



BOSTON STOCK EXCHANGE

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Boston Stock Exchange Receives SEC Approval to Launch BOX: New Electronic Options Market *New Market Model Expected to Go Live the Second Half of January*

BOSTON, January 14, 2004 - The Boston Stock Exchange on January 14th received approval from the Securities and Exchange Commission (SEC) for its new electronic options market, the Boston Options Exchange (BOX). The BOX model represents a significant innovation in options trading with a market structure that operates without a trading floor, historically low-costs that eliminate barriers to trading and an electronic auction feature that guarantees customers price improvement.

"BOX offers traders a real alternative as the only options market that is truly anonymous and isn't based on whom you know or who you are, but when your order arrives at its electronic book," said Ken Leibler, Chairman and CEO of the Boston Stock Exchange and one of the founding members of BOX. "BOX has removed typical barriers to entry by eliminating seats and specialists – creating a market that is open, inexpensive and easy to interact with."

"BOX will revolutionize options trading with a new market structure and highly advanced electronic technology to create the opportunity for better prices for customers with its price improvement period (PIP)," said Thomas Peterffy, Chairman of Interactive Brokers Group and one of the founding members of BOX. "The PIP auction could save investors half a billion dollars annually," continues Peterffy. The PIP within BOX must guarantee a minimum of a penny per share price improvement; that equals 20% on the average nickel spread.

“BOX represents the best that options trading technology has to offer with the customized version of Montréal Exchange’s internationally proven trading engine (developed by ATOS-Euronext),” said Luc Bertrand, President and CEO of the Montréal Exchange and Chairman of the BOX Board. Bertrand continues, “the BOX trading platform creates faster execution and lower cost of transactions, and exceeds our expectations with its reliability, performance and scalability.”

BOX has attracted heavy hitters in the options industry as participants as well as equity partners. In addition to the equity founders of BOX – Boston Stock Exchange, Montréal Exchange and Interactive Brokers, other equity partners currently include Credit Suisse First Boston (CSFB), JPMorgan, Citigroup and UBS. “A significant part of our trading business is in options,” said Simon Yates, Head of U.S. Derivatives Sales and Training at CSFB and equity shareholder of BOX. “We were immediately attracted to BOX for its speed of trading, low cost and innovative price improvement mechanism. We are excited to be an equity partner and expect extensive use of BOX for options trading at CSFB.”

To ensure stability, reliability and safety, BOX will have a rollout of its options classes over an approximately nine-week period.

BOX offers five clear points of differentiation from the current market models:

- § Fully automated - Trading is fully automated providing the economies of straight through processing to the brokerage and trading community and ensuring extremely rapid response times. Given this technology, BOX is expected to offer the lowest execution costs.
- § Low cost barriers to entry - No equity investment is required to purchase seats on the Exchange. Market makers pay a yearly access fee. Order flow providers pay no annual access fee - trading is done on a “pay as you go” basis.
- § Open market structure - With a transparent order book, orders will be handled on a price/time priority without a specialist controlling the price. All orders are live and available to all participants with no limitations on the ability of professional or broker/dealer order to access the order book. All prices on BOX book are firm for all participants, including broker/dealers, customers and market makers.
- § Price improvement auctions - BOX includes a unique electronic mini-auction that will attract - and subject to price competition - orders that would otherwise simply be printed at the NBBO on other exchanges by a specialist. The price improvement period is of brief duration. It is entirely automated and guarantees that the customer’s interest takes precedence over all other orders during the process. Through the PIP, the end customer is guaranteed to have a price better than the NBBO.

§ Open and equal access - There will be multiple market makers in each issue, encouraging free and open competition. Any qualified participant may be a market maker in any option class. Most qualified participants are firms already subject to a U.S. market self-regulatory organization (SRO). Competing market makers are responsible for ensuring basic liquidity, and their competing with each other will encourage finer pricing and tighter spreads to the ultimate advantage of the investor.

The Boston Options Exchange Group LLC (BOX) was established in February 2002 by the Boston Stock Exchange, Inc. (BSE), Montréal Exchange, and Interactive Brokers Group LLC. BOX is an all-electronic equity derivatives market and was created as an alternative to the existing market models. To learn more about BOX, visit the website at www.bostonoptions.com.

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