



BOXSM
REGULATION

Regulatory Circular

RC-2017-17

TO: BOX Options Participants
FROM: BOX Regulation
SUBJECT: Order Protection Rules in Open Outcry Trading
DATE: September 29, 2017

BOX Regulation is issuing this circular to remind Participants of the rules that must be followed when trading in open outcry on the BOX Trading Floor. This circular addresses rules pertaining to order protection and will cover the proper procedures that must be followed in order to help ensure compliance with these rules.

Order Protection and Trade-Through Exceptions

Participants must comply with the Exchange rules and the terms of the Options Order Protection and Locked/Crossed Market Plan ("Linkage Plan") by honoring any better-priced Protected Quotes. The Linkage Plan, as codified in the Rule 15000 Series, provides that Participants shall not effect trade-throughs of a Protected Bid or Offer (collectively, a "Protected Quote"), except pursuant to an applicable exception. A Protected Quote is defined as a bid or offer in an options series that (a) is disseminated pursuant to the OPRA Plan and (b) is the best bid or best offer, respectively, displayed by an eligible exchange.

It is the Floor Broker's responsibility to ascertain whether there are any better-priced Protected Quotes in the market at the time of execution, and whether an exemption applies. Any Participant claiming an exception to Rule 15010(a) will be expected to provide documentation that supports the applicability of the exception. Such documentation may include, but is not limited to, order history logs and quotation data.

Exceptions to Rule 15010(a) include:

- 1) Intermarket Sweep Orders ("ISO")
If the transaction that constitutes a Trade-Through is the execution of an order identified as an ISO, or the transaction that constitutes a Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute the full displayed size of any better-priced Protected Quotation.

Floor Brokers should ensure that the routing of any outbound ISOs in connection with an execution on the Trading Floor occur as contemporaneously as possible. In order to help ensure that Floor Brokers fulfill their obligation to avoid trade-throughs, an ISO should be routed to each exchange displaying a better-priced Protected Quote, for the full size of the Protected Quote, contemporaneous with the execution of the order on BOX.

Floor Brokers should note that simply sending an order to a third party router for the aggregate size of all better-priced Protected Quote(s) may not satisfy the requirements for the trade-through exemption. In order to ensure compliance with the terms of the ISO trade-through exemption, Participants should send individual ISOs, or use other means they deem appropriate to ensure that ISOs are sent for the full size of each Protected Quote, to each eligible exchange.

2) Complex Trades

If the transaction that constituted the Trade-Through was effected as a portion of a Complex Trade as defined in BOX Rule 15000(e).

Contact

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