

Book pursuant to subparagraphs (c)(ii) and (iii).

2. Upon receipt of the Directed Order, the Trading Host will execute the Directed Order against any matching orders on the BOX Book, except the order of the Market Maker who submitted the Directed Order.

3. If there is any quantity remaining of the Directed Order, then BOX will send to all BOX Participants a Directed Order Broadcast ("DOB") message indicating the side (buy/sell), remaining size, and guaranteed price of the Directed Order. For the following three seconds, any BOX Participant, except the Market Maker who submitted the Directed Order, may submit an order to the BOX Book in response to the DOB. Such a DOB response order will be treated as a BOX Limit Order.

4. During the three-second period following the DOB, any order submitted to the BOX Book that matches an order already on the BOX Book will be executed. Three seconds after the DOB, the Trading Host will release the remaining quantity of the Directed Order to the BOX Book. At that time, the Trading Host will immediately execute any orders on the BOX Book against the Directed Order on a price-time priority basis. The GDO shall yield priority to all such competing orders at the same price. Any remaining quantity of the Directed Order will be filtered against trading through the NBBO according to the procedures set forth in Chapter V, Section 16(b) of these Rules and, if applicable, placed on the BOX Book.

*Proposed Chapter VI, Section 6(b) and (f)*—BOX Market Makers undertake a meaningful obligation to provide continuous two-sided markets. These obligations include the requirement that quotations be for a size of at least ten contracts, and within the legal width of the market. Under the amendments to the proposed rules, a Market Maker must respond to a Request for Quote ("RFQ") message within fifteen seconds, with a similarly valid quotation. The Exchange believes that this fifteen-second period is ample time for a Market Maker to respond in an automated market, particularly given other BOX features, such as the PIP, which require a much shorter response time. Nevertheless, realizing that an RFQ may require a Market Maker to furnish a quote where he might not otherwise choose to, the BSE is proposing that fifteen seconds is a sufficient amount of time in which to enable a Market Maker to generate a meaningful quotation response. Although the BSE is confident that it has provided a marketplace, which will be robust and liquid, the delineated

responsibilities added to this section will serve to guarantee that Market Makers provide liquidity to the market, and do so on a continuous basis.

The added language to Section 6(b) is set forth as follows:

ii. If a Market Maker is not already posting a valid (*i.e.* for ten contracts, within the legal width of the market, as applicable) two-sided quote in a series in a class in which he is appointed as Market Maker, he must post a valid two-sided quote within fifteen (15) seconds of receiving any RFQ message issued. The valid two-sided quote so posted must be retained by the Market Maker for at least thirty (30) seconds.

iii. Every RFQ message issued, and every responsive quote, must be for a minimum size of at least ten contracts, and must be within the legal width of the market, as applicable.

In paragraph (f) the BSE has changed the time period to six months for which the Board would have exemptive authority to grant Market Makers exemptions from the requirements of paragraph (e)(iii) of this Section 6.

*Proposed Chapter VIII, Section 7*—The BSE has added anti-money laundering provisions similar to the rules in place on other exchanges.

*Proposed Chapter XI*—To clarify that OFPs, as opposed to Options Participants generally, are the only types of Participants that can deal directly with the public, the BSE has changed the references to "Options Participants" to "OFPs" throughout Chapter XI, "Doing Business with the Public."

*Proposed Chapter XII*—As with all options exchanges, the BSE is adding Intermarket Linkage Rules to the BOX Rules. These rules are substantially similar to the rules in place on all of the options exchanges. Several Comment Letters expressed concern regarding BOX's participation in the Intermarket Linkage Plan. Subject to Commission approval, BOX, through the BSE, would become a full participant in the Intermarket Linkage Plan ("Linkage" or "Plan") for the options markets. As such, BSE would comply with the obligations of the Plan and has added Intermarket Linkage Rules to the BOX Rules. The following is an overview of how the BOX Market would interact in the Plan and is not intended to be a comprehensive discussion of how the proposed Intermarket Linkage Rules of Chapter XII of the BOX Rules<sup>12</sup> apply to Options Participants:

*Principal ("P") Orders Sent From BOX to Away Markets.* A BOX Eligible

Market Maker ("BEMM")<sup>13</sup> may submit a P order to the BOX trading engine for routing to one or more away markets provided the following conditions are satisfied:

- The BEMM is a BOX Market Maker on the class for which the P order is submitted.

- The BEMM has complied with the Plan's "80/20 rule" for the previous calendar quarter.

- Prior to sending the P order, the BEMM is posting a bid and an offer for at least ten contracts within the allowable price spread for the class.

Provided the above conditions are met, the BOX trading engine would automatically route the BEMM's P order to the designated exchange and transmit back any responses (*e.g.*, order executions, rejections) that BOX receives from the away market via OCC.

*P Orders Sent From Away Markets to BOX.* Orders sent to BOX by Eligible Market Makers (as set forth in the Plan) from away exchanges via the Linkage are processed as though they were orders received directly from a BOX Participant. That is, these orders would execute automatically on the BOX trading engine against any orders on the BOX Book up to either the quantity on the BOX Book at that price or the actual quantity of the P order, whichever is less, but in no event for less than ten contracts. BOX would automatically attempt to fill any remaining quantity by exposing the unexecuted portion at the NBBO for three seconds to all BOX Participants.

*Principal-as-Agent ("PA") Orders Sent From BOX to Away Markets.* To ensure that there is an Eligible Market Maker per Eligible Class (as those terms are defined in the Plan) for the submission of PA and Satisfaction orders to away markets, BOX would specifically designate a BEMM in each Eligible Class traded on BOX responsible for such orders. The BEMM would adhere to the responsibilities of an Eligible Market Maker as set forth in the Plan.

Only orders submitted by BOX Participants on behalf of Public Customer accounts may generate a PA order. Each Public Customer order is checked against the NBBO using BOX's trade-through filter mechanism as set forth in chapter V, section 16(b) (described above). If BOX is not matching the away best price, the order is exposed to BOX Participants for three seconds at the NBBO price.

At the end of this three-second period, if the order is not fully executed

<sup>12</sup> See Proposed BOX Rules, Chapter XII (Intermarket Linkage Rules).

<sup>13</sup> A BOX Market Maker who meets the requirements of an Eligible Market Maker as set forth in the Plan.