



**Boston Options Exchange Regulation LLC
Regulatory Circular 2008-09**

TO: BOX Participants

FROM: BOX Regulation LLC/BSE Regulatory Services

DATE: June 5, 2008

SUBJECT: Protection Mechanism on Opening of BOX Market

BOX applies a protection mechanism that delays the opening of trading in the event of unusual quoting activity in a particular series or class of options. This mechanism detects situations where price and volume suggest that unusual market conditions exist.

For the purposes of this protection mechanism only, options listed and traded on BOX are grouped into tiers or “buckets” based upon certain shared characteristics of the security underlying the options class, such as the price or security type. For a more detailed description of the protection mechanism, please refer to Section 9 of Chapter V of the BOX Rules. See also SR-BSE 2007-53 (73 FR 524).¹

SERIES LEVEL

BOX will delay the opening of an options series if a Market Maker’s quote crosses the Theoretical Opening Price (“TOP”) by more than a certain percentage (“P”) plus a certain amount (“x”) of the TOP. The current parameters for the mechanism, which are established by the Market Regulation Center (“MRC”), are as follows at the series level:

Bucket	Constant (x)	% (P)
ETF	1.50	7.50%
Price ≥ \$200	0.75	1.00%
Others	1.50	7.50%

¹ In addition, an Informational Circular was distributed to BOX Participants on December 21, 2007 notifying them of the amendment to the BOX Trading Rules which created the protection mechanism for Market Makers during the opening of the BOX Market.

CLASS LEVEL

BOX will delay the opening of an options class if during the opening match the projected trading within a class exceeds a certain number of series (“y”) or a certain amount of contracts (“z”). The current parameters for the mechanism are as follows at the class level:

Bucket	Contracts (z)	Series (y)
ETF	20,000	30
Price ≥ \$200	250	30
Others	1,500	45

Please also note that the MRC periodically evaluates and reviews these parameters and if it is appropriate will adjust the parameters. If the parameters are adjusted, participants will be notified.

The above discusses the major highlights of the protection mechanism and is not intended to be a comprehensive description of the rules regarding the opening of the BOX Market. The BOX Trading Rules may be viewed on the BOX website at www.bostonoptions.com.

Please review the information provided herein. If you have any questions regarding this information please contact Bruce Goodhue at (617) 235-2022 or Joe Dalton at (617) 235-2317.