

Category	Ranking of classes	Number of market makers per class	OCC average daily volume (No. of contracts)
D	12–53	12	10,000 to 24,999.
E	54–106	10	5,000 to 9,999.
F	107–250	5	Less than 5,000.

The names and ranking of the 250 classes to be listed at launch are based on OCC volume.

(b) Criteria to determine firm experience. In order to ensure market quality, some appointments in each class will be allocated to “experienced” firms. The following criteria will be used as consideration to determine which market making firms qualify as experienced:

(1) The applicant has been a market maker or specialist on an organized fully automated market on a minimum of 50 classes for at least 6 months;

(2) The applicant has sufficient capital committed to its options activities to effectively support an automated market in BOX, as determined by the Exchange.

(c) Any applicant denied any privilege under the provisions of this Chapter XXXVII, including denial of acceptance as an “experienced” market maker, may appeal such decision according to the procedures set forth in Chapter XXX, Disciplining of Members, Denial of Membership.

Allocation process

Sec. 2. Subject to an applicant’s approval as an Options Participant and a Market Maker on the BOX Market, the BSE will allocate classes based on the procedures set forth in this Section 2.

The model is based on the allocation of assignments sequentially by way of two rounds. This process will ensure that all firms will get a fair share of assignments while ensuring market quality by giving some priority to experienced firms. The allocation will be controlled by the Exchange using a random lottery program (the “program”).

(a) Round 1—allocate assignments to experienced firms. In the first round, 50% of all assignments will be available for allocation to experienced firms from categories A, B, C, D and E, and 40% of assignments will be available from category F. Accordingly, a total of 871 assignments will be allocated to experienced firms. If for a given class, the number of assignments available for the first allocation is smaller than the number of assignments requested by the firms who qualify as experienced, a

lottery program will be used whereby the names of all experienced firms requesting the class will be put in a pool, and the names will be drawn one by one until the assignments available on the class for this round are exhausted.

(b) Round 2—allocate remaining assignments. All applicants will participate in this round during which a total of 1,015 assignments will be allocated. On classes where the demand is smaller than or equal to the number of assignments available for the first allocation, all firms requesting an assignment will be allocated. On classes where the demand is greater than the number of assignments available for the first allocation, the lottery program will be used whereby the names of all firms requesting the class (including experienced firms which did not receive the allocation as a result of Round 1) will be put in a pool, and the names will be drawn one by one until the assignments available on the class for this round are exhausted.

(c) Priority for subsequent assignments. In order to establish priority between applicants not having received appointments for the first allocation period, the process will continue until all the candidates have been drawn, and a waiting list has been established. This order of priority on the waiting list will be used in order to allocate new assignments as they become available within 6 months following the launch date, or if a selected market maker decides to withdraw.

Initial Class Allocation Process Deposit

Sec. 3. In order to ensure that applicants are not overbidding to maximize the number of posts they will be allocated in the initial allocation and to ensure their commitment to make market on their requested assignments, a deposit will be required from each market-making firm immediately prior to the allocation lottery. The funds received from each market making firm will be deposited into a separate account maintained by the Exchange specifically for this purpose. Commencing on the launch date of the proposed BOX, deposits for those

assignments that become live (i.e. available for a market maker to trade on BOX) will be released to BOX and be: (a) nonrefundable, (b) considered as pre-paid fees, and (c) credited against applicant’s BOX account to offset trading, technology and other related fees and charges. Before any class becomes live for a particular market maker, if the applicant notifies the Exchange that the applicant wishes to drop any allocated classes, the BSE will refund 50% of the related deposit. If an applicant does not receive an allocation in any requested class as a result of the initial allocation process, the deposit for those classes not allocated will be refunded to the applicant within fifteen (15) days of the date of the allocation process.

The deposit required for each class will be determined based on the ranking of the class, as categorized in Section 1 of this Chapter XXXVII, as follows:

Category A—\$45,000 per class

Category B—\$9,000 per class

Category C—\$6,000 per class

Category D—\$2,250 per class

Category E—\$750 per class

Category F—\$300 per class.

Expiration

Sec. 4. The Allocation Process set forth in Sections 1–3 of this Chapter XXXVII, will expire no later than six months beyond the initial launch date of the proposed BOX market.

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II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.