulk Quote Data" message is received from the Market Maker.
- One of the Market Maker protection parameters is triggered.

Technical SAIL Impacts

These new features require Participants to use the SAIL protocol version "**A5**". All changes described in this notice refer to this protocol version.

IMPORTANT: Participants interested in supporting the new features included in the SAIL protocol version "A5" will need to incorporate the changes implemented in the SAIL protocol versions "A1" and "A2" as described in the following Notices:
- **Technical Notice 08-006: Make or Take Flag in the Execution Message**
- **Technical Notice 08-042: Addendum — Make or Take Flag in the Execution Message**
- **Informational Circular 2011-007: New Solicitation and Facilitation Auctions for Block Trades**

The SAIL message type "BD – Bulk Quote Data" is modified to support the new Market Maker Protection mechanism. The new structure is expanded from 108 to 148 bytes and is defined as the following:

BD – Bulk Quote Data		
Field Name	**Field Type**	**Comment**
Incoming Message Header		No change
Group	Group ID	No change
Clearing Data	Clearing Data	No change
Owner Data	Owner Data	No change
Filler	String (2)	No change
Filler	String (8)	No change
Filler	String (2)	No change
Calculation Time Interval	**Numeric (8)**	**New field**
Maximum Total Volume	**Quantity**	**New field**
Maximum Total Value	**Numeric (8)**	**New field**
Maximum Delta Volume	**Quantity**	**New field**
Maximum Delta Value	**Numeric (8)**	**New field**

The field "Type of Cancellation" in the message type "NP – Cancellation of all Quotes Notice" now accepts the following new values:

NP – Cancellation of all Quotes Notice		
Field Name	**Field Type**	**Comment**
Type of Cancellation	Enum	**New values are in bold**: **S: Cancelled by the System** **M: Cancelled by the BOX Market Operations Center (MOC)** **A: Cancelled by the Trader** **P: MMP – Max number of trades has been reached** **T: MMP - Max Volume has been reached** **R: MMP - Max Value has been reached** **N: MMP - Max Delta Volume has been reached** **V: MMP - Max Delta Value has been reached** **W: Cancel Pending** (This W value will be implemented at a future date and will be used when quotes in certain instruments or classes in a reserve state may not be cancelled immediately Once the quotes are cancelled another "NP" SAIL message with "Type of Cancellation" = "A", "M" or "I" will be sent.) I: Eliminated On Disconnect **Value not supported anymore**: Q: Cancel Quotes (replaced by the value "A")

The field "Status" in the message type "NZ – Order Cancellation Notice" now accepts the following new values:

NZ – Order Cancellation Notice (by system)		
Field Name	**Field Type**	**Comment**
Status	Status	**New values:** **M: Cancelled by the BOX Market Operations Center (MOC)** **W: Cancel Pending** (As explained above, this W value will be implemented at a future date.)

Additional Information – W: Cancel Pending
When a Participant receives a "NP" SAIL message with the "Type of Cancellation" set to "W" (Cancel Pending), that message will be followed by a "NE – Excluded Instruments Notice" message indicating which instrument(s) still has (have) active quotes. When the quotes are later cancelled, another "NP" message will be issued to notify the Participant.

The format of SAIL "NE – Excluded Instruments Notice" message will be as follows:

NE – Excluded Instrument Notice

Field Name	Field Type	Comment
Outgoing Message Header		
Group	Group ID	No change
Filler		No change
Trader	Trader ID	No change
Filler	String (2)	No change
NbInstrument	Numeric (4)	No change
Instrument	Instrument ID	No change

Testing

Participants are invited to test these new features in the BOX Test environment at their convenience.

Contact

Please contact the Market Operations Center at (866) 768-8845 or by e-mail at BOXMOC@bostonoptions.com should you require additional information.