



BOXSM
REGULATION

Regulatory Circular

RC-2017-13

TO: BOX Options Participants
FROM: BOX Regulation
SUBJECT: Trading Floor Violations Under the MRVP
DATE: August 3, 2017

In conjunction with the upcoming launch of open outcry trading¹, BOX Options Exchange (“BOX”) recently filed to amend Rule 12140 (Minor Rule Violation Plan) to adopt violations and sanctions applicable to the BOX Trading Floor.²

The following sanctions for violations specific to the Trading Floor will apply:

(1) General Responsibilities of Floor Brokers (Rule 7570). A Floor Broker who, when handling an order, fails to use due diligence to cause the order to be executed at the best price or prices available to him in accordance with the Rules of the Exchange shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$500
Second Occurrence	\$1,000
Third Occurrence	\$2,000
Subsequent Occurrences	Formal Disciplinary Action

(2) Failure to Properly Record Orders (Rule 7580(e)). Any Floor Participant who fails to comply with the order format and system entry requirements on the Trading Floor shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$500

¹ See [SR-BOX-2016-48 Amendment 2](#).

² See [SR-BOX-2017-26](#).

Second Occurrence	\$1,000
Third Occurrence	\$2,000
Subsequent Occurrences	Formal Disciplinary Action

(3) Failure to Properly Execute a QOO Order (Rule 7600). Any Floor Participant who fails to properly execute a QOO Order shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$500
Second Occurrence	\$1,000
Third Occurrence	\$2,000
Subsequent Occurrences	Formal Disciplinary Action

(4) Responsibility to Make a Market (Rule 8510(c)(2)). Any Floor Market Maker who fails to respond to any request for quote by a Floor Broker or Options Exchange Official shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$500
Second Occurrence	\$1,000
Third Occurrence	\$2,000
Subsequent Occurrences	Formal Disciplinary Action

(5) Trading Conduct and Order & Decorum on the Trading Floor (Rules 2120(b)-(d)). Violations of Rule 2120 related to Trading Floor Conduct and decorum shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$250
Second Occurrence	\$500
Third Occurrence	\$1,000
Subsequent Occurrences	Formal Disciplinary Action

(6) Discretionary Transactions (Rule 7590). Violations of Rule 7590 regarding Discretionary Transactions shall be subject to the following fine:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$250

Second Occurrence	\$500
Third Occurrence	\$1,000
Subsequent Occurrences	Formal Disciplinary Action

(7) Floor Participant Not Available to Reconcile an Uncompared Trade (Rule 8530). Violations of Rule 8530 regarding the resolution of uncompared trades shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$500
Second Occurrence	\$1,000
Third Occurrence	\$2,000
Subsequent Occurrences	Formal Disciplinary Action

(8) Floor Participant Communications and Equipment (Rule 7660). Violations of Rule 7660 regarding Floor Participant Communications and Equipment shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$250
Second Occurrence	\$500
Third Occurrence	\$1,000
Subsequent Occurrences	Formal Disciplinary Action

(9) Improper Vocalization of a Trade (Rule 100(b)(5)). Violations of Rule 100(b)(5) regarding the requirements for public outcry shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$250
Second Occurrence	\$500
Third Occurrence	\$1,000
Subsequent Occurrences	Formal Disciplinary Action

(10) Floor Market Maker Failure to Comply with Quotation Requirements (Rule 8510(c)). Violations of Rule 8510(c) regarding a Floor Market Maker's Obligations Continuous Open Outcry Quoting shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	Letter of Caution
Second Occurrence	\$250
Third Occurrence	\$500
Subsequent Occurrences	Formal Disciplinary Action

(11) Floor Market Maker Quote Spread Parameters (Rule 8510(d)(1)). Violations of Rule 8510(d)(1) regarding legal bid/ask differential requirements shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	Letter of Caution
Second Occurrence	\$250
Third Occurrence	\$500
Subsequent Occurrences	Formal Disciplinary Action

(12) Floor Broker Failure to Honor the Priority of Bids and Offers (Rule 7610(d)). Violations of Rule 7610(d) regarding a Floor Broker's obligations in determining Time Priority Sequence shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$500
Second Occurrence	\$1,000
Third Occurrence	\$2,000
Subsequent Occurrences	Formal Disciplinary Action

(13) Floor Broker Dealer Failure to Identify a Broker Dealer Order (IM-7580-2). Violations of IM-7580-2 regarding a Floor Broker's responsibility to identify its orders shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Occurrence	\$250
Second Occurrence	\$500
Third Occurrence	\$1,000
Subsequent Occurrences	Formal Disciplinary Action

The Exchange will continue to conduct surveillance with due diligence and make a determination based on its findings, on a case-by-case basis, whether a fine of more or less than the recommended amount is appropriate for a violation under the MRVP or whether a violation requires a formal disciplinary action.

Please see [SR-BOX-2017-26](#) for a complete description of the violations and sanctions applicable to the BOX Trading Floor.

Contact

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