



Boston Options Exchange Regulation LLC
Regulatory Circular 2006-05

TO: BOX Participants
FROM: BOXR LLC
DATE: July 24, 2006
SUBJECT: Submission of Improvement Orders during the PIP

Chapter V, Sec. 18, (e), i-ii of the BOX rules sets forth order submission requirements during the Price Improvement Process ("PIP").

During the PIP, Order Flow Providers and Market Makers may submit competing "Improvement Orders" for their own account. Order Flow Providers may also submit Improvement Orders for the account of a Public Customer. Order Flow Providers may also provide access to the PIP on behalf of a Public Customer in the form of a CPO.

However, the Participant submitting the Primary Improvement Order is not permitted to cancel or to modify the size of its Primary Improvement Order or the PIP Order at any time during the PIP, and may modify only the price of its Primary Improvement Order by improving it. The subsequent price modifications to a Primary Improvement Order are treated as new Improvement Orders for the sake of establishing priority in the PIP process. **Such subsequent price modifications, by the Participant who submitted the Primary Improvement Order, must be sent as "InitialOrderEntry" messages, not as "ImprovementOrderEntry" messages.**

If you have any questions regarding this information contact Vincent Tarantino, Chief Regulatory Officer, BOXR, at (617) 235-2322.