TO: BOX Participants

FROM: Participant Connectivity Coordinator

SUBJECT: **Surrender Quantity in PIP**

DATE: **January 21, 2011**

The Boston Options Exchange (BOX) is pleased to announce the release of a new feature enhancing the existing Price Improvement Period (PIP) auction functionality. This new feature called "Surrender Quantity" allows Initiating participants to specify in their PIP Auction Order the number of contracts they are willing to surrender at the end of the PIP when matching allocation occurs.

This new feature will be available to all BOX participants on Monday, January 31, 2011.

Note: Participants currently using PIP who do not want to use this new feature do not have to make any changes.

Overview

- Available in both FIX and SAIL protocols.
- Available for regular PIPs, MIPs (Maximum Improvement Price) and for PIPs initiated from Directed Orders.
- To take effect, the Surrender Quantity must constitute a proportion of the initial PIP quantity that is greater than 60%. Otherwise the default minimum guaranteed quantity of 40% will apply.
- If the Surrender Quantity specified is greater than the initial PIP quantity, BOX will consider the Surrender Quantity as being the full size of the PIP.
- The Surrender Quantity value cannot be modified once set by the initiator of the PIP.
- The Surrender Quantity is not broadcasted in the HSVF market data feed.

Detailed System Changes

In a PIP auction with a Surrender Quantity defined, the PIP allocation algorithm will be the same as today with the exception that the guaranteed quantity for the Initiator of the PIP auction will be the lesser of (Initial auction Quantity – Surrender Qty) or 40% of the Initial auction Quantity.

In a MIP auction with a Surrender Quantity defined, the MIP allocation algorithm will be the same as today with the exception that the guaranteed quantity for the Initiator of the MIP auction will be the lesser of (Initial auction Qty – Surrender Qty) or 40% of remaining quantity at the last price level.

Similar to the regular PIP or MIP auction, should there be insufficient quantity available from other participants to fill the remaining size of the auction order (MBF), the Initiator of the auction with a Surrender Quantity will execute the full remaining size and therefore will be getting more quantity than requested.

Protocol	Impacted Message types	Impacted Field/Tag	Description
SAIL	OA–Auction Entry OD–Directed Order Acceptance	Additional Quantity	This field already exists in the OA message type but will be appended to the OD message type. It contains the Surrender Quantity expressed in number of contract.
	Note: SAIL message types "KI-Improvement Order Acknowledgment" (response to an OA message) and "KE-Order Acknowledgment" (response to an OD message) will not contain the "Additional Quantity" field.		
FIX	PI–PIP Initial Order 8–Execution Report	9461-AddQty	This field contains the Surrender Quantity expressed in number of contract. It will be only accepted when initiating a PIP. If it is provided when improving an existing one, the PIP message will be rejected.
	Note: FIX message type "8-Execution Report" sent for the InitO side of a PIP to acknowledge the reception of the start of a PIP (message type PI) will include the 9461-AddQty field if it was originally specified in the original PI message. FIX message type "8-Execution Report" sent for the InitO side of a PIP to acknowledge the reception of a price improvement (message type PI) will not contain the field 9461-AddQty. FIX message type "8-Execution Report" sent for the InitO side of a PIP as a trade notification will include the 9461-AddQty field if this value was originally specified in the PI message intiating the PIP auction and if no price improvement PI message was sent following the start of the PIP. Otherwise, the trade notification will not contain the 9461-AddQty field. All FIX message type "8-Execution Report" sent for the MBF side of a PIP will include the 9461-AddQty field if it was originally specified in the original PIP message.		

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.

Thank you,
BOX Participant Connectivity Coordinator