



**Boston Options Exchange Regulation LLC
Regulatory Circular 2006-01**

TO: BOX Participants

FROM: BOX Regulation LLC

DATE: January 5, 2006

SUBJECT: Market Maker Quoting Obligations During Pre-Opening Phase and BOX Market Opening Procedures

Please be advised that BOX Rules have recently changed in regards to BOX Market Opening Procedures and Market Maker quoting obligations during the Pre-Opening Phase.

Market Opening Procedures BOX opening procedures has been revised to allow BOX to open a series as "promptly after the opening of the security in the primary market." This rule change eliminates the requirement to start the opening at one minute after the opening (i.e. 9:31:00) and each round minute thereafter. **BOX will make this new opening procedure effective January 6, 2006.**

Market Maker Obligations During Pre-Opening Phase A recent BOX rule change replaced the MM requirement to be quoting a minute preceding the scheduled opening of the market to require Market Makers to be quoting at the opening of the market for the underlying security. This change requires Market Makers to start quoting only when the underlying security has opened in the primary market eliminating the requirement for Market Makers to quote prior to having information provided by the opening of the underlying security in the primary market. However, Market Makers are still allowed to start quoting any option series on BOX prior to the opening of the underlying security in the primary security. This change became effective upon SEC approval of BSE-2005-49.

Please review revised Rule Chapter V, Section 9(d) and ensure that your quoting activity is within the required parameters. Please be advised that BOX Regulation LLC conducts daily reviews to surveill for each Market Marker with respect to this Rule.

Please review this information with your compliance department. If you have any questions regarding this information contact Bill Meehan at (617) 235-2321.