



TO: BOX Options Participants
FROM: BOX Market Operations Center
SUBJECT: Complex Order Exposure Functionality
DATE: September 4, 2013

BOX Options Exchange will introduce a new enhancement to the exposure process for incoming **Complex Orders**¹ (*subject to SEC approval*). The new feature will give Participants the ability to expose their Complex Orders to the BOX Market in order to solicit liquidity before being booked or cancelled. This change is planned to be implemented later this year.

Note: Participants who want to use this new feature on all their Complex Orders are not required to make any change. Otherwise, they will need to modify their applications accordingly.

Overview

- For each Complex Order sent to BOX, Participants can specify if they want it exposed or not. If the Participant elects not to have the Complex Order exposed, the order will follow standard processing, the order being traded, booked or cancelled without the current exposure process.
- If no specific instruction is provided on the order, the default behavior for Complex Orders will be to expose, if possible.
- This exposure enhancement is only applies to Complex Orders. The NBBO exposure period for standard option instruments under BOX Rule 7130 remains unchanged.
- An incoming Complex Order requesting to be exposed will trade immediately what it can and any remaining quantity, if any, will be exposed.
- The exposure period will be set at 100 milliseconds.
- At the end of the exposure period, any remaining quantity of the Complex Order will be booked, if possible, or cancelled.
- A Complex Order may be cancelled at the end of the exposure period based on the Participant's initial instruction.
- Complex Orders being exposed will be broadcast through the BOX HSVF Market Data Feed.
- Complex Orders will be exposed at the following prices:

Complex Order Type	Original Complex Order Price	Exposed Price
Limit	Outside same side CNBBO ²	Will never be exposed
	Outside opposite side CNBBO or equal to opposite side CNBBO	Opposite side CNBBO

¹ See File No. SR-BOX-2013-38, filed on July 22, 2013 by BOX.

² CNBBO means the best net bid and offer price for a Complex Order Strategy based on the NBBO for the individual options components of such Strategy.

Complex Order Type	Original Complex Order Price	Exposed Price
	Inside CNBBO	Original Order Price
Market	n/a	Opposite side CNBBO
BOX-TOP	n/a	Opposite side CNBBO

Technical Details

This table describes the impact on the BOX Trading services.

BOX Services	Impacts
SAIL	<p>New value '6' in the field 'IML Handling' indicating that the Complex Order is NOT to be exposed. With any other value the order will be exposed (default).</p> <p>The field 'IML Handling' is used in following message types:</p> <ul style="list-style-type: none"> OE: Order Entry KE: Order Entry Acknowledgement OM: Order Modification KM: Order Modification Acknowledgement NT: Execution Notice NX: Execution Cancellation Notice NZ: Order Cancellation Notice KZ: Order Cancellation Acknowledgement <p>If the field 'Duration Type' is set to 'E' (Immediate Or Cancel/FAK) then the Complex Order will be cancelled back to the Participant at the end of the Exposition period.</p> <p>When Orders are exposed, Participant will receive the 'Status' set to 'P' (Exposed) in their Order Acknowledgment.</p>
FIX	<p>New value '6' in the field '7906-CombinedOrdType' indicating that the Complex Order is NOT to be exposed. With any other value or if not provided the order will be exposed (default).</p> <p>The field '7906-CombinedOrdType' is used in the following message types:</p> <ul style="list-style-type: none"> D: New Single/Complex Order G: Cancel/ Replace Single/ Complex Order Request 8: Execution Report AB: New Multi-Leg Order AC: Cancel/ Replace Multi-Leg Order <p>If the field '59-TimeInForce' is set to '3' (Immediate Or Cancel), then the Complex Order will be cancelled back to the Participant at the end of the Exposition period.</p> <p>When Orders are exposed, Participant will receive the '39-OrdStatus' set to 'P'(Exposed) in their Execution Report.</p>
HSVF	<p>No direct impact. Notifications on Exposed Complex Order will use the same message types as for the current Exposition mechanism on Complex orders (message types: 'OS' and 'TS')</p>

BOX Services	Impacts
End Of Day Trade Report	New field 'ExposedSide' added at the end of the report to indicate if the trade results from the Complex Order expose mechanism, or if the trade results from an exposed order of a regular option instrument. This field will be populated with one of the following values: "Exposed" "OppositeExposed" "NotExposed"

Scenarios

The following table details different scenarios based on a Participant's instruction.

Scenario	Processing Sequence
Complex Order received with no specific instruction about exposure. Order is not FAK/IOC.	1. Order trades (if executable) 2. Exposure starts (if any remaining unexecuted quantity) 3. Order can trade with incoming new order 4. Exposure ends 5. Order books if any remaining unexecuted quantity
Complex Order received with no specific instruction about exposure. Order is FAK/IOC.	1. Order trades (if executable) 2. Exposure starts (if any remaining unexecuted quantity) 3. Order can trade with incoming new order 4. Exposure ends 5. Order cancel s if any remaining unexecuted quantity
Complex Order received requesting to NOT be exposed. Order is not FAK/IOC.	1. Order trades (if executable) 2. Order books if any remaining unexecuted quantity
Complex Order received requesting to NOT be exposed. Order is FAK/IOC.	1. Order trades (if executable) 2. Order cancel s if any remaining unexecuted quantity

Contact

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