



**Boston Options Exchange Regulation LLC
Regulatory Circular 2005-03**

TO: BOX Participants

FROM: BOX Regulation LLC

DATE: May 6, 2005

SUBJECT: PIP Amendment – Eliminating Certain Restrictions

On May 3, 2005, the SEC approved SR-BSE 2005-1, amending Chapter V, Section 18 of BOX Rules which pertain to BOX's Price Improvement Period ("PIP") Process. The Rule amendment eliminates certain restrictions on the ability of Order Flow Providers, Market Makers, and Public Customers to participate in the PIP. The following is a summary of the amendments that will be incorporated into BOX Rules:

1. BOX Order Flow Providers ("OFPs") may now submit "Improvement Orders" to the PIP on behalf of Public Customers through any type of instruction they wish to accept, so long as the Improvement Order is identified as a Public Customer Order when it is submitted.
2. The Rule Amendment eliminates the previous requirement that an Options Participant that is not assigned as a Market Maker in the relevant class that wishes to participate in a PIP must have an order on the BOX Book for its proprietary account equal to the best BOX price before the PIP commences (unless the participant submitted the Primary Improvement Order or holds a Customer PIP Order).
3. With the Rule Amendment, all Option Participants (except for the OFP or Market Maker that submits the relevant Primary Improvement Order to the PIP) may now submit Improvement Orders for their proprietary accounts without the above restrictions, and as such, this separate order type would no longer be necessary, eliminating all references to "PIP Proprietary Orders."

The SEC approval order may be found at: <http://www.sec.gov/rules/sro/bse/34-51651.pdf>

Please review this information with your compliance department. If you have any questions regarding the Rule Amendment, please Annah Kim at (781) 759-1420 or Bill Meehan at (781) 759-1421.