TO: **BOX Participants**

FROM: **BOX Market Operations Center**

SUBJECT: **Participant Trade Prevention Feature**

DATE: **October 13, 2011**

BOX Options Exchange is pleased to announce the release of a new voluntary functionality that allows Participants to prevent their Market Maker or proprietary broker-dealer orders entered on BOX from trading with quotes or orders that were resting on the BOX Book and originated from the same BOX Options Participant.[1] This new optional feature will be available to all BOX Participants on _Monday, October 31, 2011_.

Note: Participants who do not wish to use this new feature are not required to make any changes. BOX Options Participants interested in activating this trade prevention functionality must submit a written request to the BOX Market Operations Center at boxmoc@bostonoptions.com.

If the trade prevention configuration is activated for a BOX Options Participant, BOX will execute an incoming order against eligible trading interest of other market participants, in price/time priority, up to the point where the incoming Market Maker or proprietary broker-dealer order would interact with a resting Market Maker quote or order, or proprietary broker-dealer order originating from the same Firm ID and thereupon immediately cancel any remaining portion of the incoming Market Maker or proprietary broker-dealer order back to its entering party. This functionality does not prevent any Market Maker quote or order, or any proprietary broker-dealer order from executing against any Public Customer order. Accordingly, Public Customer orders will continue to be processed in price/time priority and will not be affected by this functionality.

The trade prevention functionality is designed to assist market participants in reducing execution fees potentially resulting from the interaction of executable buy and sell proprietary trading interest from the same firm. Additionally, BOX notes that offering this trade prevention functionality may streamline certain regulatory functions for the Exchange by reducing false positive results that may occur on wash trading surveillance reports when quotes or orders are executed under the same Firm ID. Note that the functionality does not relieve a BOX Options Participant from any obligation to comply with the BOX Rules related to order entry or otherwise.

This trade prevention functionality will not apply to the following:
- Directed Orders for which a Guaranteed Directed Order is available.
- Inbound ISO orders.
- Orders in Auction Transactions (PIP, Solicitation, Facilitation).
- Orders for account types other than Market Maker or Broker-Dealer.
- Incoming quotes.
- During the market opening match process.

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[1] See Securities Exchange Act Release No. 65447 (September 30, 2011) (SR-BX-2011-067).

Technical Details

The trade prevention functionality will apply across a BOX Participant ID (Ex.: BOX999). Participants wishing to use this feature are invited to contact the BOX Market Operation Center (MOC) to have their BOX Participant ID configured. Orders and quotes from Participants not configured will continue to trade together.

SAIL
SAIL Participants will need to use the protocol "**A5**" in order to receive the new "Order Status" value "R" when an order is eliminated by this restriction. Participants using a prior version of the protocol will receive the generic "Order Status" value "E: The order has been eliminated by the trading system".

IMPORTANT: Participants interested in supporting the new features included in the SAIL protocol version "A5" will need to incorporate the changes described in Informational Circular 2011-010: New Market Maker Protection Features.

Incoming Events	Scenario	SAIL Response
OE–Order Entry	Order is eliminated	KE–Order Acknowledgment, Status = R
OE-Order Entry	Order is partially executed and the remaining is eliminated	NT–Execution Notice NZ–Order Cancellation Notice, Status = R
OM–Order Modification	Order is modified and then eliminated	KM–Order Modification Acknowledgment, Status = R

FIX
FIX Participants will need to contact the BOX MOC to have their connection configured to receive the new 39-OrdStatus value ("R") associated with this new feature. If not, they will receive the generic value "4: Canceled".

Incoming Events	Scenario	SAIL Response
D–New Order Single	Order is eliminated	8–Execution Report, 39-OrdStatus = T
D–New Order Single	Order is partially executed and the remaining is eliminated	8–Execution Report, 39-OrdStatus = 1 8–Execution Report, 39-OrdStatus = T
G–Order Cancel/Replace	Order is modified and then eliminated	8–Execution Report, 39-OrdStatus = T

Testing
Participants are invited to test this new feature 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.