

in that PIP.<sup>66</sup> The Market Maker Prime rules apply only if the Market Maker Prime enters an Improvement Order during the PIP, these rules do not apply to the quote of the Market Maker Prime

on BOX outside of the PIP process. At the conclusion of the individual PIP, the Market Maker loses his status as Market Maker Prime. A Market Maker Prime would be determined each time a new

PIP is triggered. There is not necessarily a Market Maker Prime for each PIP.<sup>67</sup>

(F) PIP Examples

### BOX—PIP TRADE ALLOCATION EXAMPLES

Below are examples of trade allocation for orders executed through the BOX PIP. The examples cover only orders executed via the PIP—all other orders executed on BOX are allocated in strict price/time priority.

Principles regarding the PIP:

—PIP duration is 3 seconds and must begin with an OFP Primary Improvement Order at a price at least one penny better than NBBO.

—If the OFP Primary Improvement Order is at the same price level at the end of the PIP as one or more Market Makers, then the OFP's allocation is 40%.

—Allocation among Market Makers who are all at the same price level at the end of the PIP is based on time priority of their Improvement Orders during the PIP, except that a Market Maker Prime would be entitled to a minimum of one third of the total available Market Maker allocation compared to other Market Makers at the same price level.

FOR EACH EXAMPLE ..... NBBO is 2.00 bid 2.15 offer. BOX is 2.00 bid 2.15 offer at start of PIP.	Trade Allocation (# of contracts) If OFP and Market Maker Prime & 2 Other MMs Are on Parity at End of PIP (Market Maker A is Market Maker Prime).	Trade Allocation If Market Maker Prime & 2 Other MMs Are on Parity at End of PIP and There is No OFP on Parity (Market Maker A is Market Maker Prime)	Trade Allocation If 3 MMs Are on Parity and There Is No Market Maker Prime on Parity.
(NOTE: For simplicity, these examples all involve Customer sell orders, but the PIP process works the same for buys)			
1. OFP receives an order to sell 100 contracts and starts PIP with Primary Improvement Order bid of 2.01 or better. In time priority in the PIP, MMB bids 2.04 for 50 contracts, MMC bids 2.04 for 50 contracts, and MMA bids 2.04 for 50 contracts.	OFP 40 MMA 20 MMB 40 MMC 0	MMA 33 MMB 50 MMC 17	MMB 50. MMC 50. MMA 0.
2. OFP receives an order to sell 100 contracts and starts PIP with bid of 2.01 or better. In time priority in the PIP, MMB bids 2.04 for 20 contracts, MMC bids 2.04 for 30 contracts, and MMA bids 2.04 for 50 contracts.	OFP 40 MMA 20 MMB 20 MMC 20	MMA 33 MMB 20 MMC 30 MMA 17 (MMA total = 50; 33 "Prime" allocation + 17 time priority)	MMB 20. MMC 30. MMA 50.
3. OFP receives an order to sell 100 contracts and starts PIP with bid of 2.01 or better. In time priority in the PIP MMB bids 2.04 for 50 contracts, MMC bids 2.04 for 30 contracts, MMA bids 2.04 for 50 contracts.	OFP 40 MMA 20 MMB 40 MMC 0	MMA 33 MMB 50 MMC 17	MMB 50. MMC 30. MMA 20.
4. OFP receives an order to sell 100 contracts and starts PIP with bid of 2.01 or better. In time priority in the PIP MMA bids 2.04 for 50 contracts, MMB bids 2.04 for 30 contracts, MMC bids 2.04 for 50 contracts.	OFP 40 MMA 20 MMA 30 MMB 10 (MMA total = 50; 20 "Prime" allocation + 30 time priority)	MMA 33 MMA 17 MMB 30 MMC 20 (MMA total = 50; 33 "Prime" allocation + 17 time priority)	MMA 50. MMB 30. MMC 20.
5. OFP receives an order to sell 10 contracts and starts PIP with bid of 2.01 or better. In time priority in the PIP MMB bids 2.04 for 10 contracts, MMC bids 2.04 for 10 contracts, MMA bids 2.04 for 10 contracts.	OFP 4 MMA 2 MMB 4 MMC 0	MMA 3 MMB 7 MMC 0	MMB 10. MMC 0. MMA 0.
6. OFP receives an order to sell 10 contracts and starts PIP with bid of 2.01 or better. In time priority in the PIP MMA bids 2.04 for 10 contracts, MMB bids 2.04 for 10 contracts, MMC bids 2.04 for 10 contracts.	OFP 4 MMA 2 MMA 4 (MMA total = 6; 2 "Prime" allocation + 4 time priority)	MMA 3 MMA 7 (MMA total = 10; 3 "Prime" allocation + 7 time priority)	MMA 10. MMB 0. MMC 0.

<sup>66</sup> See proposed BOX Rules, Chapter V, *Doing Business on BOX*, Sec. 19, *Market Maker Prime*.

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