Regulatory Circular	RC-2015-21

TO: **BOX Options Participants**

FROM: **BOX Regulation**

SUBJECT **Professional Orders**

DATE: **September 24, 2015**

Background

BOX Participants are reminded that BOX Rule 100(a)(50) defines Professional as a "person or entity that (i) is not a Broker/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)."[1]

Pursuant to IC-2011-003, Participants are required to review their Public Customers' activity on at least a quarterly basis to determine whether orders that are not for the account of a Broker/Dealer should be represented as Public Customer or Professional.[2] Orders for any Public Customer that had an average of more than 390 orders per day during any calendar month (within the review period) must be represented as Professional for the next calendar month.

Calculating Professional Orders

The following is a summary of the requirements for determining the designation of Public Customer orders as Professional orders on the Exchanges:

- The average of 390 orders per day during a calendar month applies to orders entered on all options exchanges

- Except as noted below, all order types are counted as a single order

- Complex Orders count as a single order

- Any order that cancels and replaces an existing order should be counted as a new order, with the exception of "single-strike algorithms" set forth below (note that a cancel message itself is not considered an order)

---

[1] BOX Rule 100(a)(51) defines Public Customer as a "person that is not a broker or dealer in securities."

[2] See IC-2011-003

- Counting of "Parent"/"Child" Orders:
  - A single "parent" order that is broken up by either a Public Customer-side algorithm or an algorithm at a broker-dealer into multiple "child" orders <u>should be counted as one order per side (buy/sell) and series</u>
    - Each side and series may be counted as a single order even if orders for that side and series are routed across multiple exchanges
    - An order that cancels and replaces any "child" order resulting from a "parent" order that generates "child" orders in multiple sides/series should be counted as a new order
  - A "parent" order that is broken up by either a Public Customer-side algorithm or an algorithm at a broker-dealer into multiple "child" orders, on the same side of the market and for the same option contract (a "single-strike algorithm"), may be counted as a single order, even if the orders are routed across multiple exchanges
    - An order that cancels and replaces any "child" order resulting from a "parent" order that is broken up by such a "single-strike algorithm" need not be counted as a new order

Implementation

BOX Participants are required to review their Public Customers' activity on at least a quarterly basis to determine whether orders should be represented as Public Customer or Professional. Accordingly, Participants are expected to conduct their firm's review of Q4 2015 activity compliant with the requirements outlined in this circular. Any changes to Professional designations should be made within five days after the review period, but no later than January 5, 2016.

Contacts
Please review the information provided herein. If you have any questions regarding this information, please contact BOX Regulation at BOXMRC@BOXregulation.com.