



**Boston Options Exchange Regulation LLC
Regulatory Circular 2010-06**

TO: BOX Participants
FROM: BOX Regulation LLC
DATE: April 5, 2010
SUBJECT: Modifications to the Directed Order Process

Modifications to the Directed Order process on BOX are being implemented on April 12, 2010.¹ These modifications will result in the automation of the creation of the Guaranteed Directed Order (“GDO”) and the manner in which the quote of the Executing Participant (“EP”) is handled during the Directed Order process. A brief description of the modifications is below.

‘Quote Shelving’ and ‘GDO’

The GDO will now be automatically created by the Trading Host instead of by the EP. The Trading Host will use the shelved EP quote as the GDO. In addition, the GDO creation and the EP’s quote shelving will be moved to an earlier point in the Directed Order process. Where presently they occur only when the Directed Order is sent to the BOX Book, they will now take place immediately upon the BOX Trading Host’s receipt of the Directed Order from the submitting OFP. Once the GDO has been generated by the Trading Host, the EP will systemically be prohibited from posting a quotation. The EP’s pending quote will not be released until either (i) the Directed Order is modified by the submitting OFP; (ii) the EP PIPs the Directed Order; or (iii) the Directed Order is submitted to the BOX Book, and either one of the following occurs: (a) the Directed Order trades in full; (b) the Directed Order exposition ends; or (c) the Directed Order is modified or cancelled by the submitting OFP during such exposition.

Receipt of a subsequent Directed Order for the same EP for the same series and side of the market by the Trading Host, while a GDO is pending for said EP, will result in the subsequent Directed Order being treated as a regular order. The Trading Host will not send the subsequent Directed Order to the EP, but will immediately release it to the BOX Book as a regular order.

¹ See Securities Exchange Act Release No. 61797 (March 29, 2010), 75 FR 16891 (April 2, 2010) (SR-BX-2010-009) (Order Approving Proposed Rule Change, as Modified by Amendments No. 1 and 3 Thereto, Relating to the Directed Order Process on the Boston Options Exchange Facility).

Directed Order Exposure Period

If a GDO has been automatically generated and the Directed Order is not executable against the current NBBO when the Directed Order has been released to the BOX Book, then the Trading Host will expose the order at the better GDO price for three (3) seconds.

During the exposure period when the Directed Order is executable against the current NBBO, the EP must not decrement the size, worsen the price of his GDO or submit a contra order. Because the Trading Host has automatically created the GDO and shelved the EP's quote, it will not process such changes to the GDO or pending quote². The EP also may increase the size or better the price of his GDO. The EP may also modify his pending quote to be reestablished, but the Trading Host will not apply such modifications until the quote is reestablished.

Market Maker Quoting Obligations

When the EP's quote is shelved to establish the GDO pursuant to this Rule, such time without posting a quote for the duration of the GDO will not count towards fulfillment of the EP's Market Maker quoting obligations under Chapter VI, Section 6(d) of the BOX Rules.

This circular 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 Joe Dalton at (617) 235-2317 or Bruce Goodhue at (617) 235-2022.

² The one exception is that the Trading Host will process an update that lowers the EP's GDO quantity down to the size of the remaining Directed Order, after any executions against the BOX Book.